



Redacted Letter of Intent Comments from Entities Served by Peak

Aug 3, 2018

ENTITY 1

In lieu of Peak's announcement and based on their declarations, *ENTITY* would provide the following comments regarding the wind down of Peak.

Reliability:

ENTITY asserts the preeminence of reliability during this period of Peak's wind down and the transition of RC services to other RC providers. Reliability must be the first consideration given to any activities that Peak undertakes throughout this transition period, and *ENTITY* is committed to working with Peak and the other Funding Parties, in accordance with the Bylaws and the Funding Agreement, to reliably effectuate the wind down of Peak and the transition of *ENTITY* to another RC services provider.

Transparency:

Although *ENTITY* is committed to work with all Funding Parties to provide the financial support needed for Peak to reliably wind down and transition RC services, Peak has not provided the requisite information *ENTITY* needs to fully evaluate the budget proposal Peak has asserted in scenario 2. Therefore, *ENTITY* requests additional detail on the funding amounts Peak has proposed for the wind down, scenario 2, for the 2019 and 2020 budgets. Perhaps, the most important part of the additional budget detail would be Peak's detailed wind down plan. An appropriately designed wind down plan will not only best explain Peak's budgetary needs, but is also essential to coordination with the Funding Parties, in accordance with the Bylaws and the Funding Agreement, to ensure reliability during this transition period.

Bylaws and the Funding Agreement:

ENTITY emphasizes the importance of transparent coordination and negotiations, as enumerated in the Bylaws and the Funding Agreement, during this wind down period.

Acquisition of PEAK to Establish Another RC Provider:

ENTITY is not aware of any *ENTITY* that has expressed an interest in acquiring Peak to continue Peak's operations beyond 2019. Therefore, coordination and negotiations with the Funding Parties, in accordance with the Bylaws and the Funding Agreement, to wind down Peak and properly dispose of the Funder's Assets held by PEAK need to proceed expeditiously. An expeditious and orderly wind down and transition of RC services to other RC providers is essential to reliability and to the proper disposition of assets.

The Appropriate Team to Coordinate and Negotiate with PEAK:

Peak indicated that “[it] is committed to work with the “CEO’s of its Funding Parties to ensure an orderly transition of RC services to any other RC providers.” Peak has initiated a Western Electricity Industry Leaders (WEIL) meeting on August 10, 2018. *ENTITY* asserts the importance of the Funding Parties’ CEOs’ commitment to a reliable and orderly transition of RC services, but emphasizes that the CEOs are not the right audience to perform the detailed coordination and negotiation for wind down. Therefore, the Funding Parties’ representatives that will coordinate and negotiate with Peak need to have the full support of their CEOs, but these representatives need to be those with the knowledge and roles needed to effectively work with Peak to effectuate a reliable and orderly transition.

ENTITY 2

ENTITY supports funding for the Peak Reliability Wind Down scenario budget to ensure that Peak has adequate funding to execute its Reliability Coordinator (RC) function regardless of the final outcome from the funding parties.

ENTITY is concerned that Peak Reliability may not be viable if sufficient entities do not choose to remain with Peak to ensure the NEL apportioned cost of TRC remains competitive with other options.

ENTITY expects to make its final decision on whether or not to remain with Peak for RC services based on input from the decision of *ENTITY*’s Balancing Authority (BA).

ENTITY 3

ENTITY’s main focus is the viability of Peak and the assurance of reliable RC operations through 12/31/19. To that end, *ENTITY* supports continued development of a Peak Wind Down budget for 2019/2020. However, in accordance with the Funding Agreement and our individual fiduciary responsibilities, there needs to be more transparency and open discussions with Peak on the details of the Wind Down plan in order for us to fully understand the planned expenditures and ensure a reliable transition. This includes details on Peak’s plan for IP, tools, coordination of staff reduction/attrition, and backfilling of critical positions. *ENTITY* is committed to support Peak in this effort and looks forward to working with Peak to ensure a smooth, reliable transition through 12/31/19 and an appropriate, efficient wind down of Peak. We value the technical expertise and tools that have been built over the years. *ENTITY* is very impressed with the operations staff, tools, operator training, processes and procedures. Operationally Peak has come a long way in providing the western interconnection with state of the art facilities in monitoring and assuring the reliability of the interconnection. It’s very evident to see the amount of work Peak has put into their operations making them a leader in reliability coordination in North America, it’s hard to watch this organization winding down at the end of 2019.

ENTITY 4

We will be working with the California ISO over the next few months to receive Reliability Coordinator services by November 2019.

ENTITY 5

ENTITY is very much appreciative of the progress and maturity that Peak has brought to reliability in the Western Interconnection since its formation in 2014. Since Peak announced on July 18, 2018 that it will cease operations at the end of 2019, *ENTITY*'s main focus is to ensure the viability of Peak through the wind down date. *ENTITY* is committed to support Peak in the wind down effort ensuring that proper funding for employee severance and retention is in place and we look forward to working with Peak to provide a smooth, reliable transition through 12/31/19.

However, in accordance with the Funding Agreement and our fiduciary responsibilities, *ENTITY* believes that there needs to be more transparency and open discussion with Peak on the detail of the wind down plan in order for us to fully understand the planned expenditures, including plans to transition tools and intellectual property so that the value Peak has built over the past years is not lost. *ENTITY* also requests that these transparent and collaborative conversations include discussion of what happens to any remaining funds after Peak has completed its wind down.

Again, *ENTITY* is much appreciative of Peak's service to reliability and looks forward to collaborating with Peak to ensure an orderly wind down.

ENTITY 6

The main focus of *ENTITY* is the viability of Peak and the assurance of reliable RC operations through 12/31/19. To that end, *ENTITY* is supportive of continued development of a Peak Wind Down budget for 2019/2020, including ensuring proper funding for employee severance and retention. *ENTITY* is committed to support Peak in this effort and looks forward to working with Peak to ensure a smooth, reliable transition through 12/31/19 and an appropriate, efficient wind down of Peak.

However, in accordance with the Funding Agreement and our individual fiduciary responsibilities, *ENTITY* believes that there needs to be more transparency and open discussion with Peak on the details of the Wind Down plan in order for us to fully understand the planned expenditures. This is highlighted by the fact that *ENTITY* is not aware of any entity that has expressed an interest in acquiring Peak in order to continue RC operations beyond 2019. Therefore, *ENTITY* believes that we need to establish a formal dialogue with Peak through a sub-group of Funding Parties.

In evaluating the Peak budget options for 2019, *ENTITY* used the following criteria to determine its best option for future RC services:

- Operational reliability
- RC service provider capabilities
- Future market opportunities
- Cost

OPERATIONAL RELIABILITY

ENTITY believes that each of the RC service providers (Peak, CAISO, and SPP) have a demonstrated capability to operate reliably. Though Peak and SPP may have a slight advantage in having more current RC experience, CAISO has past RC experience and has demonstrated reliable operations as a BA.

RC SERVICE PROVIDER CAPABILITIES

All three RC service providers have both staff and technical capabilities that can support RC operations. Based upon our involvement with the CAISO RC implementation efforts, we are satisfied that the CAISO either has, or is developing, the capabilities to perform the RC function. In addition, the CAISO is working with Peak to retain the appropriate west-wide tools for RC operations.

FUTURE MARKET OPPORTUNITIES

ENTITY believes that it makes sense in the long run to align our RC and market providers. *ENTITY* supports a phased approach for development of organized markets and believes that the current CAISO Energy Imbalance Market (EIM) and the possible Extended Day Ahead Market (EDAM) provide the type of phased approach to organized market development that meets *ENTITY*'s goals. Thus, this factored in to our decision for RC service provider.

COST

Though *ENTITY* does not view cost as the overriding factor, it is a consideration in our decision. Based upon information to date, the CAISO has provided the lowest cost estimate for providing future RC services.

ENTITY 7

ENTITY is focused on the reliable operations of the RC functions through Dec 2019 and is supportive of an appropriate budget to provide this. It would be helpful to understand from Peak how this path will be provided. We do look forward to a smooth and collaborative wind-down. If Peak does decide to create a business plan that addresses the Funding Parties' concerns with the current Peak Reliability structure, we would be open to reviewing that opportunity.

ENTITY 8

Since formed in 2014, Peak Reliability (Peak) has made significant strides in its Reliability Coordinator (RC) services, staff, processes, procedures and tools. *ENTITY* appreciates the technical expertise and robust systems that Peak has built through collaborative relationships between Funding Parties and Peak Staff.

On July 18, 2018, Peak announced that it will cease operations, effective December 31, 2019, and will therefore pursue the proposed Wind Down budget scenario. Therefore, it is evident that a Transitional RC is not an option going forward.

ENTITY was among the 24 Funding Party signatories to the letter sent to Ms. Jorden on July 9, representing a large percentage of the Funding Parties remaining in the west following the CAISO departure. *ENTITY* is very disappointed that Peak did not view the letter as an opportunity to work with the Funding Parties to establish a platform to continue to remain a viable Reliability Coordinator going forward post 2019.

That being said, *ENTITY* will support Peak's selection of the Wind Down scenario. *ENTITY*'s concern includes assurance that Peak has a smooth and orderly transition, including its ability to retain appropriate staff sufficient to continue to provide reliable RC services for the Western Interconnection, meet its contractual obligations, and offer appropriate severance packages to appropriate staff. *ENTITY* recognizes the need for Peak to work expeditiously on retention/severance packages, and in turn, *ENTITY* will work with other Funding Parties and Peak in support of the Wind Down budget at this time.

However, in accordance with the Funding Agreement, *ENTITY* respectfully requests more detail and transparency on the Wind Down plan, so that Balancing Authorities (BA) and Transmission Operators (TOP) can review and understand the planned expenditures and work together with Peak to support the orderly transition. For example, information on timing of staggered staff reductions or plans for backfill to maintain planned staffing level. *ENTITY* also requests that Wind Down collaboration include conversations to identify the outcome for any remaining funds after Peak has completed its Wind Down.

Peak has suggested that BAs and TOPs might form a new governance structure to acquire Peak's assets and staff. However, *ENTITY* does not believe there is enough time in pursuing or participating in efforts to stand up a newly restructured *ENTITY* to acquire the assets and staff, because of the high potential of risk. Rather, *ENTITY* seeks to work with the Funding Parties and Peak to arrive at appropriate funding levels over the Wind Down period, and to make the process through the transition as smooth, reliable and transparent as practicable. *ENTITY* also requests further transparency on plans to transition tools and intellectual property so the value that Peak has built over the past several years is accounted for properly.

ENTITY 9

The main focus of *ENTITY* is the viability of Peak and the assurance of reliable RC operations through 12/31/19. To that end, *ENTITY* is supportive of continued development of a Peak Wind Down budget for 2019/2020, including ensuring proper funding for employee severance and retention. *ENTITY* is committed to support Peak in this effort and looks forward to working with Peak to ensure a smooth, reliable transition through 12/31/19 and an appropriate, efficient wind down of Peak.

However, in accordance with the Funding Agreement and our individual fiduciary responsibilities, *ENTITY* believes that there needs to be more transparency and open discussion with Peak on the details of the Wind Down plan in order for us to fully understand the planned expenditures. This is highlighted by the fact that *ENTITY* is not aware of any entity that has expressed an interest in acquiring Peak in order to continue RC operations beyond 2019. Therefore, *ENTITY* believes that we need to establish a formal dialogue with Peak through a sub-group of Funding Parties.

In evaluating the Peak budget options for 2019, *ENTITY* used the following criteria to determine its best option for future RC services:

- Operational reliability
- RC service provider capabilities
- Future market opportunities
- Cost

OPERATIONAL RELIABILITY

As a result of the evaluation, *ENTITY* has decided that each of the RC service providers (Peak, CAISO, and SPP) have a demonstrated capability to operate reliably. Though Peak and SPP may have a slight advantage in having more current RC experience, CAISO has past RC experience and has demonstrated reliable operations as a BA.

RC SERVICE PROVIDER CAPABILITIES

All three RC service providers have both staff and technical capabilities that can support RC operations. Based upon our involvement with the CAISO RC implementation efforts, we are satisfied that the CAISO either has, or is developing, the capabilities to perform the RC function. In addition, the CAISO is working with Peak to retain the appropriate west-wide tools for RC operations.

FUTURE MARKET OPPORTUNITIES

ENTITY believes that it makes sense in the long run to align our RC and market providers. *ENTITY* supports a phased approach for development of organized markets and believes that the current CAISO Energy Imbalance Market (EIM) and the possible Extended Day Ahead Market (EDAM) provide the type of phased approach to organized market development that meets *ENTITY*'s goals. Thus, this factored in to our decision for RC

service provider.

COST

Though *ENTITY* does not view cost as the overriding factor, it is a consideration in our decision. Based upon information to date, the CAISO has provided the lowest cost estimate for providing future RC services.

ENTITY 10

ENTITY's decision to support TRC comes from the fact that we are planning to receive RC services from CAISO starting July 1, 2019. Therefore, we will fund our share of 2019 budget not considering the 2020 scenario. If Peak RC's footprint and budgetary support derivate in the Wind Down Scenario, after 2020, we will also support Peak RC with our allocation of the intended 2020 budget.

ENTITY 11

ENTITY submits these comments to Peak's requested non-binding "Letter of Intent – Transitional Coordinator (TRC) versus Wind Down" and their related proposed budgets.

On July 18, 2018, Peak announced that it would cease operations effective December 31, 2019. *ENTITY*, however, believed and still believes that a much slimmed-down version of Peak (likely slimmed-down further than that reflected in the proposed TRC budget) offering core RC services had the possibility of being a viable and preferred RC alternative for various BAs and TOPs. *ENTITY* believes that such a slimmed-down version could have offered the benefits of Peak's experience, considerable personnel talent, the tools and systems it owns and/or has enhanced, the comfort of already being a certified RC whereas the other potential RC services providers are not yet certified, and cost advantages. Thus, *ENTITY* was disappointed in Peak's announcement that it would be ceasing operations effective December 31, 2019 - especially given that such announcement occurred prior to this July 30 deadline for BAs and TOPs to submit their responses regarding the requested LOI and the related budget scenarios.

Given Peak's statement that it will pursue a wind down, *ENTITY* submits the following comments on Peak's proposed Wind Down. Obviously the primary focus of such Wind Down and its supporting budget is the viability of Peak and the assurance of reliable RC operations through December 31, 2019. As previously mentioned, *ENTITY* believes that Peak has many talented and hard-working employees and appreciates their dedication and effort. *ENTITY* is supportive of continued development of a Peak Wind Down budget scenario for 2019, which Wind Down plan and related budget should contain appropriate funding for employee severance/retention to orderly wind down Peak. However, *ENTITY* believes that the Funding Parties require additional detail and transparency to fully

evaluate Peak's proposed Wind Down plan. That said, it's *ENTITY's* understanding that the Funding Parties recognize that it is in their best interests to timely support Peak with regards to a smooth, appropriate, and orderly wind down of Peak which ensures the necessary and required reliability through December 31, 2019.

ENTITY 12

ENTITY prefers that Peak RC remain a viable entity in the WECC.

ENTITY 13

The Funding Parties main focus is the viability of Peak and the assurance of reliable RC operations through 12/31/2019. To that end, *ENTITY* as a Funding Party member is supportive of continued development of a Peak Wind Down budget scenario for 2019/2020, including ensuring proper funding for employee severance and retention. However, the Funding Parties require additional detail and transparency to fully evaluate Peak's proposed Wind Down scenario. The Funding Parties are committed to support Peak in this effort and look forward to working closely with Peak to ensure a smooth, reliable transition through 12/31/2019 and an appropriate, efficient wind down of Peak.

ENTITY is very impressed with the operations staff, tools, operator training, processes and procedures. Operationally Peak has come a long way in providing the western interconnection with state of the art facilities in monitoring and assuring the reliability of the interconnection. It's very evident to see the amount of work Peak has put into their operations making them a leader in reliability coordination in North America, it's hard to watch this organization winding down at the end of 2019.

ENTITY 14

ENTITY is focused on the reliable operations of the RC functions through Dec 2019 and is supportive of an appropriate budget to provide this. It would be helpful to understand from Peak how this path will be provided. We do look forward to a smooth and collaborative wind-down. If Peak does decide to create a business plan that addresses the Funding Parties' concerns with the current Peak Reliability structure, we would be open to reviewing that opportunity.

ENTITY 15

Scenario 3 – Continued development of the wind-down budget, with a basis to the supporting comments posted on Peak's website.

ENTITY supports continued development of the Wind Down budget scenario as it is currently the only option to have a coordinated and collaborative transition on RC Wind Down operations.

ENTITY 16

ENTITY is submitting comments that are consistent with our support for the Peak TRC and expressing some concern with a rushed wind down of Peak RC and the potential ramifications on reliability in the western interconnection. We have concerns with multiple RC providers who are not yet certified and who have no RC experience in WECC to date. We, like all funders, are also concerned about current cost estimates from both the current RC and the potential RCs and for cost increases in the future. Although we understand that Peak is now progressing with the wind-down scenario, we believe we need to be on the record with our concerns for the reliability of the interconnection, as Peak winds down its operations. We still believe the reliability of the interconnection could be best served through a Peak TRC scenario. That having been said, if the consensus is for a more rapid Peak wind down effort, we also support an orderly transition and will work with all the funding parties to accomplish that goal.

ENTITY 17

On July 18, 2018, Peak RC announced that it will cease operations, effective December 31, 2019, and will pursue the proposed Wind Down scenario.

ENTITY's main focus is the viability of Peak RC and the assurance of reliable RC operations through December 31, 2019. Accordingly, *ENTITY* is supportive of continued development of a Peak RC Wind Down budget scenario for 2019/2020, including ensuring proper funding for employee severance and retention. However, *ENTITY* requests additional detail and transparency in order to fully evaluate Peak RC's proposed Wind Down plan. *ENTITY* is committed to support Peak RC in this effort and looks forward to working closely with Peak RC to ensure a smooth, reliable transition through December 31, 2019 and an appropriate, efficient wind down of Peak RC.

ENTITY 18

ENTITY supports the Transition Budget such that Peak may continue to provide RC Services. *ENTITY* makes this statement subject to sufficient interest by other entities in the WECC that desire Peak to remain their RC.

ENTITY would like to take this opportunity to register its dissatisfaction with both the letter of intent form provided by Peak, and by Peak's announcement that it would not follow its earlier-stated decision process regarding cessation of operations December 31, 2019.

First, *ENTITY* wishes to express our confusion regarding the purpose of this letter of intent. Peak pre-empted its stated process by announcing that Peak would wind down operations before collecting the actual results of the ballot. This makes participating in the process appear to be a fool's errand. Since Peak has already announced the result, *ENTITY* believes that some parties that wish to choose the transition budget will choose the wind down budget since Peak already announced its intent to cease operation. Given this announcement, it appears our only choice is to provide comments to Peak regarding the nature of the wind down.

In addition, *ENTITY* finds the decision-making process that resulted in this letter of intent unacceptable. Peak's announced wind down decision, which was made in a closed and secret manner, did not follow Peak's stated decision process. Peak's announcement has altered the decision process itself regarding the vote. It is unclear to *ENTITY* why Peak is even asking for this letter of intent in light of Peak's decision to wind down operations. On its face, Peak's "closed door" decision suggests Peak's executive management and Board are unwilling to consider changes that would allow Peak to remain a viable and reliable provider of RC services within WECC. *ENTITY* relies on the scope and quality of RC services Peak provides and believes the wind down of these services will negatively affect reliability in the western interconnection.

Going forward, *ENTITY* encourages Peak to engage funders more thoroughly, and to disclose information more fully and transparently, throughout the wind down period.

ENTITY 19

Since it formed in 2014, Peak Reliability (Peak) has made significant strides in maturing and evolving its Reliability Coordinator (RC) services, staff, processes, procedures and tools. *ENTITY* appreciates the technical expertise and robust systems that Peak has built through collaborative relationships between Funding Parties and Peak staff.

On July 18, 2018, Peak announced that it will cease operations, effective December 31, 2019, and will therefore pursue the proposed Wind Down budget scenario. *ENTITY* supports Peak's selection of the Wind Down scenario. *ENTITY*'s objective through this Wind Down period is to help assure that Peak has a smooth and orderly transition, including its ability to retain appropriate staff sufficient to continue to provide reliable RC services for the Western Interconnection, meet its contractual obligations, and offer appropriate severance packages. *ENTITY* understands the need for Peak to work expeditiously on retention/severance packages, and supports the Wind Down budget at this time in order to facilitate timely certainty on the funding amount.

However, in accordance with the Funding Agreement, *ENTITY* respectfully requests more detail and transparency on the Wind Down plan, so that Balancing Authorities (BAs) and Transmission Operators (TOPs) can understand the planned expenditures and work collaboratively with Peak to support the orderly transition. For example, information on timing of staggered staff reductions or plans for backfill would allow BAs and TOPs to align

hiring timelines to help Peak maintain their planned staff levels. *ENTITY* would also request that Wind Down collaboration include conversations of what happens to any remaining funding after Peak has completed its Wind Down.

Peak has suggested that BAs and TOPs might form a new governance structure to acquire Peak's assets and people. However, *ENTITY* is not interested in pursuing or participating in efforts to stand up a newly restructured *ENTITY* to acquire the assets and people, because it is too high of a risk. Rather, *ENTITY* seeks to work collaboratively with Peak to arrive at appropriate funding levels over the Wind Down period, and to make the process through the transition as smooth, reliable and transparent as practicable. *ENTITY* would also like further transparency on plans to transition tools and intellectual property so that the value that Peak has built over the past several years is not lost.

ENTITY 20

ENTITY plans to proceed with the California Independent System Operator (CAISO) as Reliability Coordinator based on CAISO's implementation schedule.

ENTITY is also an HAA client of Peak RC for RTCA and STNET and expects to become a client of CAISO's Hosted Advanced Network Applications when they become available consistent with the wind down timeline for HAA services (late 2019 per July 18, 2018, Peak RC Notice of Wind Down).

ENTITY 21

The main focus of *ENTITY*, as a Funding Party, is the viability of Peak and the assurance of reliable RC operations through 12/31/19. To that end, *ENTITY* is supportive of continued development of a Peak Wind Down budget scenario for 2019/2020, including ensuring proper funding for employee severance and retention. However, *ENTITY* would appreciate that Peak RC provide additional detail and transparency to fully evaluate Peak's proposed Wind Down plan. Further, *ENTITY* believes that there needs to be more transparency and open discussions with Peak on the details of the Wind Down plan in order to fully understand the planned expenditures. *ENTITY* feels that a formal dialogue with Peak needs to be established, perhaps through a sub-group of the Funding Parties. *ENTITY* is committed to support Peak in this effort and looks forward to working closely with Peak to ensure a smooth, reliable and efficient wind down of Peak through 12/31/19.

ENTITY 22

Based on the announcement July 18, 2018, the main focus of the Funding Parties is the viability of Peak and the assurance of reliable RC operations through 12/31/19. To that end, we as a Funding Party are supportive of continued development of a Peak Wind Down budget for 2019/2020, including ensuring proper funding for employee severance and retention. As a funding party, we are committed to support Peak in this effort and look forward to working with Peak to ensure a smooth, reliable transition through 12/31/19 and

an appropriate, efficient wind down of Peak.

ENTITY 23

In line with Peak Reliability's stakeholder bulletin published on July 18, 2018, *ENTITY* supports the Scenario 2 - Wind Down. Such action will help facilitate a timely and efficient transition of functional responsibilities to alternative RC providers, mitigate current uncertainties, and provide for dependable and long-term RC services for the Western Interconnection.

ENTITY 24

ENTITY has not supplemented this Letter of Intent with a statement describing the primary reason(s) for its selection.
