Appendix A-Part 1

Calculation of Financial & Capital Operating Reserve Credit for 2009

\$ in '000

Factors affecting the reserve credit for 2010 are calculated in two parts:

Part 3

Items affecting the reserve balance as of 12/31/2008.

Appendix A-Part 3

The analysis shows the reserve balance at 12/31/2008 based on the assumptions

used in our last GMC filing (for 2009), updates to those assumptions based on actual experience,

and also incorporates new items affecting the reserve as of that date.

Part 2

2009 events affecting the reserve, including 2009 revenues, expenses and other reserve uses and credits.

Appendix A-Part 2

	(Left-most columns on Part 2)	(Right-most columns on Part 2)	
SUMMARY OF RESERVE CREDIT	What would be expected with no changes from last <u>year's plan</u>	Revised: Forecast/Actual	Difference from Plan
art 3, Line 15 Available as credit for 2009	16,995	18,916	1,921
Part 2 2009 Events Reserve Balance at 1/2009 2008 Financial Results affecting the Operating R	40,507 Reserve (5,122)	42,428 17,464	1,921 22,587
Ending Reserve Balance Calculation of Available 2010 Credit:	35,384	59,8	
2009 and 2010 O&M Budget Less: Reserve Requirement= 15% of O&M Bu	156,743 udget (23,511)	162,679 (24,4	02) (890)
2010 Credit (See Line 15 of Part 2)	<u>11,873</u>	35,49	23,617
	amounts, and that no other factors affected	ed the reserve balance.	1
		ed the reserve balance.	
	e items that affected the reserve in 2009.	11,8	73
UMMARY OF RESERVE (Alternative Reconciliation)	n 2009 Operating Reserve)		73
UMMARY OF RESERVE (Alternative Reconciliation) Available as credit for 2009 based on 25% of debt service in Part 3 Items that Affected Prior Years (Positive = more funds for O Updated 2008 Beginning Reserve Balance	n 2009 Operating Reserve) e was prior to close of the 2008 year)	11,8	73
Part 3 Items that Affected Prior Years (Positive = more funds for O Updated 2008 Beginning Reserve Balance Updated 2008 Revenue and Expenses (previous estimate	n 2009 Operating Reserve) e was prior to close of the 2008 year) e (Legal and billing matters) Subtotal	11,8 - 3,822 (1,901) 1,9 22,010 (1,816) 20,1	21

Explanation

2008 Results generally more favorable than anticipated. Higher revenues and interest, lower O&M, lower cash funded capex offset by project costs

See above

Difference due to variance in 2008 and 2009 forecast results from plan

Increase in O&M budget results in higher 15% reserve requirement.

Net Difference in available reserve credit due to factors described in this column.

2008 Results generally more favorable than anticipated. Higher revenues and interest, lower O&M, lower cash funded capex offset by project costs

Adjustment on 2001 GMC rate case refund.

Debt service slightly below budget.

Reflect FERC ruling on A33 fines

Finance 12/7/2009 FINAL

Appendix A-Part 2

Calculation of Available

Financial & Capital Operating Reserve Credit for 2009

	rmancial & Capital Operating Reserve C	realt for 200	09	Bud	lget					Actual/F	orecast for Year					
1	BEGINNING RESERVE BALANCE, 1/1/2009	CRS \$ 11,115 \$	ETS: 625	Forward Scheduling \$ 2,725	Congestion Management \$ 5,337	Market Usage		Total \$ 40,507	<u>CRS</u> \$ 15,488	<u>ETS:</u> \$ 843	Forward Scheduling \$ 1,657	Congestion Management \$ 4,886	Market Usage \$ 11,240 \$	Settlements, Metering, Customer Service 8,313 \$	<u>Total</u> 42,428	Difference: Plan vs. Forecast 1,921 General Notes
2a	CALCULATION OF CONTRIBUTION TO RESERVE FROM OPERATIONS Revenue: GMC Rates: 2009 Calendar Year Revenue (as settled/collected)	41,059	86,249	16,223	-	47,612	1,836	192,978	38,691	83,318	11,357	2,767	63,400	1,615	201,148	8,170 2009 forecast includes actuals through June and estimates for July - December
2b	Other Settlement revenues	-	-	-	-	-	-	-	3,032	6,576	1,220	-	4,358	154	15,340	15,340 Impact of Payment Acceleration. November GMC will be collected in 2009.
2c	Reversal of Reassignments per Settlement	22,109	(56,091)	(361)	-	(17,201)	51,544	-	22,109	(56,091)	(361)	-	(17,201)	51,544	-	 Reversal of Settlement reassignments necessary to calculate revenues by filed rate categories.
2d	GMC Rates: 2009 Calendar Year Revenue (as filed basis)	63,167	30,159	15,862	-	30,411	53,380	192,978	63,832	33,803	12,216	2,767	50,557	53,313	216,488	23,510 Total Revenues as described above
3	Other (Interest Income, WECC reimbursement, COI Path Operator fee, LGIP revenues)	3,430	915	209		512	1,075	6,141	3,430	915	209	-	512	1,075	6,141	Estimated Other income is at budget
3a	Realized Loss on Investments	-	-	-	-	-	-	-	(838)	(223)	(51)	-	(125)	(263)	(1,500)	(1,500) As of 9/09 CAISO had a realized loss of \$1.5M on investments
4	Expenses: O&M	(58,476)	(24,668)	(6,798)	-	(27,736)	(39,063)	(156,743)	(59,154)	(24,954)	(6,877)	-	(28,058)	(39,516)	(158,559)	(1,816) O&M at budget plus project O&M costs of \$1.816M
4a	Differential btw capitalized labor and O&M for MRTU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	- N/A for 2009
5a	Debt Service: Principal	(6,351)	(2,047)	(6,998)	-	(9,893)	(13,811)	(39,100)	(6,351)	(2,047)	(6,998)	-	(9,893)	(13,811)	(39,100)	- Budgeted Debt Service: Principal
5b	Debt Service: Interest	(1,364)	(440)	(1,503)	-	(2,125)	(2,967)	(8,399)	(1,364)	(440)	(1,503)	-	(2,125)	(2,967)	(8,399)	- Budgeted interest
6	Cash Funded CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	- No cash funded capex for 2009
7	Contribution to Operating Reserve (Sum lines 2-7)	405	3,919	770	-	(8,831)	(1,386)	(5,122)	(445)	7,054	(3,005)	2,767	10,868	(2,168)	15,071	20,193
8	OTHER RESERVE USES Interest on Excess Collections of Amendment 33 Fines								503	419	161	104	448	866	2,500	2,500 Impact of FERC ruling on Amendment 33
8a	Adjust Fines Recognized to Current Expectation of								-	-	-	-	-	-	-	-
9	Refund Liability Interest on 2001 GMC Case: Incentive Comp.								(33)	(22)	(5)	(6)	(13)	(27)	(107)	(107) Calculated using FERC interest rates on 2001 GMC overassessment of \$1.8 million. Interest is for year 2009.
10	Redacted Items: Matters Pending Dispute Resolution, Litigation or Appeal including interest on potential awards or judgment.								-	-	-	-	-	-	-	Reserve for pending legal matters and other issues that affect the operating reserve. None for 2009 at this time.
11	Net Increase in Operating Reserve	405	3,919	770	-	(8,831)	(1,386)	(5,122)	24	7,451	(2,849)	2,865	11,302	(1,330)	17,464	22,587
	Ending Reserve Balance Less: Reserve Requirement (15% of subsequent year Budg FY 2009 and FY2010 Operating Budget	11,521 9,580 63,868	4,543 3,934 26,229	3,496 1,370 <i>9,13</i> 5	5,337 966 <i>6,4</i> 37	1,157 2,524 16,828	9,331 5,137 34,246	35,384 23,511 156,743	15,513 9,943 66,286	8,294 4,083 27,222	(1,192) 1,422 <i>9,481</i>	7,751 1,002 6,681	22,543 2,620 17,466	6,983 5,332 35,543	59,892 24,402 162,679	24,507 890 5,936
15	Equals: Revenue Credit Available			25% of 2009 D	Debt Service			\$ 11,873	40.7% 5,570	16.7% \$ 4,210	\$ (2,614)	6,749	10.7% \$ 19,923	21.8% 1,652 \$	100.0% 35,490	23,617

Finance 12/7/2009 FINAL

Calculation of Available

Appendix A-Part 3

Financial & Capital Operating Reserve Credit for 2009

	Financial & Capital Operating Reserve Cr			ılation (Used i	in Setting 2009	Rates)				Actual (Update	e during 2009	to reflect final 2	2008 results)			
		CRS	<u>ETS:</u>	Forward Scheduling	Congestion Management		Settlements, Metering, Customer Service To	ntal	<u>CRS</u>	ETS:	Forward Scheduling	Congestion Management	Market Usage	Settlements, Metering, Customer Service	<u>Total</u>	Difference: Plan vs. Forecast General Notes
1	BEGINNING RESERVE BALANCE, 1/1/2008 \$	CRS 19,845	3,664	\$ 4,151		\$ 4,355	\$ 12,016 \$		\$ 19,845	\$ 3,664	\$ 4,151	\$ 5,048		\$ 12,016		-
1a	Adjustments to beginning balance								-	-	-	-	-	-	-	-
	CALCULATION OF CONTRIBUTION TO RESERVE FROM OPERATIONS Revenue:															
2a	GMC Rates: 2008 Calendar Year Revenue (as settled)	39,817	81,031	8,465	17,054	43,971	906	191,244	40,559	81,951	8,250	16,874	46,359	903	194,895	3,651 Final GMC collections for the year
2b	Other Settlement revenues															
2c	Reversal of reassignments per Settlement	21,940	(57,094)	7,455	(7,393)	(10,711)	45,802	-	21,940	(57,094)	7,455	(7,393)	(10,711)	45,802	-	 Reversal of Settlement reassignments necessary to calculate revenues by filed rate categories. For actual, used revised allocation factors per "2008
2d	GMC Rates: 2008 Calendar Year Revenue (as filed) = Sum of 2a+2b	61,758	23,937	15,919	9,661	33,260	46,708	191,244	62,499	24,858	15,704	9,480	35,648	46,705	194,895	GMC Cost Allocation Model". 3,651
3	Other (Interest Income, WECC reimbursement, COI Path Operator fee)	8,357	1,317	295	154	457	1,314	11,894	9,044	1,426	320	166	494	1,422	12,871	977 Final interest, LGIP, COI, and other revenues for the year
4	Expenses: O&M	(61,795)	(25,377)	(8,838)	(6,228)	(16,282)	(33,135)	(151,655)	(60,089)	(24,677)	(8,594)	(6,056)	(15,833)	(32,220)	(147,469)	4,186 Final O&M for the year
4 a	Capitalized labor 2008 or Difference btw Capitalized Labor and O&M for MRTU	-	-	-	-	-	-	-	(4,576)	(1,879)	(655)	(461)	(1,206)	(2,454)	(11,231)	(11,231) to add back capitalized labor not funded from bond proceeds
5a	Debt Service: Principal	(8,911)	(1,538)	(7,374)	(2,511)	(9,011)	(12,829)	(42,175)	(8,747)	(1,510)	(7,239)	(2,465)	(8,846)	(12,594)	(41,400)	775 Actual bond payments were lower than budgeted
5b	Debt Service: Interest	(1,017)	(149)	(1,171)	(424)	(1,709)	(1,971)	(6,441)	(1,496)	(220)	(1,722)	(623)	(2,515)	(2,900)	(9,476)	(3,035) Interest expenses were higher than budgeted
6	Cash Funded CapEx	(6,515)	(730)	(71)	(239)	(563)	(382)	(8,500)	-	-	-	-	-	-	-	8,500 No GMC funded capital expenditures for 2009
7	Contribution to Operating Reserve (Sum lines 2-7)	(8,123)	(2,540)	(1,240)	413	6,151	(295)	(5,633)	(3,366)	(2,003)	(2,186)	41	7,743	(2,042)	(1,811)	3,822
8	OTHER RESERVE USES Interest on Excess Collections of Amendment 33 Fines	(562)	(469)	(179)	(116)	(500)	(967)	(2,793)	(941)	(786)	(301)	(195)	(838)	(1,621)	(4,682)	(1,889) Interest on Amend 33 fines
8a	Adjust Fines Recognized to Current Expectation of	-	-	-	-	-	-	-	-	-	-	-	-	-	-	To recognize any difference in overall fines to be retained by ISO
9	Refund Liability Interest on 2001 GMC Case: Incentive Comp.	(46)	(31)	(7)	(8)	(18)	(37)	(147)	(50)	(33)	(7)	(9)	(20)	(40)	(159)	(12) Calculated using FERC interest rates on 2001 GMC overassessment of \$1.8 million.
10	Redacted Items: Matters Pending Dispute Resolution, Litigation or Appeal including interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	- No matters at this time.
11	Net Increase in Operating Reserve	(8,730)	(3,040)	(1,426)	289	5,633	(1,299)	(8,573)	(4,357)	(2,822)	(2,494)	(162)	6,885	(3,703)	(6,652)	1,921
	Ending Reserve Balance Less: Reserve Requirement (15% of subsequent year Budç FY2009 Operating Budget	11,115 9,580 63,868	625 3,934 26,229	2,725 1,370 9,135	5,337 966 <i>6,437</i>	9,988 2,524 16,828	10,717 5,137 34,246	40,507 23,511 156,743	15,488 9,580 <i>63,868</i>	843 3,934 26,229	1,657 1,370 9,135	4,886 966 <i>6,4</i> 37	11,240 2,524 16,828	8,313 5,137 <i>34,24</i> 6	42,428 23,511 <i>156,74</i> 3	
15	Equals: Revenue Credit Available \$	1,535	(3,310)	\$ 1,355	\$ 4,372	\$ 7,464	\$ 5,580 \$	16,995	\$ 5,908	\$ (3,092)	\$ 287	\$ 3,920	\$ 8,716	\$ 3,176	\$ 18,916	1,921 Net difference is carried forward to Appendix A-Part 2, Line 1.

Finance 12/7/2009