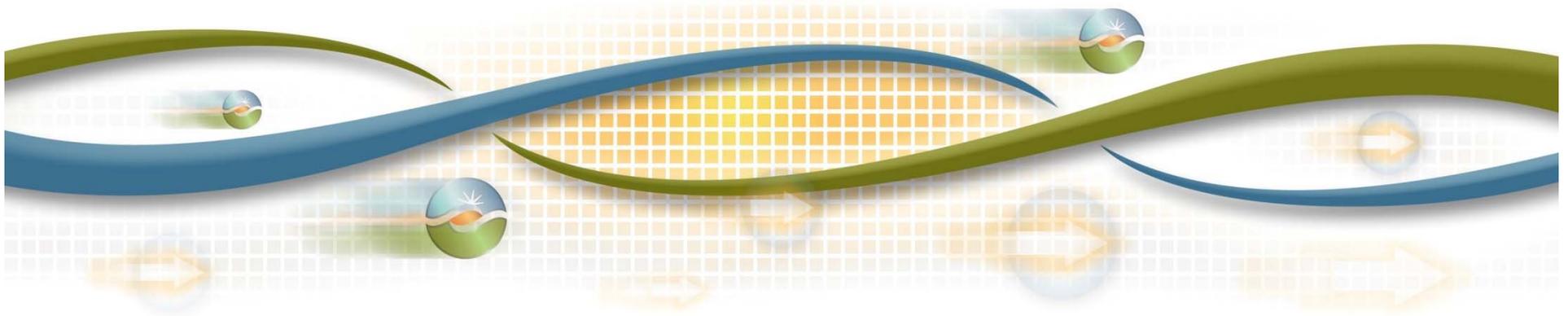




California ISO

2016 Budget Initial Stakeholder Meeting

June 18, 2015



Agenda

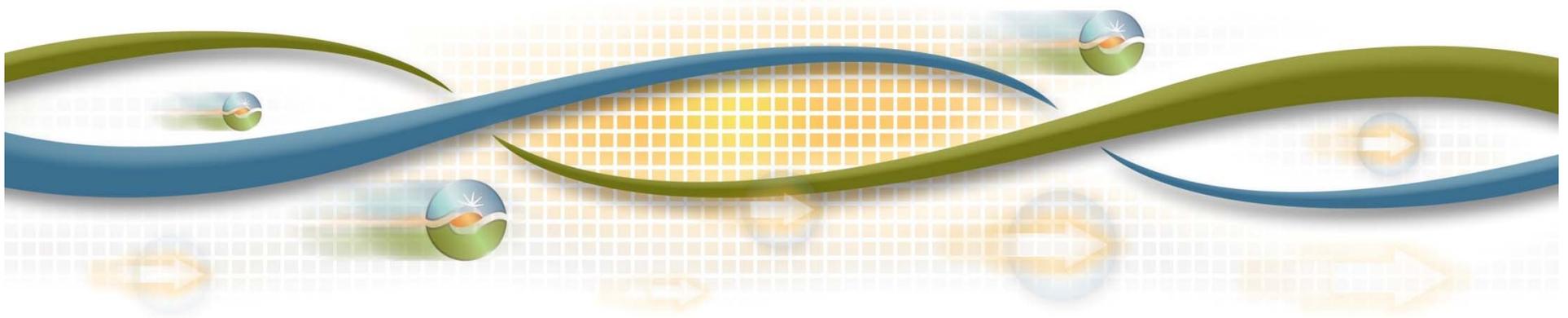
TOPIC	PRESENTER
Introduction & budget principles	Ryan Seghesio
2016 Budget process & GMC rate outlook	Michael Epstein
Managing employee compensation	Doreen Fender
2015 - 2016 Project release plans	Janet Morris
2014 & 2015 Project summaries	Jan Cogdill
2014 & 2015 Q1 Financial summary	Denise Walsh
2016 Budget calendar & next steps	April Gordon
Stakeholder feedback & discussion	Group

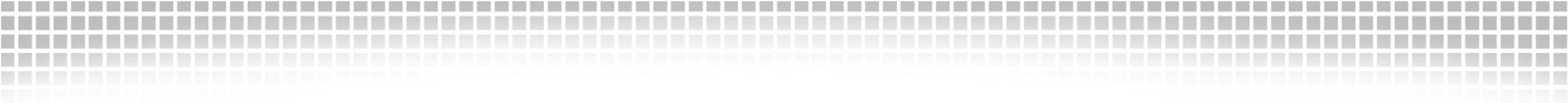


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Budget Principles

Ryan Seghesio
CFO and Treasurer



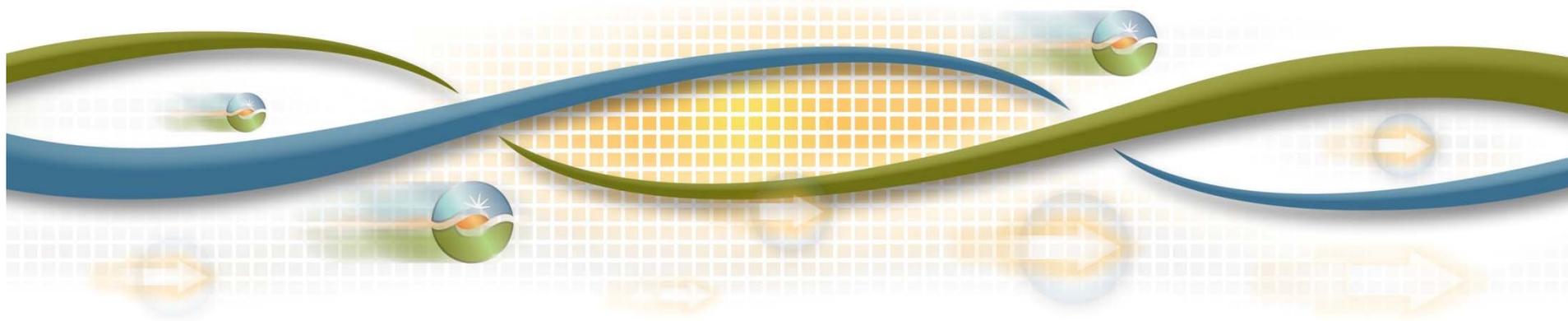


2016 Budget Principles

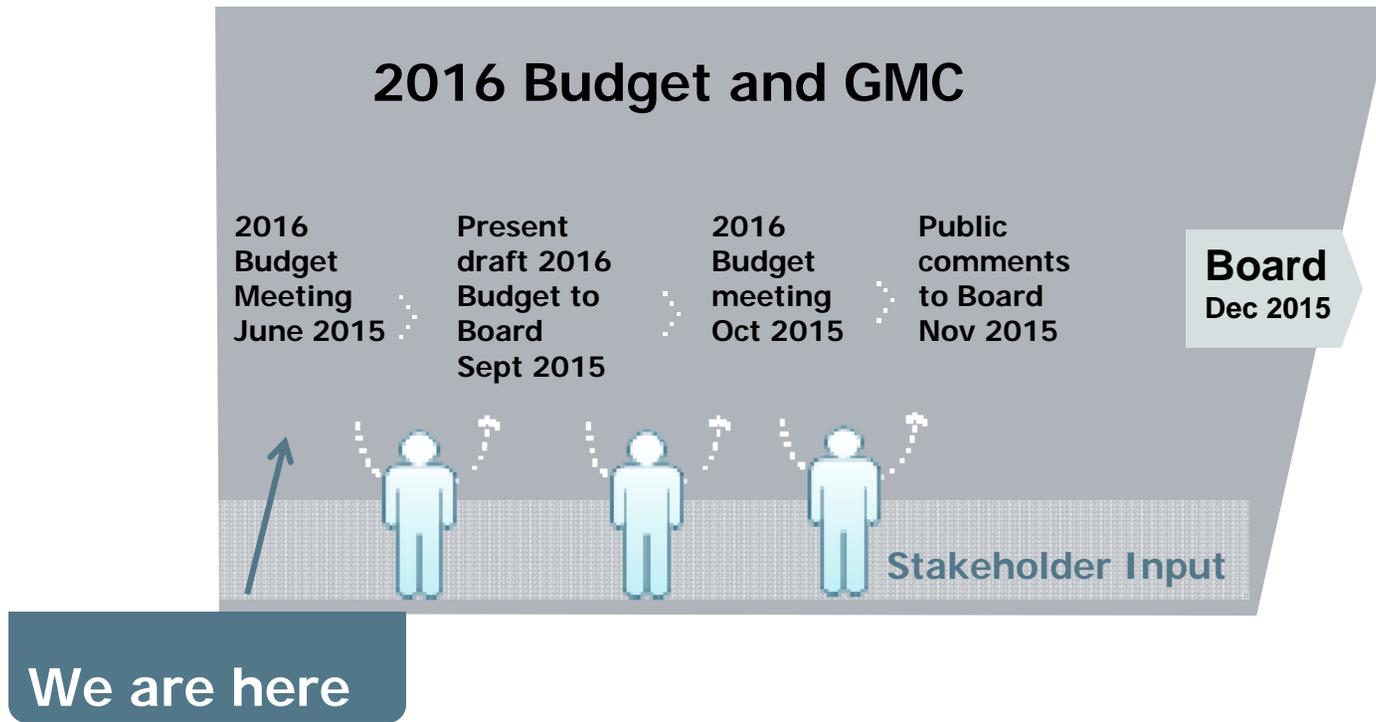
- Provide transparency of the budget process
- Enhance stakeholder understanding of the budget
- Gather stakeholder input to the budget
- Maintain fiscal discipline
- Accommodate relevant strategic plan initiatives
- Deliver a revenue requirement under cap

Budget Process and Rate Outlook

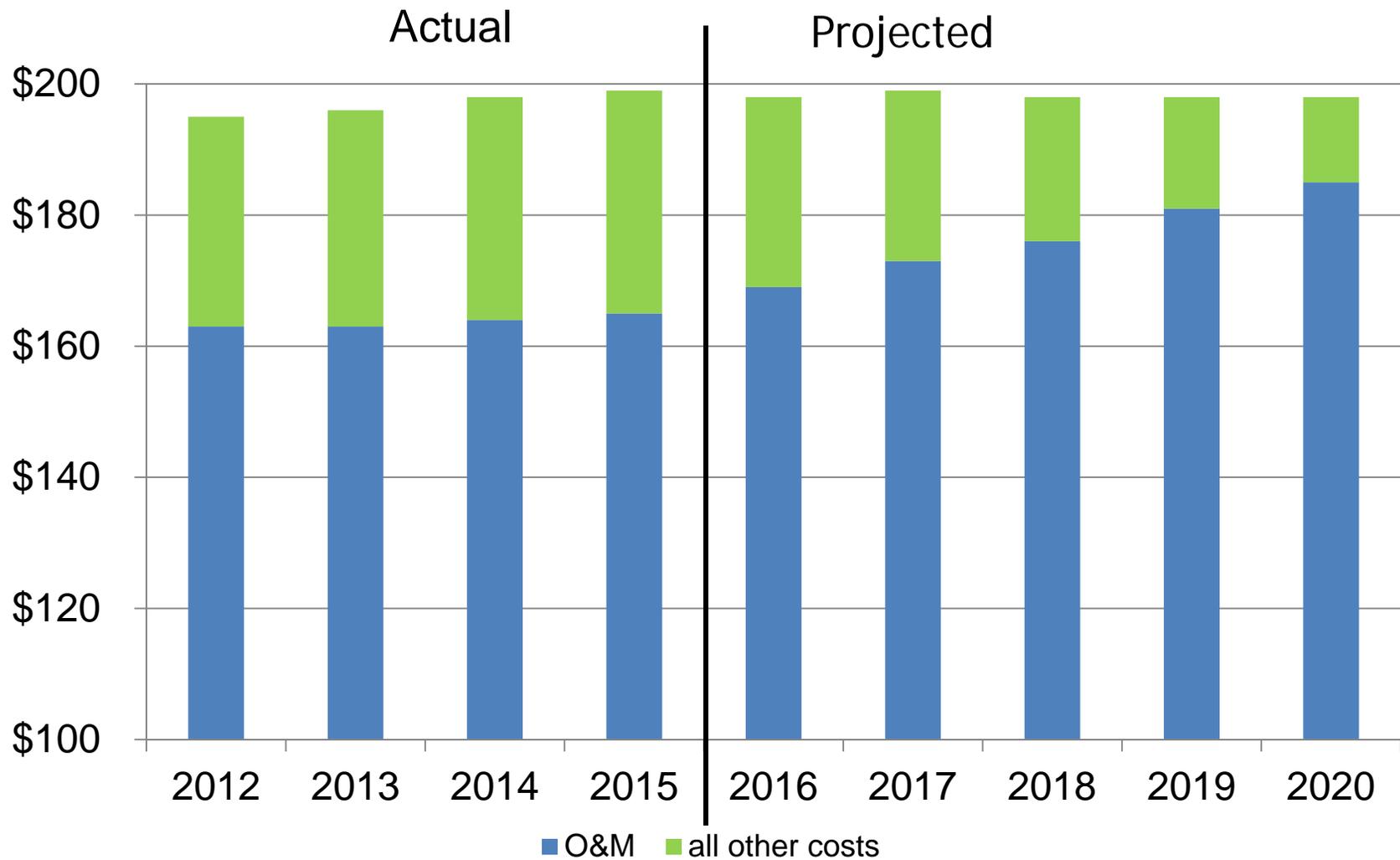
Michael Epstein
Director Financial Planning



Timeline for 2016 budget and GMC rates

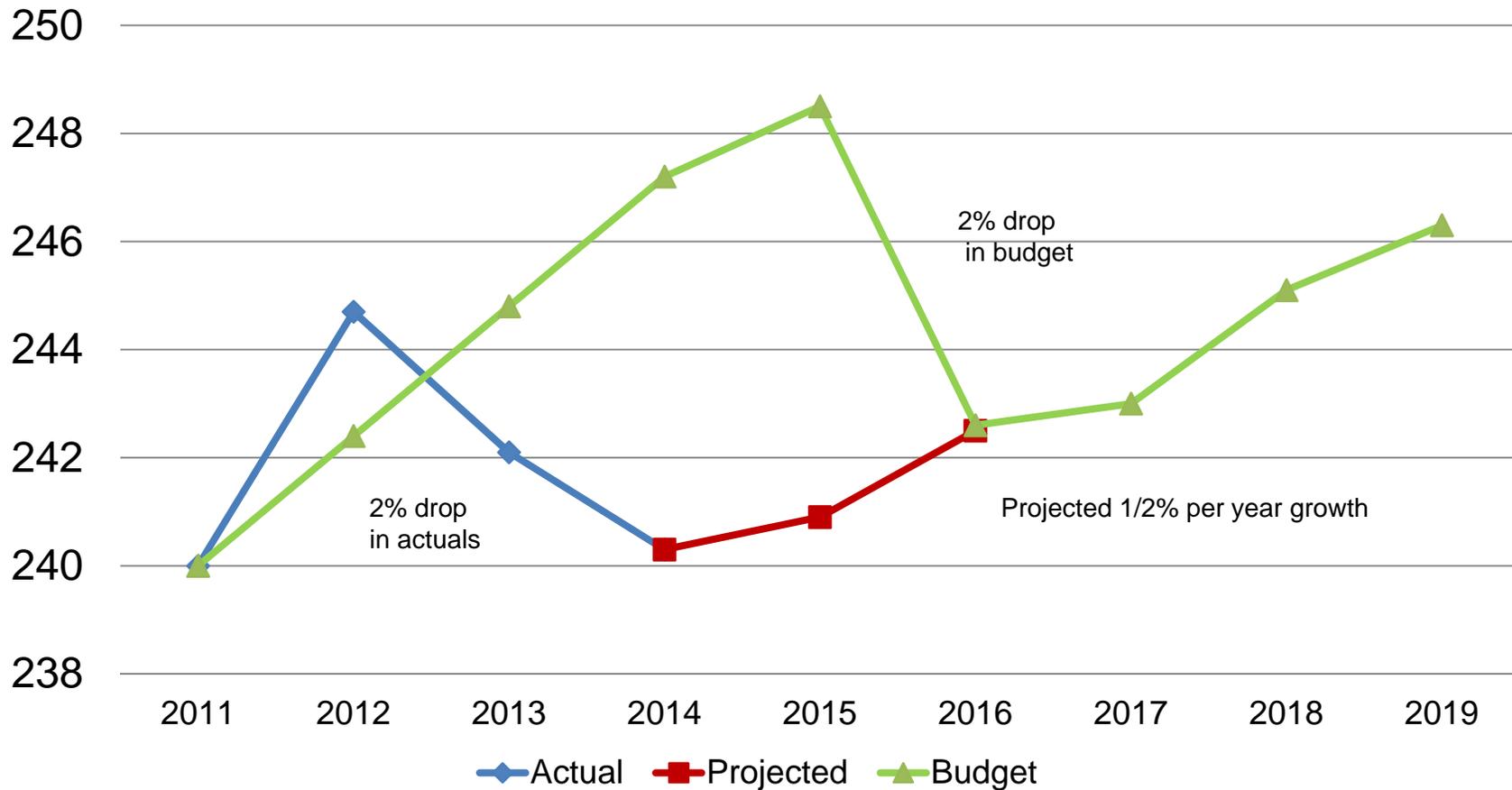


Revenue requirement to remain under \$200M



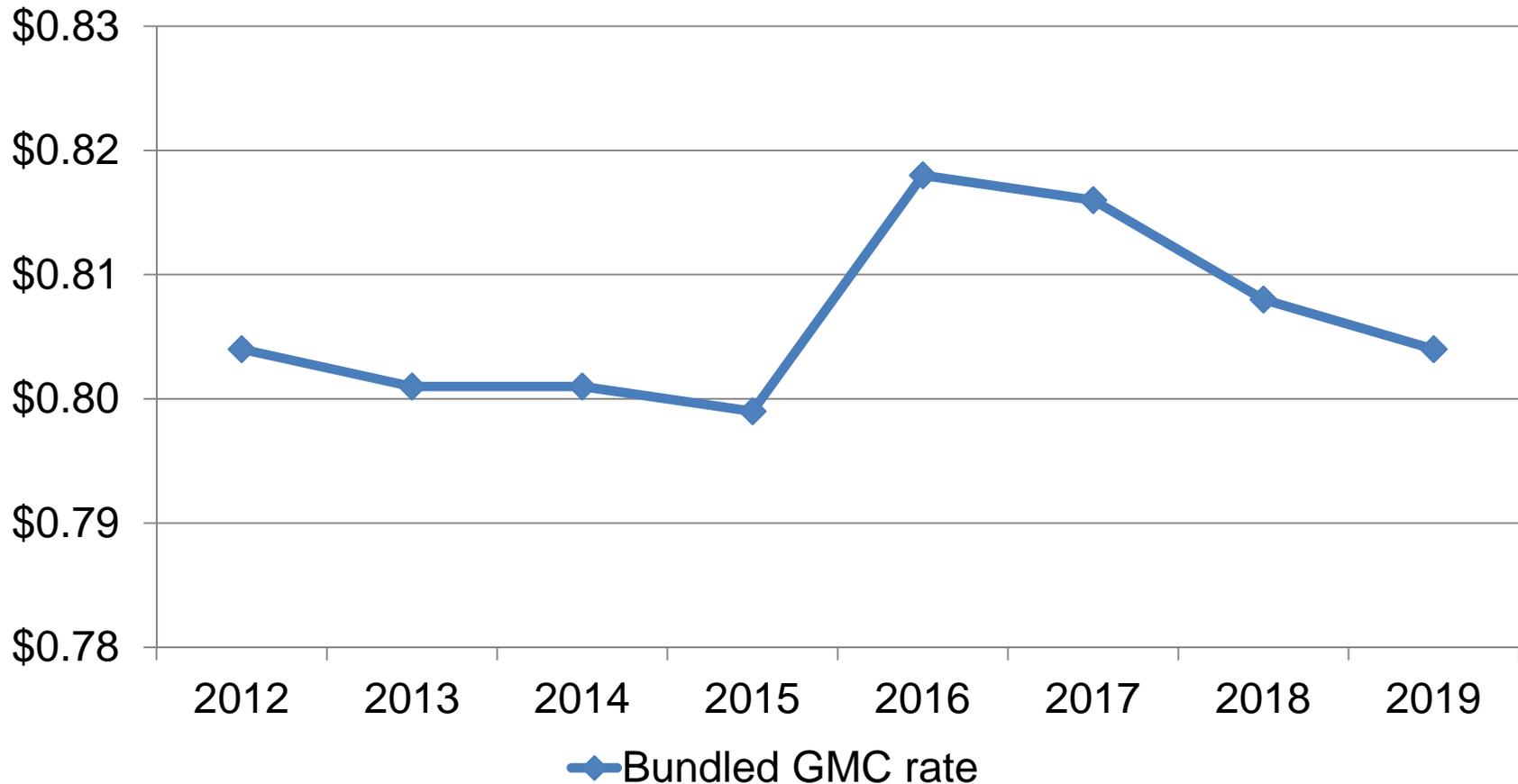
Transmission volume has fallen in 2012-2014 Primarily due to pump loads

Measured Demand in millions of MWhs



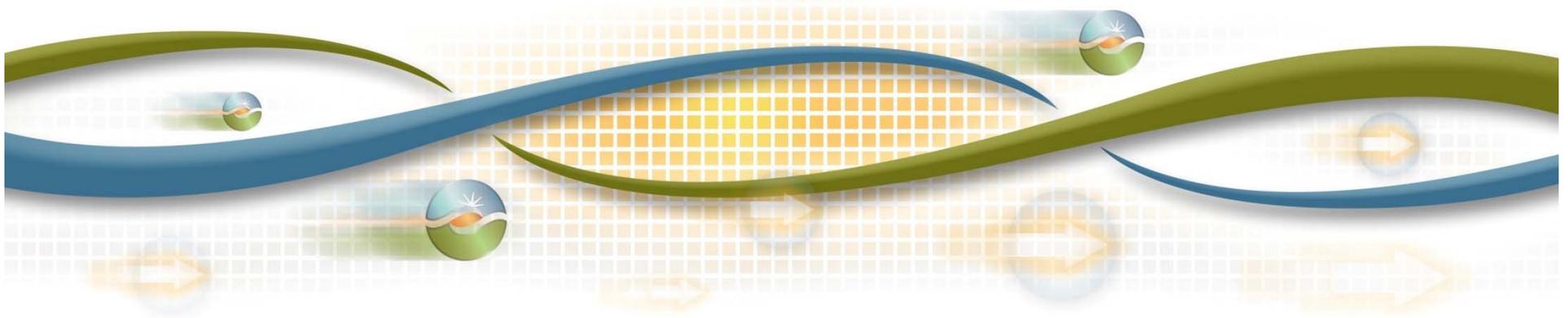
Bundled rate rises due to drop in volumes but with a level revenue requirement the rate drops back down

Bundled GMC rate in \$ per MWh



Managing Employee Compensation

Doreen Fender
Manager, Total Rewards

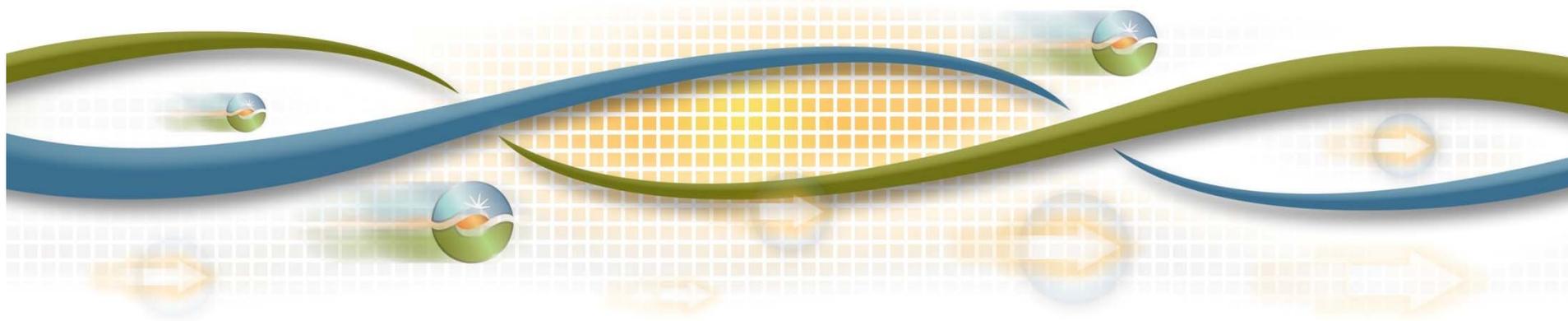


Managing employee compensation reflects ISO people strategy to attract, train, motivate and retain top talent.

- **Competitive Pay**
 - Market pay practices
 - Bi-annual salary surveys covering 100% of ISO positions
- **Strong Performance Management Program**
 - Individual performance plans
 - Stretch objectives
 - Ongoing feedback, coaching and support
- **Pay for Performance Philosophy**
 - Year-end evaluation of performance results against objectives
 - Differentiation of merit dollars based on performance
 - High Performance Goals aligned to meet annual Corporate objectives
- **3% Budgeted Merit**
 - Optimal utilization of available merit dollars
 - Not all employees receive pay increases

2015 - 2016 Project Release Plans

Janet Morris
Director, Program Office



Release planning information is updated and discussed regularly throughout the year.

Release planning page:

<http://www.caiso.com/informed/Pages/ReleasePlanning/Default.aspx>

- Master Stakeholder Engagement Plan:
<http://www.caiso.com/Documents/MasterStakeholderEngagementPlan.pdf>
 - Policy and implementation initiatives
 - Updated on the first of each month
 - Multi-year time horizon
- Market Performance and Planning Forum
 - Every eight weeks
 - Technical and release plan updates
- Release Users Group
 - Bi-weekly updates to release plan
 - Interactive review of project impact assessment and milestones
- Technical Users Group – Technology Roadmap – presented at the January 2015 TUG
<http://www.caiso.com/Documents/Agenda-TechnicalUserGroupWebConferenceJan272015.pdf>

The 2016 Release Plan includes approved policy initiatives and other high priority projects.

- **Spring 2016 – Maintenance Release**
 - Capacity Procurement Mechanism Replacement
 - Reliability Services Initiative - tentative based on policy phase
 - Commitment Cost Enhancements Phase 2 (remainder from 2015 implementation)
 - Post Implementation OMS Enhancements
 - PIRP Decommissioning
 - Acceptable Use Policy – OASIS and CMRI
- **2016**
 - Demand Response Registration Enhancements

The 2016 Release Plan continued

- **Fall 2016 – Functional Release**
 - BAL-003 Compliance
 - Flexible Ramping Product
 - Contingency Modeling Enhancements
 - OMAR Replacement
 - RIMS Functional Enhancements
 - Energy Imbalance Market (EIM) 2016
- **Subject to further release planning:**
 - Bidding Rules – tentative based on policy phase
 - Expanding Metering and Telemetry Options Phase 2
 - Load Granularity Refinements
 - ADS User Interface Replacement
 - FERC Order 809
 - Bid Cost Recovery modifications and Variable Energy Resource settlement
 - Enhancing market participation of storage and aggregated distributed energy resources

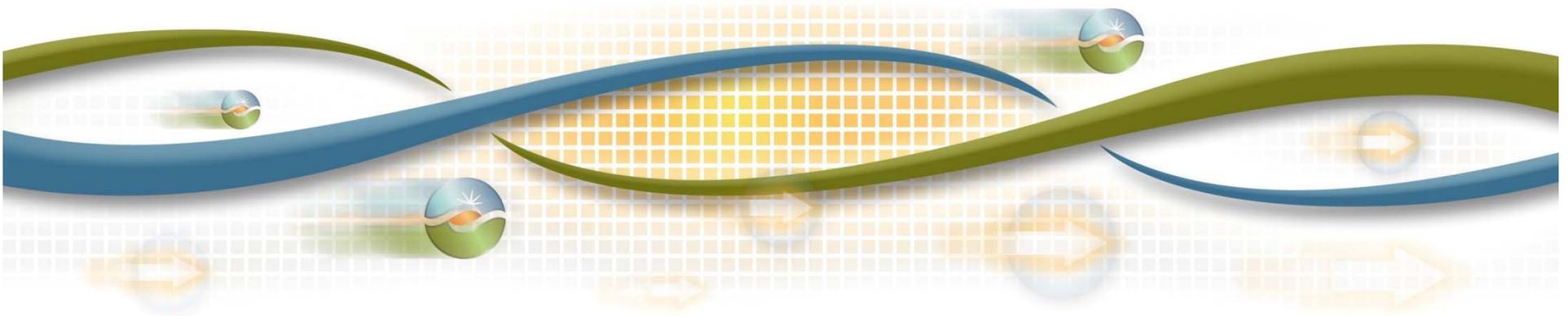


California ISO

Project Summaries

Jan Cogdill

Lead Financial Planning



Summary of projects

- Projects completed from April 2014 to March 2015
 - 21 Capital projects
 - Budgeted costs \$19.6M, actual costs \$19.1M
 - 15 Requirements & other projects
 - Budgeted costs \$5.8M, actual costs \$5.7M
- Active projects as of March 31, 2015
 - 28 Capital projects
 - Budgeted costs \$20.6M, YTD spent \$5.4M
 - 46 Requirements & other projects
 - Budgeted costs \$6.8M, YTD spent \$4.9M
 - FERC and NVE EIM implementation
 - Budgeted costs \$2.1M, YTD spent \$862K

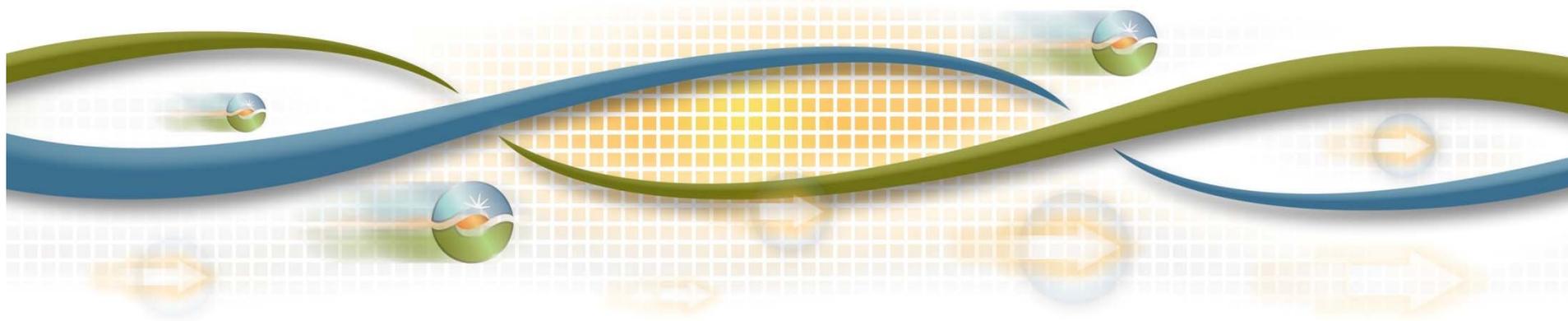
The 2015 and 2016 capital and projects budget

- 2015 budget
 - Approved at \$20.0M
- 2016 budget
 - Targeted at \$18.0M
 - Excess of 98 proposed projects will be prioritized to meet final budget limit
- EIM implementation budget for Puget Sound is \$750K
- EIM implementation budget for APS is \$970K



2014 & 2015 Q1 Financial Summary

Denise Walsh
Controller

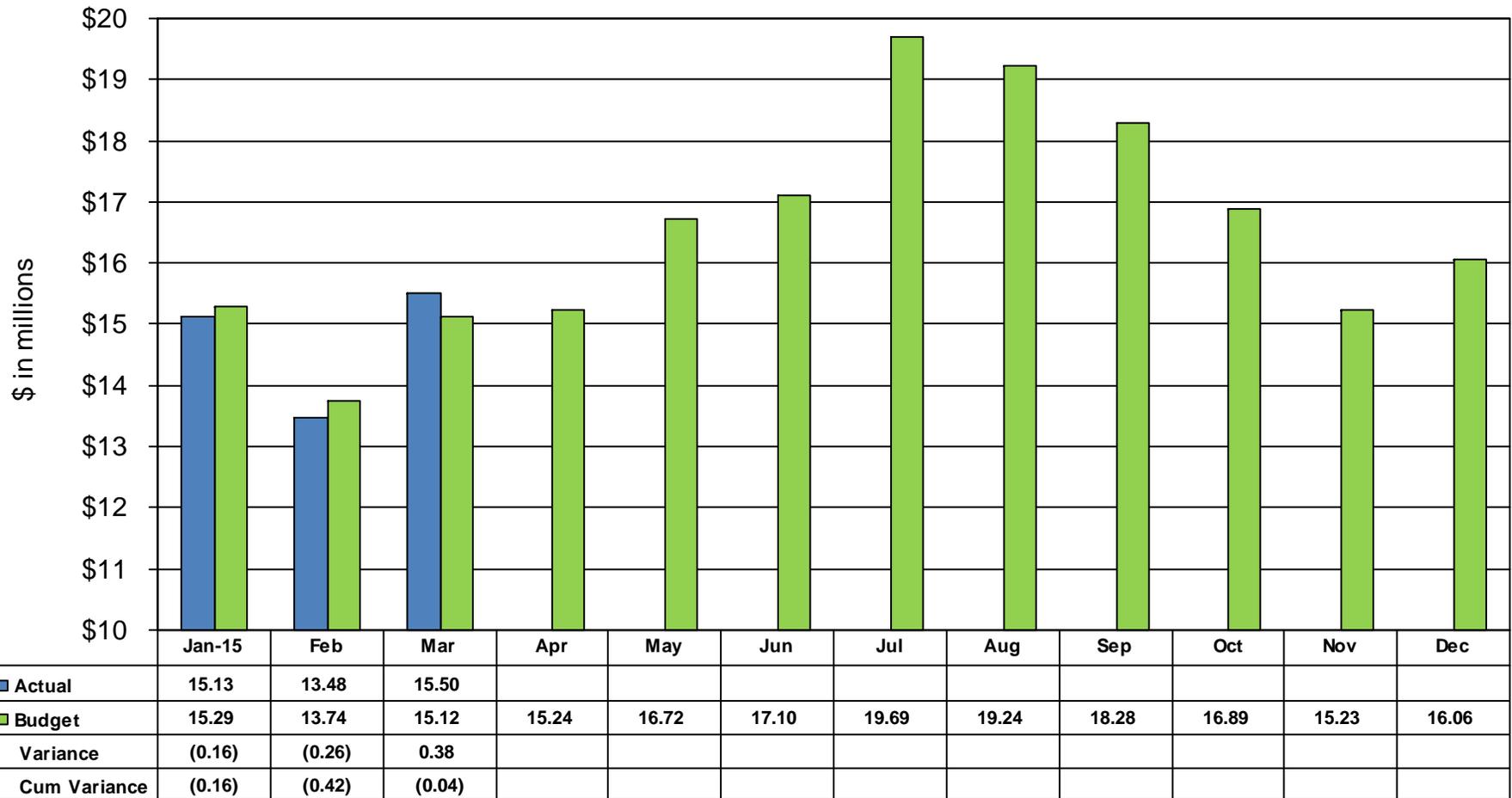


2014 Highlights

Key components of the 2014 actual to budget results:

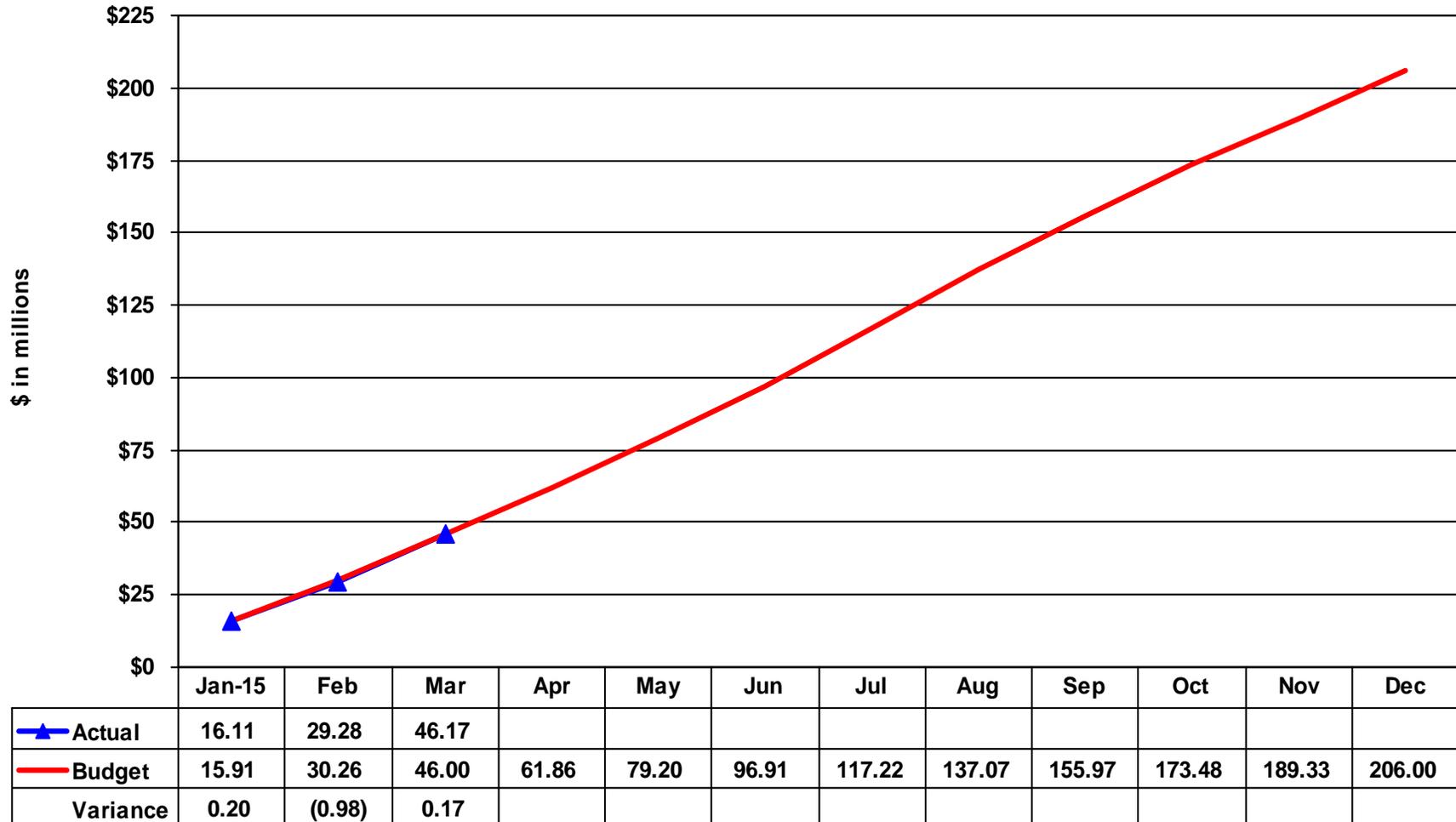
- Operating revenues = \$203.9 million vs. \$204.4 million
 - Lower miscellaneous revenues
- Operating expenses = \$164.2 million vs. \$164.4 million
 - Lower outside legal and audit costs, partially offset by higher consulting and contracting
- Capital Expenditures = \$14.4 million vs. \$23.6 million (approved)
 - Original budget was \$24.0 million

2015 Monthly GMC Revenues

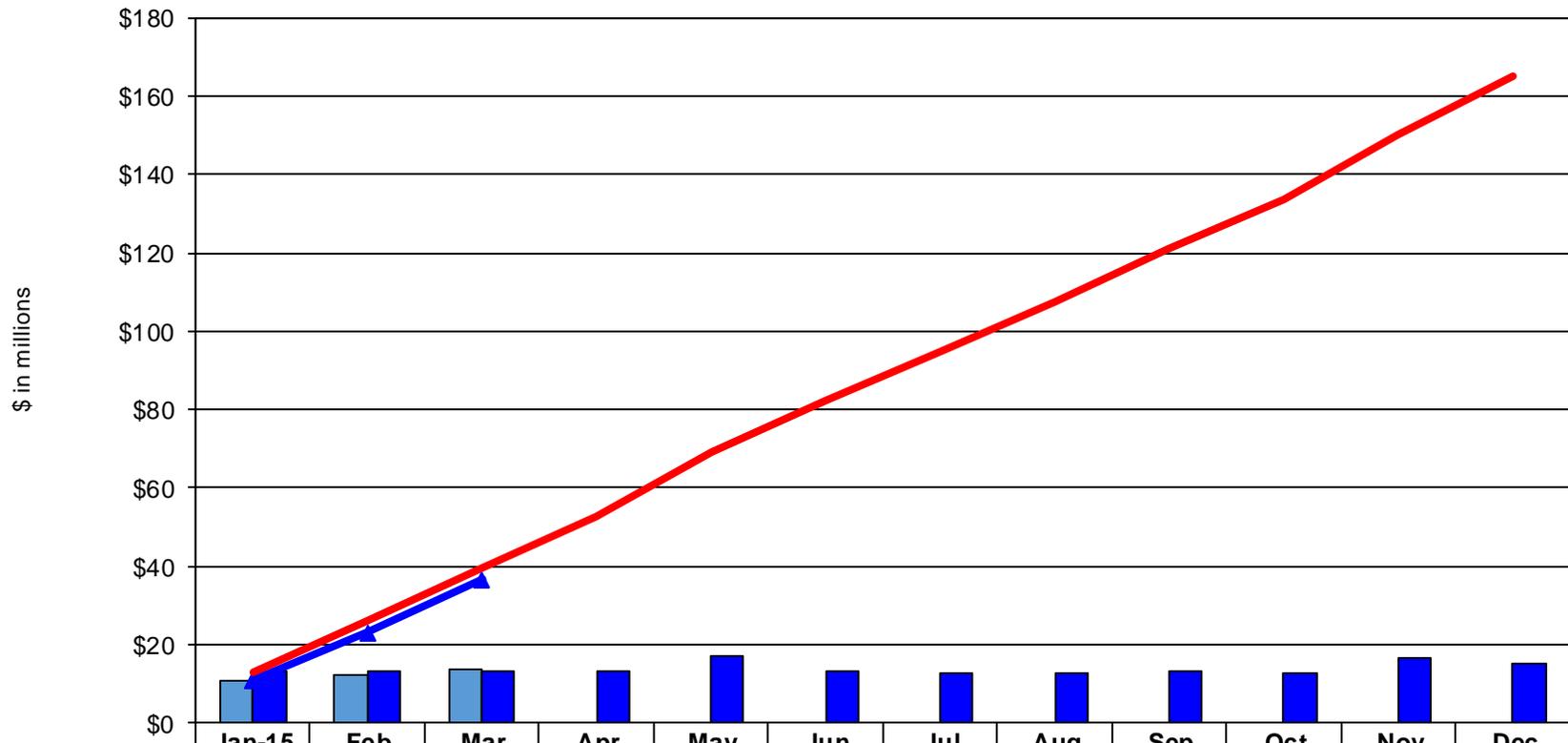


Q1 2015 Cumulative Operating Revenues

Revenues = GMC & Other Revenues

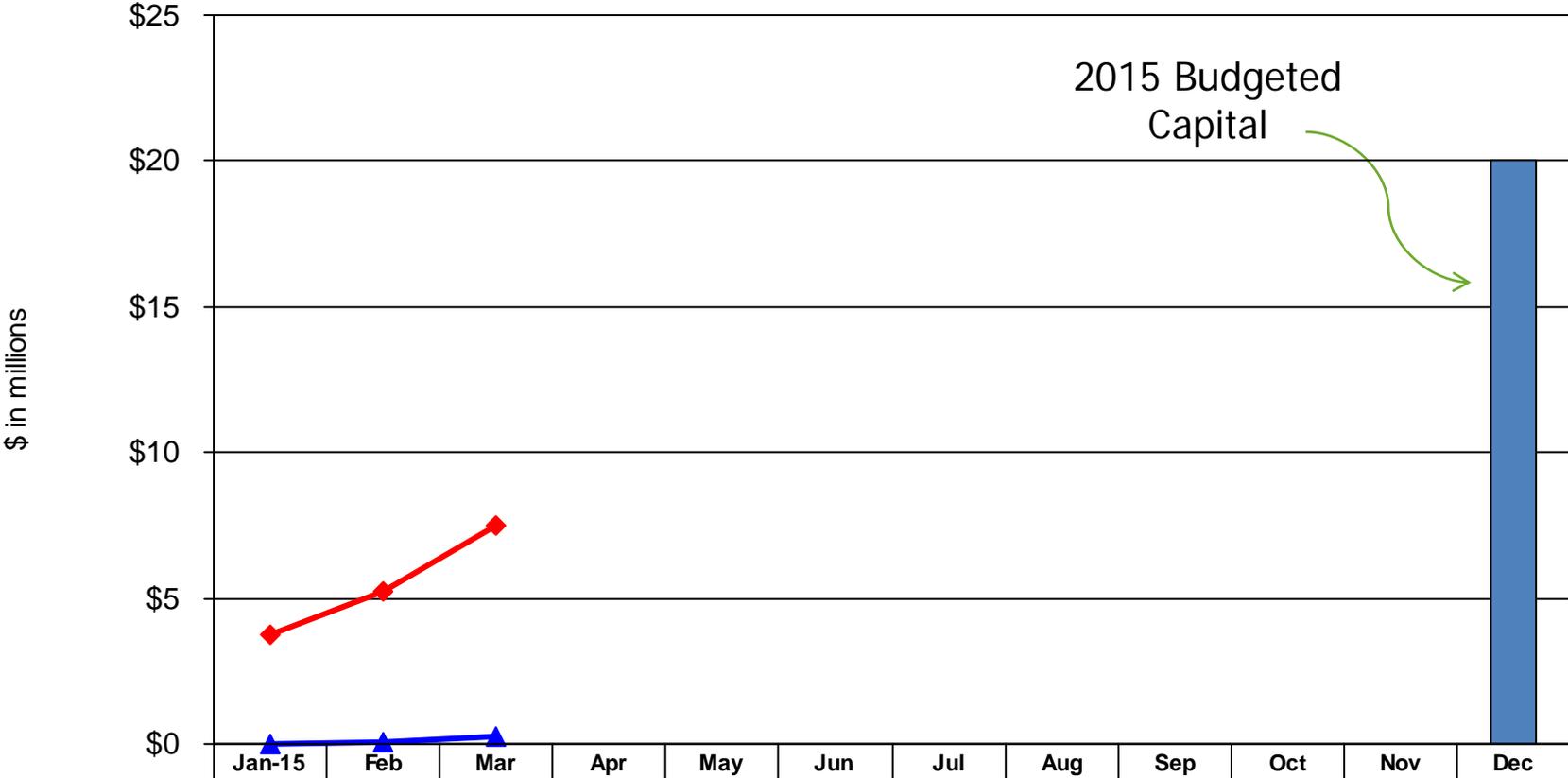


Q1 2015 Operating and Maintenance Expenses



	Jan-15	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	10.84	12.12	13.58									
Monthly Budget	13.10	13.08	13.30	13.01	16.89	13.03	12.64	12.64	13.36	12.62	16.45	15.03
Cum Actual	10.84	22.97	36.54									
Cum Budget	13.10	26.18	39.48	52.48	69.38	82.41	95.04	107.68	121.04	133.66	150.11	165.14
Cum Variance	2.26	3.22	2.93									

2015 Cumulative Capital Expenditures



	Jan-15	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budgeted capital												20.00
Cumulative Expenditures	0.01	0.07	0.27									
Approved projects	3.75	5.22	7.50									

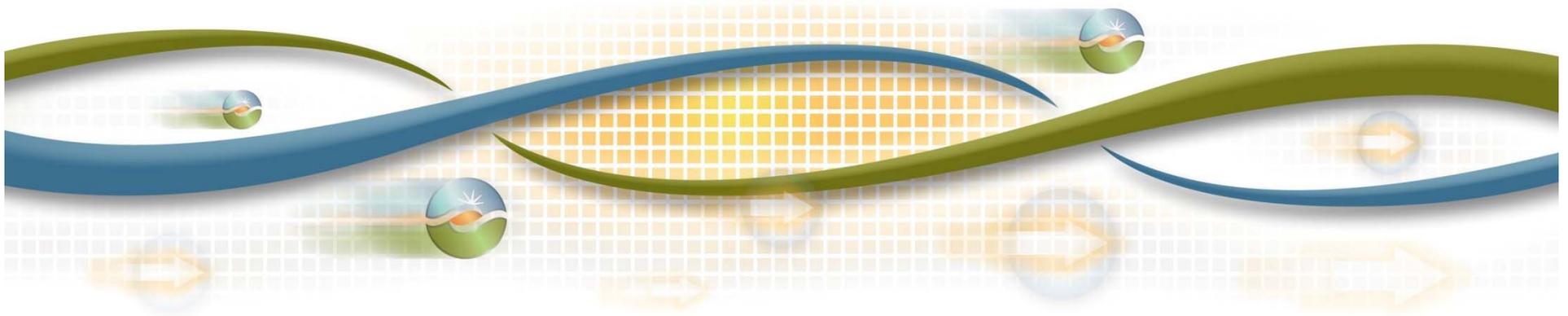


California ISO

Budget Calendar & Next Steps

April Gordon

Manager, Financial Planning and Procurement



Key calendar dates and next steps

- Stakeholder comments due June 25
 - Send to initiativecomments@caiso.com
- Internal budget process June - Sept
- Board of Governors meeting Sept 17 -18
 - Present preliminary 2016 budget
- Post 2016 budget information for stakeholders Oct 1
- Stakeholder meeting to review preliminary budget Oct 8
- Written Stakeholder comments due to ISO Oct 15
- Board of Governors meeting Nov 5
 - Public comments to board on 2016 budget
- Board of Governors meeting - approval of 2016 budget Dec 17
- Post rates and budget documentation to ISO website Dec 24