

**2008 Initial Stakeholder Budget Workshop**  
**ISO Folsom Facility, Building 101A**  
**June 6, 2008**  
**9:30 a.m. – 2:00 p.m.**  
**Draft Meeting Notes**

**Attendees:**

<b>Name</b>	<b>Organization</b>		<b>Name</b>	<b>Organization</b>
Justin Wynne	CMUA		Jan Cogdill	CAISO
David Cohen	TANC/Navigant		Dennis Estrada	CAISO
Charles Mee	CDWR		Tom Doughty	CAISO
Geoff Gong	CDWR		Nancy Saracino	CAISO
Bob Kargoll	PG&E		Steve Berberich	CAISO
Jacqueline DeRosa	CES		Denise Antoniadis	CAISO
Steve Williams	SDG&E		Jim McIntosh	CAISO
			Judith Sanders	CAISO
Ben Arikawa	CAISO		David Timson	CAISO
Phil Leiber	CAISO		Christina Ernandes	CAISO
Elaine Siegel	CAISO		Jake Thai	CAISO
<u>Via Telephone</u>			<u>Via Telephone</u>	
Dean Burk	CDWR		Gifford Jung	Powerex
Bert Hansen	SCE		Debra Lloyd	Palo Alto
Kristen Connolly McCullough	Duncan, Weinburg, Genzer, & Pembroke		Marcus Lotto	SCE
Carl Funke	SDG&E		Susan Schneider	Phoenix Consulting
Bob Caracristi	NCPA			

*Questions or comments about the Budget should be directed to: Ben Arikawa (barikawa@caiso.com).*

Phil Leiber, CFO & Treasurer, opened the meeting with a brief introduction of the purpose of the workshop.

Following Mr. Leiber were:

Steve Berberich, VP, Corporate Services;  
Nancy Saracino, VP, General Counsel & Corporate Secretary;  
Jim McIntosh, Director, Grid Operations, and;  
Tom Doughty, Manager, Stakeholders & Industry Affairs.

Each gave a short overview of their respective division and the outlook for the next year. Stakeholders were given an opportunity to ask questions and provide comments and suggestions.

Denise Antoniadis, Director, Organizational Effectiveness, followed with a presentation on and discussion of the CAISO Five Year Strategic Plan (<http://www.caiso.com/1fa4/1fa4c0d125c80.pdf>).

After Ms. Antoniadis, Mr. Leiber followed with a discussion of the forecasted revenue requirement under the Strategic Plan.

Jan Cogdill, Lead Financial Planning, spoke on the 2009-2010 capital project expenditures. Ms. Cogdill asked stakeholders to provide comments on the posted list of capital projects by June 20.

Dennis Estrada, Lead General Accounting & Financial Reporting, gave a presentation on 2007 and year-to-date 2008 financials.

Ben Arikawa, Senior Consultant, spoke briefly on the status of Grid Management Charge proceedings and the FERC refund case.

Mr. Leiber gave an update on the recent ratings upgrade received from Standard & Poor's to A- (stable) from BBB+ (positive). Mr. Leiber also described progress on the 2008 bond issue and the plans for the financing of the new CAISO facility.

Questions and comments received during the workshop are summarized in the following tables.

### Tracking of CAISO Labor Costs

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	How are corporate processes distinguishable from cost centers?	Phoenix Consulting	S. Berberich	Some processes encompass a single cost center. However, some processes cross multiple cost centers.
2	Will the processes be posted on the CAISO Website? Will the results of the corporate Activity Based Costing (ABC) effort be shared with stakeholders?	Phoenix Consulting, TANC	S. Berberich, P. Leiber	The CAISO will endeavor to make the results available. However, details will not be available for some time. There is a high failure rate for ABC projects and the CAISO wants to ensure that it is done right.
3	There are too many processes. Keep the ABC project simple. Immediately implement for all employees reporting of time spent on stakeholder meetings, litigation and design of software. Stakeholders want granularity.	TANC	S. Berberich	The CAISO will keep this in mind. However, the primary need for the ABC project is internal for management purposes. The results may not meet what you've asked for.

## MRTU Implementation

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	How long should MRTU be "live" before the CAISO moves to implement the Market and Performance (MAP) initiatives? Does one summer under MRTU provide enough experience to make that decision.	TANC	J. McIntosh  S. Berberich	MRTU will allow Grid Ops to deal with real time issues more efficiently and effectively. Ops will improve rapidly once the MRTU tools are implemented. There will be issues, but Ops will be prepared to deal with them.  Payment acceleration will be implemented less than one year after MRTU implementation. If it is necessary and prudent, the CAISO will file to delay MAP implementation.
2	Have market redesign implementation issues been discussed among the ISO/RTOs and reliability organizations?	TANC	J. McIntosh	Yes, Mr. McIntosh is the NERC representative for the ISO/RTOs. The impact of market design is discussed all the time.

### Costs of Implementing Strategic Plan

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	CAISO should recognize that the costs of its initiatives extend beyond its own expenditures. Each new market feature requires market participants to spend on new systems or updates. That cost should be included in the quantification of the CAISO's organizational effectiveness. Would like further transparency on the costs of initiatives separately from the costs of CAISO core service.	PG&E, CDWR and TANC	D. Antoniadis, B. Arikawa	The CAISO understands that market participants incur costs when CAISO systems are changed. Changes to markets are implemented to improve their performance and participants in general benefit from this.
2	The capital budget includes discretionary items that were requested by some market participants. ISO should be willing to make adjustments to strategic plan as needs/demands change.	TANC		There is a process in which stakeholders provide input on priorities for these initiatives. The strategic plan does get updated as priorities change.
3	The non-profit status of the CAISO is an issue. If it were a for-profit company, equity holders would pay if a project fails.	TANC		No response required.
4	Are the O&M and debt service costs of the initiatives in the Strategic Plan included in the 6 year rate forecast?	TANC	P. Leiber	Yes
5	Are the costs of the MAP initiatives included in the forecast?	Phoenix Consulting	P. Leiber	Yes

**Capital Projects, Including New Facility**

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	What is the rationale for constructing a new facility?	CDWR	P. Leiber	The primary drivers are security and management of total cost of ownership. Analysis by federal agencies has shown many deficiencies in security that may not be cost-effective to remedy. In addition, the current building leases are triple-net leases, so the cost of maintenance and upgrades is paid by the CAISO.
2	Has the CAISO analyzed alternatives to the new facility?	TANC	P. Leiber	Yes. An alternative with improvements to the current facility was studied.
3	Will projects proposed in 2008, but not started be required to be reviewed once more before determining their priority?	TANC	J. Cogdill	Yes. Management will review proposed, but not yet started, projects each year.

### Financial Review

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	Will O&M and capital expenditures for 2008 come under budget?	TANC	D. Estrada P. Leiber	Yes. The latest O&M forecast shows full year expenditures approximately \$200,000 under budget. Capital expenditures should also be under budget with the priority given to MRTU.
2	Need more clarity on the reports related to the accounting of capital expenditures and projects.	Phoenix Consulting		Finance will look into providing more clarity, if possible.

### Miscellaneous, Including Grid Management Charge

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	How will the CAISO re-invoice 2001-2003 in resolution of the outstanding GMC litigation?	PG&E	B. Arikawa	The CAISO is currently reviewing methods and timing is uncertain at this point. A FERC decision or additional compliance filings will be necessary prior to the re-invoicing.