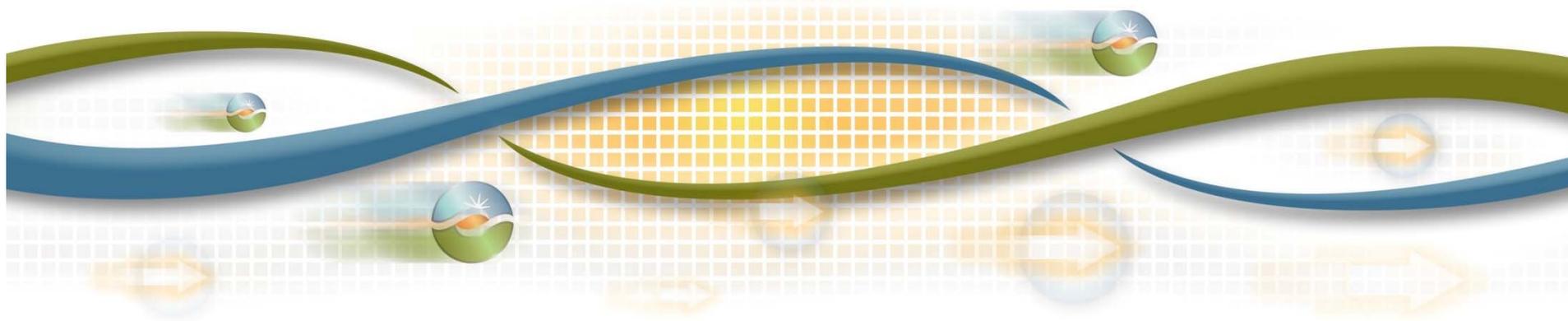




Briefing on Draft 2017 Budget

Ryan Seghesio
Chief Financial Officer & Treasurer

Stakeholder Meeting
September 29, 2016



The budget development timeline extends from June through December.

Previous Events	Date
Introduction of budget process to stakeholders	June
Internal budgeting process - primary	June – August
Board review of preliminary budget (Executive Session)	August

Upcoming Events	Date
Preliminary budget posted to public website	Early September
Stakeholder budget workshop	Late September
Internal budgeting process – secondary	Through November
Board decision on budget (General Session)	December
2017 grid management charge rates posted	December



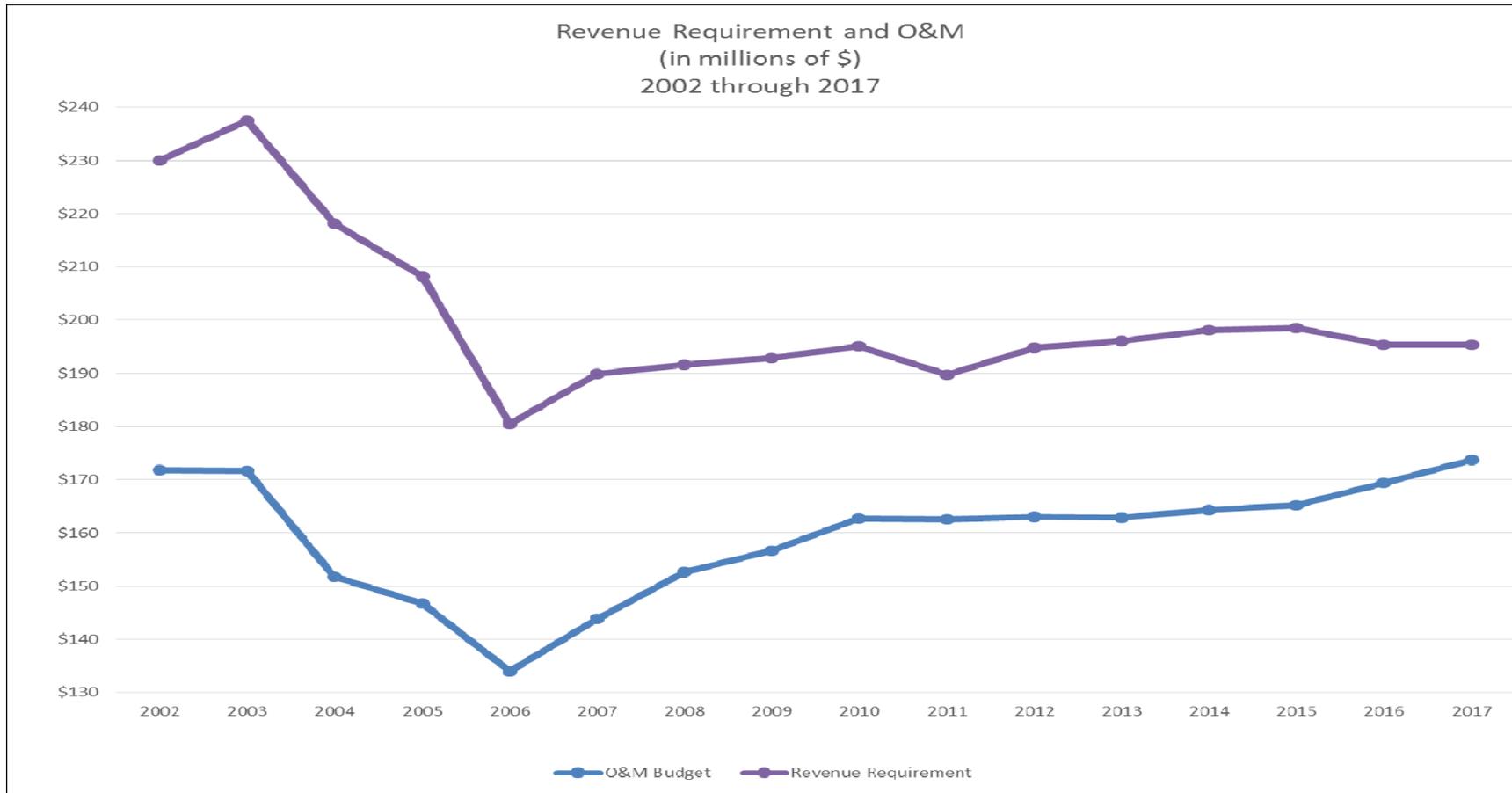
Proposed revenue requirement remains flat despite upward cost pressures.

- Labor expenses continue to be the largest driver of the increases in the operating and maintenance budget.
- Although, increases being offset by other revenue and reserve adjustment.

Reduction in forecasted transmission volume results in minimal increase to bundled cost per MWh.

Revenue Requirement Components (\$ in millions)	2017 Proposed Budget	2016 Budget	Change
Operations & Maintenance Budget	\$173.6	\$169.3	\$4.3
Debt Service (including 25% reserve)	16.9	16.9	-
Cash Funded Capital	24.0	24.0	-
Other Costs and Revenues	(13.3)	(10.8)	(2.5)
Operating Costs Reserve Adjustment	(5.9)	(4.1)	(1.8)
Total Revenue Requirement	\$195.3	\$195.3	\$ -
Transmission Volume in TWh	241.5	242.7	(1.2)
Pro-forma bundled cost per MWh	\$0.809	\$0.805	\$0.004

Management remains committed to a stable revenue requirement.



- Revenue requirement is 18% lower than its peak in 2003
- Average annual growth rate of 0.3% since 2007

The proposed O&M budget increases by \$4.3 million to \$173.6 million.

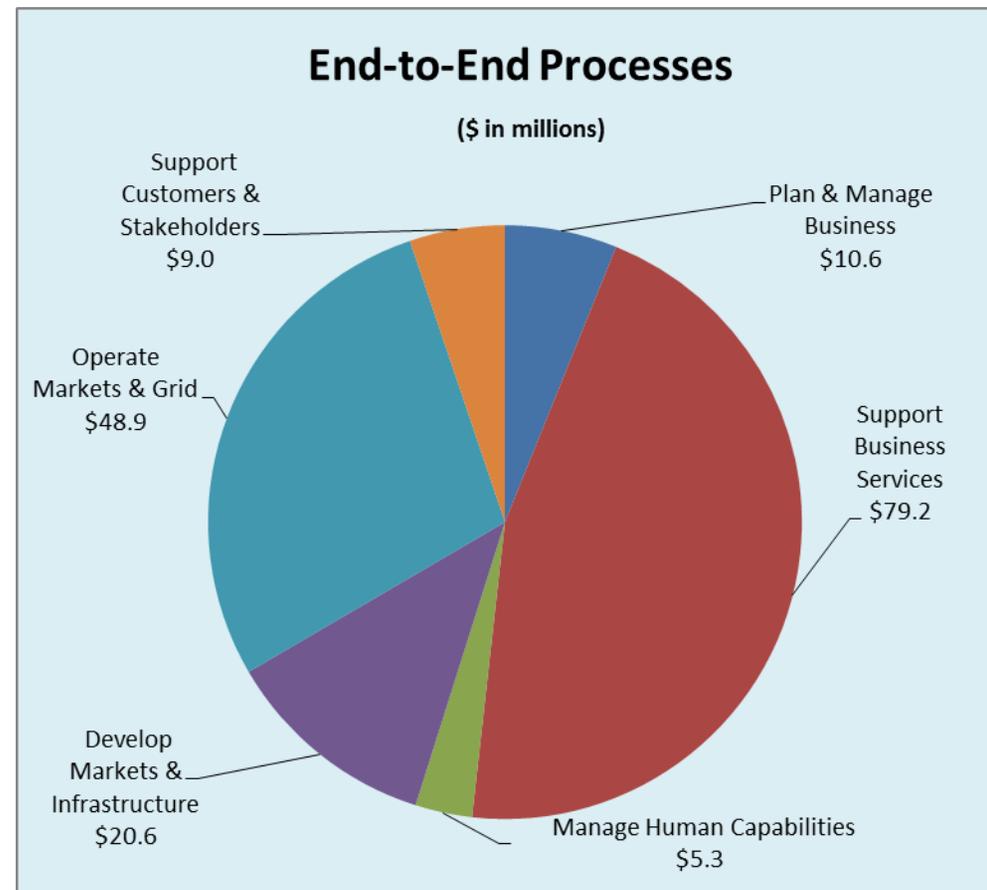
O&M Budget by Resource (\$ in millions)	2017 Proposed Budget	2016 Budget	Change
Salaries and Benefits	\$126.2	\$121.6	\$4.6
Occupancy Costs and Equipment Leases	3.1	3.7	(0.6)
Telecommunication and Hardware and Software Maintenance Costs	14.5	14.1	0.4
Consultants and Contract Staff	11.7	11.8	(0.1)
Outsourced Contracts, Professional Fees	10.2	9.7	0.5
Training, Travel, and Other costs	7.9	8.4	(0.5)
Total	\$173.6	\$169.3	\$4.3

The divisional changes are largely driven by personnel costs.

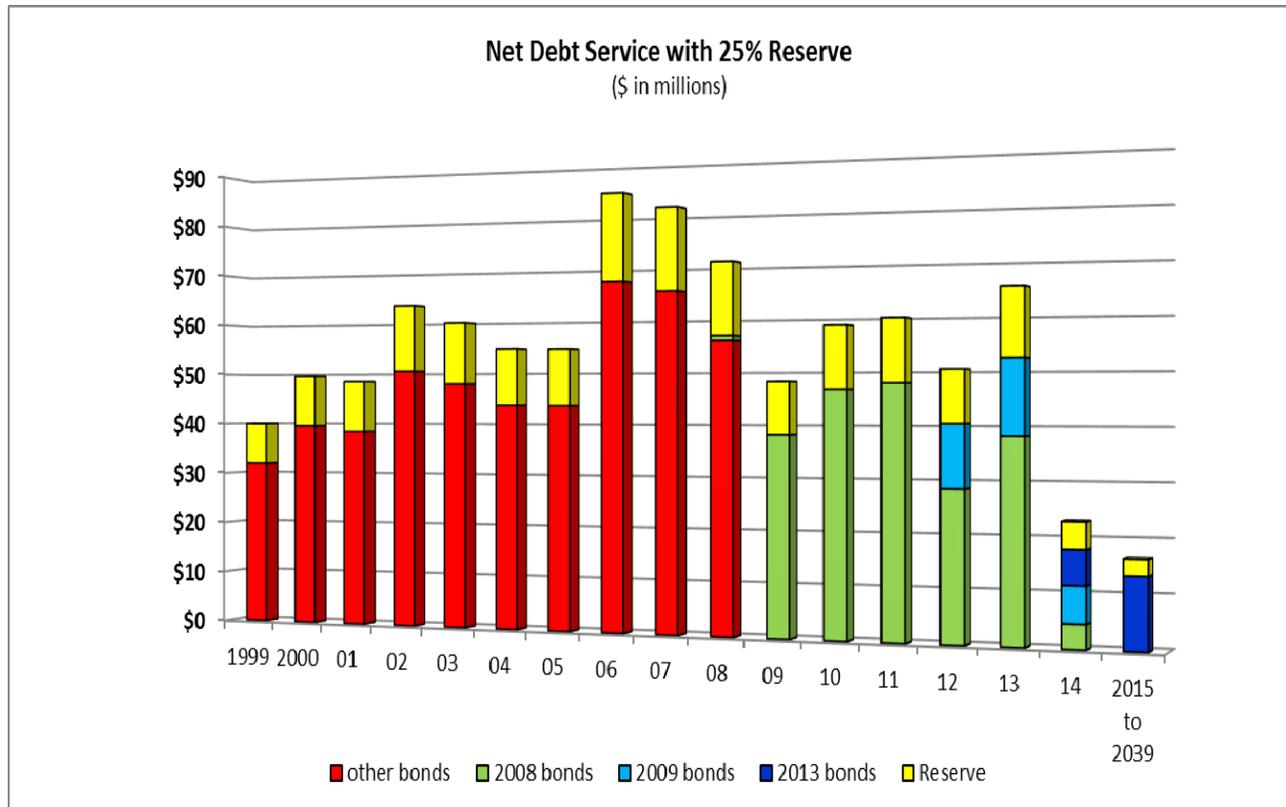
O&M Budget by Division (\$ in millions)	2017 Proposed Budget	2016 Budget	Change
Chief Executive Officer Division	\$18.5	\$18.0	\$0.5
Market and Infrastructure Development	15.5	14.9	0.6
Technology	63.7	62.1	1.6
Operations	42.6	41.9	0.7
General Counsel	13.3	13.2	0.1
Market Quality and Renewables Integration	8.6	8.4	0.2
Customer and State Affairs	8.3	8.2	0.1
Regional and Federal Affairs	3.1	2.6	0.5
Total	\$173.6	\$169.3	\$4.3

We leverage an activity based costing structure for further transparency.

- Six summary activities identified at the first level
- Tracking time by level II activities
- ABC utilized to develop 2015 GMC update with great stakeholder support
- ABC provides further insight into resource utilization



Annual debt service requirement remains at \$16.9 million due to the level debt service of the 2013 bonds.





The proposed capital/project budget is currently targeted at \$20 million.

- Proposed revenue requirement contains a \$24 million cash funded capital component
- Total project approvals are targeted at \$20 million for further market enhancements and regular capital
- Detailed draft of potential projects is contained within the budget book. Currently, there is \$31 million in proposed projects to be prioritized down to the final budgeted amount.

Other costs and revenues will reduce the revenue requirement by \$13.3 million.

Other Costs and Revenues (\$ in millions)	2017 Proposed Budget	2016 Budget	Change
Energy Imbalance Market Administrative Charges	\$4.2	\$2.5	\$1.7
Intermittent Resource Forecasting Fees	2.1	2.1	-
California-Oregon Intertie Path Operator Fees	2.0	2.0	-
Interest Earnings	2.7	2.0	0.7
Large Generator Interconnection Projects	1.9	1.8	0.1
Other Fees and Charges	0.4	0.4	-
Total	\$13.3	\$10.8	\$2.5

The operating cost reserve adjustment will reduce the revenue requirement by \$5.9 million.

Operating Cost Reserve Adjustment (\$ in millions)	2017 Proposed Budget	2016 Budget	Change
Increase in 15% reserve for O&M budget	\$(0.6)	\$(0.6)	\$ -
25% debt service collection from prior year	3.4	3.4	-
True-up of actual to forecast revenues and expenses	3.1	1.3	1.8
Total	\$5.9	\$4.1	\$1.8

Proposed revenue requirement leads to minimal changes to the grid management charge rates.

Grid Management Charges	2017 Proposed Rate ⁽¹⁾	2016 Rate	\$ Variance
Market Service Charge	\$0.0848	\$0.0850	(\$0.0002)
Systems Operations Charge	\$0.2951	\$0.2979	(\$0.0028)
CRR Services Charge	\$0.0065	\$0.0049	\$0.0016
<u>Miscellaneous Fixed Fees</u>			
Bid Segment Fees	\$0.005	\$0.005	n/a
Inter-SC Trade Fees	1.00	1.00	n/a
SCID Fees (monthly)	1,000	1,000	n/a
TOR Fees ⁽²⁾	0.24	0.24	n/a
CRR Auction Bid Fees	1.00	1.00	n/a

CRR = Congestion Revenue Rights; SC = Scheduling Coordinator; TOR = Transmission Ownership Rights

(1) Rates will be finalized during December 2016 Board meeting.

(2) System Operations volumes exclude specified grandfathered contracts.

Key calendar dates and next steps

- Written Stakeholder comments due to ISO Oct 6
 - Send to initiativecomments@caiso.com
- Board of Governors meeting Oct 26-27
 - Public comments to Board on 2017 budget
- Board of Governors meeting Dec 14-15
 - Approval of 2017 budget
- Post rates and budget documentation to ISO website Dec 21