

## **Exhibit 8**



**PROPOSED  
FY2002 GRID MANAGEMENT CHARGE**

**Date: October 17, 2001**

Modified from posting on ISO web-site on September 27, 2001 due to:

- changes to ISO volume forecast including proposed inclusion of self-provided A/S volumes in the third GMC category.
- reductions in 2002 debt service requirements.
- Review and changes to cost allocation methodology.

O&M and capital budgets remain unchanged.

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## OVERVIEW

- The Proposed FY2002 Budget was presented to stakeholders at an ISO Budget Workshop on October 4, 2001. Comments from stakeholders on the proposed FY2002 Budget were to be submitted by October 15, 2001. No formal comments were received.
- Proposed total budgeted spending by the ISO **decreases** from 2001 to 2002, as measured by the combined O&M and capital budgets:

	<u>2001</u>	<u>2002</u>
O&M Budget	\$171,798	\$177,465
Capital Budget	\$37,774	\$22,000
Total Spending	\$209,572	\$199,465

- The proposed increase in rates is due primarily to a significant decrease in volumes used to calculate the rates for 2002, and in under-recoveries due to volume decreases in 2001 (which affect the Operating Reserve for each unbundled category). Additionally, while the capital budget for 2002 has been significantly reduced, this did not translate to a reduction in the revenue requirement due to the funding method of the capital budget (the ISO credit rating downgrade does not permit a bond issuance at this time). Changes in cost allocations for the unbundled GMC categories also have a minor impact.
- **The ISO is proposing a modification to the third GMC service category, to include assessing 50% of self-provided ancillary service volumes this fee.**

- (1) The CAISO fiscal year (FY) is the calendar year.
- (2) '000 Omitted except for \$/MWh.

## EXECUTIVE SUMMARY

### Budget Process and Operating & Maintenance Budget

- On September 6, 2001, Management presented the proposed FY2002 Budget and GMC to the Finance Committee of the Board of Governors.
  - ⇒ Management developed a base budget which represented a continuation of service at the level budgeted for FY2001, and a recommended budget which included various programs added in 2001, but not in the original budget, and additional requirements for 2002.
  - ⇒ Management discussed the impact on levels of service, personnel, and contract negotiating strategies related to the base budget and the recommended budget.
- It was the sense of the Finance Committee that Management proceed with the Recommended O&M Budget that provides for the recommended service enhancements as well as funding for the support of the Recommended Capital Budget for FY2002.
- On September 20, Management presented the proposed FY2002 Budget and GMC to the Board of Governors, and it was the sense of the Board that the ISO should proceed with posting the proposed budget.
- The proposed FY2002 Operating & Maintenance Budget of \$177,465 represents an increase of \$5,667 or 3% from the FY2001 Operating & Maintenance Budget of \$171,798 .

'000 Omitted except for \$/MWh.

## EXECUTIVE SUMMARY

### Other Elements of the Overall Revenue Requirement

- The proposed FY2002 Financing Budget of \$68,330 represents an increase of \$5,190 or 8% over the FY2001 Financing Budget of \$63,141. The increase is primarily related to the collection of funds for cash-funded capital expenditures, until such time in 2002 as the ISO is able to execute a bond offering to fund the balance of the FY2002 capital budget.
- The proposed FY2002 Operations & Maintenance Expense Recovery Budget (non-GMC revenues) is \$2,610, an increase of \$208 or 9% from the FY2001 Operations & Maintenance Expense Recovery Budget of \$2,402. The increase is attributable to higher projected WSCC reimbursements for the security coordination function.
- The proposed FY2002 Capital Expenditure Budget is \$22,000 compared to \$37,774 in FY2001. Funding sources include a collection through the GMC revenue requirement of \$8,301 and an additional bond offering planned for FY2002 for \$20,000 (with remaining bond funds available for 2003). The bond offering planned for 2001 has not occurred due to the the financial challenges resulting from the uncertainty in the California energy markets.
- GMC Unbundling requires that any Revenue Credit (or under-recovery of prior year costs) be calculated separately by service category. For FY2002, two unbundled categories have an under-recovery, while the third has an available revenue credit. The sum of the three amounts is a shortfall of \$(1,608) compared with a revenue credit of \$7,230 in 2001. This results in additional collections in 2002 of \$ 8,839 above the 2001 Net Revenue Requirement.
- The FY2002 Net Revenue Requirement is \$244,794, an increase of \$19,487 from the FY2001 Net Revenue Requirement.

'000 Omitted except for \$/MWh.

## EXECUTIVE SUMMARY

### Unbundling and Rates

- Effective January 1, 2001, the Grid Management Charge was unbundled, to consist of three separate charges. The categories for 2002 will be:

- ⇒ Control Area Services
- ⇒ Congestion Mgmt.
- ⇒ A/S & RT Energy Ops
- Billed per MWh of Gross Control Area Load
- Billed per MWh of Net Interzonal Scheduled Load
- Billed per MWh of A/S & RT Energy (both users and suppliers)
- and 50% of self-provided A/S

- The rates for each service are by summing the costs associated with that service, and dividing by the billing determinant volume, as follows:

$$\text{O\&M Budget + Cash Funded Capital Expenditures + Finance Budget (Debt Service and Coverage Requirement) + Expense Recovery Budget + Operating Reserve Revenue Credit or Deficiency} \\ \text{Billing Determinant Volume}$$

- The unit charges for each service category vary due to (1) changes in anticipated billing determinant volumes in cost allocation (the proportion of total ISO costs assigned to each category) and (3) changes in overall costs in 2002 (4) the effect of the Operating Reserve for each category, which is affected by 2001 and earlier results. The rates are shown later in this report.

- The rates for these charges are not directly comparable to the bundled GMC in effect from 1998 to 2000, as different billing determinants (denominators) are used in calculating the rates

'000 Omitted except for \$/MWh.

## EXECUTIVE SUMMARY

### Recent Events and Changes

- Throughout the budget development process, a primary goal was to develop a budget proposal that would result in a flat net revenue requirement (and accordingly, a flat GMC rate on a bundled basis) from 2001 to 2002. The rate proposal did in fact meet this goal until mid-September, when it was noted that billing determinant volumes in 2001 had dropped significantly, particularly for the Market Operations component of the GMC. This resulted in a significant drop in the revenue credit available to apply towards 2002 costs, and for two of the services, resulted in a deficiency in recovery of 2001 costs that would need to be collected in 2002. Accordingly, the goal of maintaining a flat net revenue requirement was no longer possible. The net revenue requirement increases from \$225,307 to \$244,794.

- Any revenue credit (or deficiency in recovery of 2001 costs), is subject to significant variability, and is dependent on 2001 operations. As the year is not yet complete, changes in the forecast for 2001 operating results affect the operating reserve calculation for each service. The credit depends on (1) actual costs incurred by each service category during the year (2) revenue under or over-collections for each service category during the year and (3) other revenues such as ISO fines, (4) use of the operating reserve to fund capital expenditures in 2001, and (5) reserve balances for each service at the beginning of the current year.
- The decrease in the revenue requirement from the previous web-posting is due to an improved volume forecast for two GMC services (and a slightly decreased volume forecast for Control Area Services), modified assumptions regarding the ISO's debt issuance in 2002, and changes in the allocation of proceeds from collected ISO fines & penalties to the three service categories.

'000 Omitted except for \$/MWh.



## EXECUTIVE SUMMARY

### Recent Events and Changes

- To the extent that the 2002 volume forecast has been developed based on 2001 experience and the year is not yet complete, the ISO is prepared to adjust rates as necessary during 2002 under the quarterly GMC adjustment mechanism of the ISO Tariff.
- To the extent that the ISO is able to execute a bond issuance earlier in 2002 than currently anticipated, a reduction in rates would be pursued, as the cash funded capital expenditure provision in the revenue requirement would not be necessary.
- The ISO is not proposing a change in rates in effect for 2001.
- The ISO has proposed deleting the third GMC category, the "Market Operations" charge, to be replaced with the "Ancillary Services and Real Time Energy Operations" charge. The billing determinant would be expanded to include 50% of self-provided ancillary services.
- The "Interzonal Scheduling" category will be renamed: "Congestion Management". There is no change to the proposed billing determinant for this category at this time.

'000 Omitted except for \$/MWh.

**FY2002 BUDGET TIMELINE**

1. Budget Process Rollout to CAISO departments  
11-Jul-01
2. Presentation of Preliminary Budget to Finance Committee  
06-Sep-01
3. Initial Board review of preliminary Budget posting  
20-Sep-01
4. Budget Posting on Website  
27-Sep-01
5. Public Budget Workshop  
04-Oct-01
6. Budget Overview to Market Issues Forum  
11-Oct-01
7. Public Comments on Budget Due  
15-Oct-01
8. Board Approval of Budget  
25-Oct-01
9. Budget Filing with FERC  
01-Nov-01
10. New 2002 Rates Effective  
01-Jan-02

**FY2001/ FY2002 OPERATING & MAINTENANCE BUDGET COMPARISONS**

	FY2001 Operating Budget	FY2002 Proposed Budget	Amount Change	% Change
Salaries and Benefits	\$ 73,121	\$ 78,814	\$ 5,693	8%
Bldg, Lease & Facility Costs	15,775	14,444	(1,331)	-8%
Insurance	971	1,024	53	5%
Third Party Vendor Contracts	47,796	45,767	(2,029)	-4%
Professional & Consulting Services	9,152	12,063	2,911	32%
Audit, Legal & Regulatory	10,385	12,496	2,111	20%
Training and Travel	7,774	6,330	(1,444)	-19%
Miscellaneous	6,824	5,543	(1,281)	-19%
Other	-	985	985	N/A
<b>Total O&amp;M Budget</b>	<b>\$ 171,798</b>	<b>\$ 177,465</b>	<b>\$5,667</b>	<b>3%</b>

000 Omitted except for \$/MWh.

**ANALYSIS OF THE PROPOSED 2002 OPERATING & MAINTENANCE BUDGET**

	Maintaining FY2001 Budgeted Service Level	Additional Requirements & Recomm- mendations, Net of Cost Savings	Total FY2002 O&M Budget
<b>Salaries and Benefits</b>	\$ 73,587	\$ 5,228	\$ 78,814
<b>Bldg, Lease &amp; Facility Costs</b>	\$ 13,954	489	14,444
<b>Insurance</b>	\$ 1,024	-	1,024
<b>Third Party Vendor Contracts</b>	\$ 47,561	(1,794)	45,767
<b>Professional &amp; Consulting Services</b>	\$ 11,521	542	12,063
<b>Audit, Legal &amp; Regulatory</b>	\$ 10,061	2,435	12,496
<b>Training and Travel</b>	\$ 5,848	483	6,330
<b>Miscellaneous</b>	\$ 5,613	(70)	5,543
<b>Other</b>	\$ 3	982	985
<b>Total O&amp;M Budget</b>	<b>\$ 169,171</b>	<b>\$ 8,295</b>	<b>\$ 177,465</b>

'000 Omitted except for \$/MWh.

## PROPOSED FY2002 OPERATING & MAINTENANCE BUDGET- COMMENTS BY DIVISION

See Appendix A for Proposed O&M Budgets by Division:

DIVISION	DIVISION#	COMMENTS
VP GRID OPERATIONS	1500	Budget of \$34,243 for 2002 is \$650 lower than 2001. Provides funding for new generator maintenance standards and inspection programs, eliminates budget for WSCC fines.
CHIEF INFORMATION OFFICER	1400	Budget essentially flat. Conversion of contract resources to ISO full time employees for cost savings. Savings also generated from change in equipment leasing source.
GENERAL COUNSEL	1600	Budget increases from \$18,564 to \$19,986, providing resources for investigations, market analysis, compliance, refund litigation and bankruptcy response.
VP MARKET SERVICES	1700	Budget essentially flat at \$18,430. Additional resources including RMR validation, market quality, were funded by various cost savings.
VP CORPORATE & STRATEGIC DEVELOPMENT	1800	Budget increases from \$7,194 in 2001 to \$8,168 in 2002, to fund new resources for strategic policy development, and to appropriately respond to market design issues.
CHIEF FINANCIAL OFFICER	1300	Budget essentially flat. Contains funds for additional leased space, new resources for GMC rate work, market cash clearing, offset by savings in property taxes, office expenses.
CEO	1100	CEO budget decreased from \$3,503 in 2001 to \$1,080. 2002 budget contains CEO and support salaries, and \$250 for unforeseen organizational needs.
OTHER		Salary changes for all ISO staff are budgeted separately from the Divisional figures noted above to allow for comparability of costs from year to year. See following page.

\*000 Omitted except for \$/MWh.

**STAFFING CHANGES IN THE FY2002 O&M BUDGET**

CAISO Division	FY2001 Operating Budget	Transfers during FY2001	FY2001 Approved Staffing	FY2002 Base Budget	FY2002 New Rqmts. (Inc. Programs)	FY2002 Contractor Conversions	FY2002 Proposed Budget
CEO	30.5	(28.5)	2.0	2.0	-	-	2.0
CFO	55.0	(23.5)	31.5	31.5	2.0	2.0	35.5
CIO	121.5	-	121.5	121.5	2.0	16.0	139.5
VP Grid Ops	251.0	(52.0)	199.0	199.0	7.0	-	206.0
General Counsel	35.0	9.0	44.0	44.0	7.0	2.0	53.0
Market Services	44.0	76.0	120.0	120.0	4.0	2.0	126.0
VP Corp & Strat Dev	7.5	19.0	26.5	26.5	1.0	1.0	28.5
<b>Total FTE</b>	<b>544.5</b>	<b>-</b>	<b>544.5</b>	<b>544.5</b>	<b>23.0</b>	<b>23.0</b>	<b>590.5</b>

Transfers reflect the 2001 reorganization. VP Grid Operations was previously "Chief Operations Officer"; Market Services was previously "Client Services"; VP Corporate & Strategic Development was previously "Strategic Development and Communications"

**Notes:**

- Salaries & Benefits cost increase for FY2002 for all staff is shown in Appendix A in the Other column, in the Salaries & Benefits line item. This cost is isolated to allow for comparison of staff costs by Division exclusive of salary & benefit rate changes for FY2002. The total change of \$3,801 provides for a 5% funding pool for staff salary adjustments, and other adjustments.

'000 Omitted except for \$/MWh.

**FY2001/ FY2002 FINANCING AND CASH FUNDED CAPEX BUDGET COMPARISONS**

	FY2001 Budget	FY2002 Proposed Budget	Amount Change	% Change
Principal Reserve Funding-Current Debt	\$ 30,233	\$ 33,800	\$ 3,567	12%
Interest Reserve Funding-Current Debt	11,785	10,711	(1,075)	-9%
Operating Reserve Funding-Current Debt (1)	10,505	11,128	623	6%
Total Debt Service: New Debt	8,494	3,513	(4,981)	-59%
Operating Reserve Funding-New Debt	2,123	878	(1,245)	-59%
Cash Funded Capital Expenditures (2)		8,301	8,301	N/A
<b>Total Financing &amp; Cash Funded CapEx Budget</b>	<b>\$63,141</b>	<b>\$68,330</b>	<b>\$5,190</b>	<b>8%</b>

**Notes:**

(1) Operating Reserve funding is at 25% of scheduled debt service payments.

(2) Cash Funded Capital Expenditures: collections for necessary capital expenditures, prior to the ISO's anticipated ability to issue bonds in mid-2002. The need for this provision for cash funded capital expenditures is the primary reason for the increase in the ISO's total revenue requirement.

'000 Omitted except for \$/MWh.

**FY2001/ FY2002 EXPENSE RECOVERY BUDGET COMPARISONS**

	FY2001	FY2002	Amount	% Change
	Budget	Proposed Budget	Change	
Interest Earned on Operating Funds (1)	\$ 1,350	\$ 1,350	\$ 0	0%
SC Application & Training Fees	-	15	15	N/A
WSCC Security Coordinator Fees	1,052	1,245	193	18%
<b>Total O&amp;M Expense Recovery Budget</b>	<b>\$2,402</b>	<b>\$2,610</b>	<b>\$208</b>	<b>9%</b>

**Notes:**  
 (1) Based on a 3.5% return on operating reserve.

'000 Omitted except for \$/MWh.



**FY2001 / FY2002 REVENUE CREDIT/RESERVE DEFICIENCY CALCULATION**

FY2002	FY2001	
Proposed	Budget	
Budget	Budget	
		Forecast Operating Reserve Balance, end of year 2000 or 2001 (See Note)
\$ 24,620	\$ 33,000	
26,228	25,770	Operating Reserve Requirement (15% of Operating Budget) (See Note)
	\$7,230	Revenue Credit or (Deficiency from prior year)
(1,608)	\$	

**Notes:**

- From the inception of the ISO's operations, funds collected above and beyond those needed to cover budgeted operating expenses have been used to fund the operating reserve. These funds are collected every year at the rate of 25% of budgeted debt service (consisting of principal and interest payments.) The operating reserve is targeted to build to a level equal to 15% of overall budgeted operating expenses (excluding debt service).
- The Operating Reserve is calculated separately by unbundled service category. The subsequent page details the calculation of the operating reserve by category. The amount of the credit or deficiency depends on (1) actual costs incurred by each service category during the year (2) revenue under or over-collections for each service category during the year and (3) other revenues such as ISO fines, (4) use of the operating reserve to fund capital expenditures in 2001, and (5) reserve balances for each service at the beginning of the current year.

'000 Omitted except for \$/MWh.



# CALIFORNIA ISO

## California ISO Calculation of Available Revenue Credit for 2002 \$ in '000

	Budget				Actual				Allocation	CASS	I2S	MCO	Total
	CASS	I2S	MCO	Total	CASS	I2S	MCO	Total					
1 Beginning Reserve Balance, 1/1/2001	\$ 15,840	\$ 2,970	\$ 14,190	\$ 33,000	\$ 9,806	\$ 1,839	\$ 8,784	\$ 20,429	Allocation of 2001 Section 35 Filing, Distribution of 2001 revenue credit (48%, 9%, 43%)	48.0%	9.0%	43.0%	100.0%
2 Calculation of Contribution to Reserve from Operations Revenue													
3 Revenue	108,518	19,519	97,377	225,414	100,095	16,771	101,226	218,091	Actual collections and forecast for remainder of 2001.	45.9%	7.7%	46.4%	100.0%
4 G/MC Rates 2001 Calendar Year Revenue	1,702	117	383	2,402	2,240	199	1,201	3,640	Security coordinator fees assigned to CASS, remainder spread proportionately	61.5%	5.5%	33.0%	100.0%
5 Other													
6 Expenses:													
7 O&M	(88,055)	(12,700)	(71,045)	(171,798)	(83,956)	(12,109)	(67,736)	(163,800)	Variance spread proportionately	51.3%	7.4%	41.4%	100.0%
8 Debt Service	(20,485)	(6,062)	(23,966)	(30,513)	(18,619)	(5,509)	(21,783)	(45,911)	Allocation based on filed 2001 O&M allocations by category	40.6%	12.0%	47.4%	100.0%
9 Contribution to Operating Reserve (Sum lines 2 through 8)	1,680	874	2,951	5,505	(240)	(648)	12,908	12,020	Variance spread proportionately Allocation based on filed 2001 allocation factors.				
10 Other Reserve Uses													
11 Use of Reserve for CapEx					(7,248)	(313)	(5,067)	(12,829)	2001 Section 35 Filing, Allocation of Proposed 2001 Debt Service, excluding CMR \$12,829 is shortfall of funding available for CAPEX in 2001 due to inability to issue bonds.	56.5%	4.0%	39.5%	100.0%
13 Generator Fines/Penalties					2,400	430	2,150	5,000	Allocated based on overall Rev. Req.	48.0%	9.0%	43.0%	100.0%
14 Net Increase in Operating Reserve (Sum lines 9-13)	1,680	874	2,951	5,505	(5,088)	(712)	9,991	4,191					
19 Ending Reserve Balance (Line 1 plus Line 14)	17,520	3,844	17,141	38,505	4,718	1,127	18,775	24,620					
20 Less Reserve Requirement (1.5% of 2002 Budget, Line 20)	13,869	2,172	10,187	26,228	13,869	2,172	10,187	26,228					
21 FY2002 Operating Budget (net)	92,458	14,483	67,914	174,855	92,458	14,483	67,914	174,855	Net O&M Budget (exclusive of interest earnings, WSOCC collection, and other revenue)	52.9%	8.3%	38.8%	100.0%
22 Equals: Revenue Credit Available (Line 19 less Line 20)	3,651	1,672	6,954	12,277	(9,151)	(1,045)	8,588	(1,608)					

**FY2001/FY2002 REVENUE REQUIREMENT COMPARISONS**

	FY2001 Budget	Proposed FY2002 Budget	Amount Change	% Change
Total O&M Budget	\$ 171,798	\$ 177,465	5,667	3%
Total Finance and Cash Funded CapEx Budget (See Note)	\$ 63,141	\$ 68,330	5,190	8%
Total Expense Recovery Budget (Note)	\$ (2,402)	\$ (2,610)	(208)	9%
Available (Revenue Credit) or Deficiency (See Note)	\$ (7,230)	\$ 1,608	8,839	
Net Revenue Requirement	\$ 225,307	\$ 244,794	19,487	9%

**Notes:**

- The impact of the energy crisis on the ISO's credit-ratings makes it necessary to directly fund a portion of the 2002 capital budget from GMC collections ("cash funded capital expenditures").
- As discussed on the previous page, the available revenue credit or deficiency is dependent on 2001 activities, and is highly subject to change.

'000 Omitted except for \$/MWh.

**FY2001/FY2002 UNBUNDLED GRID MANAGEMENT CHARGE COMPARISONS**

	FY2001	Proposed FY2002	Amount Change	% Change
<b>Gross Revenue Requirement</b>	\$ 232,537	\$ 243,186	\$ 10,649	5%
Control Area Services ("CAS")	111,916	131,859	19,943	18%
Congestion Management ("CONG")	20,178	25,974	5,796	29%
Ancillary Service and Real-Time Energy Operations ("ASREO")	100,443	85,352	(15,091)	-15%
<b>Net Revenue Requirement</b>	\$ 225,307	\$ 244,794	\$ 19,487	9%
Control Area Services ("CAS")	108,446	142,140	33,694	31%
Congestion Management ("CONG")	19,527	27,683	8,156	42%
Ancillary Service and Real-Time Energy Operations ("ASREO")	97,334	74,971	(22,363)	-23%
<b>Billing Determinant Forecast '000 MWh</b>	267,289	246,487	(20,802)	-7.8%
Control Area Services ("CAS")	87,536	75,558	(11,978)	-13.7%
Congestion Management ("CONG")	102,394	78,597	(23,796)	-23.2%
Ancillary Service and Real-Time Energy Operations ("ASREO")	77,359	92,332	14,973	19.4%
<b>Rates</b>				
Control Area Services ("CAS")	\$ 0.406	\$ 0.577	\$ 0.171	42%
Congestion Management ("CONG")	\$ 0.223	\$ 0.366	\$ 0.143	64%
Ancillary Service and Real-Time Energy Operations ("ASREO")	\$ 0.951	\$ 0.954	\$ 0.003	0%
<b>Allocation Factors (Gross):</b>				
Control Area Services ("CAS")	48.1%	54.2%	6.12%	
Congestion Management ("CONG")	8.7%	10.7%	1.98%	
Ancillary Service and Real-Time Energy Operations ("ASREO")	43.2%	35.1%	-8.10%	

**Notes:**

- Rates for the third GMC category assume that 50% of self provided A/S volumes are assessed this fee.
- Allocation factors changed between the three services due to (1) general changes in budgets and priorities from 2001 to 2002, (2) allocation of capital spending for projects during 2001 and 2002, and (3) changed allocation of the Settlements and Billing function, which during 2001, was assigned almost entirely to the "Market Operations" category. In 2002, the O&M costs related to this function have been assigned to all three categories, in a ratio of approximately 15%, 7%, 78%.

'000 Omitted except for \$/MWh.

**FY2001/FY2002 CAPITAL EXPENDITURE BUDGET COMPARISONS**

	<b>FY2001 Budget</b>	<b>Proposed FY2002 Budget (1)</b>
<b>Market/System Redesign/Planning</b>	\$ 16,834	\$ 5,000
<b>Network Communication, Systems Security, Systems Monitoring</b>	500	2,700
<b>EMS Replacement, SWS/EBS Enhancements</b>	13,300	8,200
<b>Other Corporate Systems and Applications</b>	6,395	4,600
<b>Furniture, Leaseholds, Office Equipment</b>	745	1,500
<b>Total Capital Budget</b>	<b>\$ 37,774</b>	<b>\$ 22,000</b>

**Notes:**

(1) Detail on allocation of costs of categories above has been masked to avoid releasing sensitive bid related data to potential vendors. Additional information on the composition of proposed projects under these categories will be released with GMC unbundling information.

'000 Omitted except for \$/MWh.

### FY2002 CAPITAL EXPENDITURE BUDGET FUNDING AND OTHER ISSUES

**Funding Sources & Uses:**

<b>Sources:</b>	
Remaining Funds on Hand from FY2000 Bond Issuance	\$0
Collections from GMC: Cash Funded Capital	\$ 8,301
Expenditures	
Proceeds from Anticipated Bond Issuance, 2002	\$13,699
<b>Total Sources:</b>	<u>\$22,000</u>
<b>Uses:</b>	
Capital Expenditures	<u>\$22,000</u>

**Notes:**

- Individual projects over \$1 million will be initiated after each project has been reviewed and approved by the Board. The Board will be provided specific cost/benefit and GMC impact analyses, and funding plans on a project specific basis. Management will follow an identical internal process for smaller projects.
- We anticipate a debt issuance during mid-FY2002. A debt issuance of \$20,000 will provide funding for the 2002 capital budget, and funds toward the 2003 capital budget.

.000 Omitted except for \$/MWh.

**APPENDIX A: FY2001/FY2002 ISO DEPARTMENTAL O&M BUDGETS**

FY2002 O&M Budget & Revenue Requirement \$ in 000's

Headcount	FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget					
	Total	1,079	1,079	100%	Total	18,431	18,431	100%	Total	20,737	20,737	100%	Total	34,244	34,244	100%	Total	77,402	77,402	100%		
1 Salaries and Benefits	\$ 740	69%	\$ 3,381	27%	\$ 14,357	78%	\$ 6,989	34%	\$ 27,317	80%	\$ 16,956	22%	\$ 9,304	12%	\$ 16,956	22%	\$ 9,304	12%	\$ 16,956	22%	\$ 9,304	12%
2 Bldg, Lease & Facility Costs	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
3 Insurance	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
4 Third Party Vendor Contracts	250	23%	333	3%	1,093	6%	1,761	8%	3,693	11%	4,825	57%	1,066	1%	4,825	57%	1,066	1%	4,825	57%	1,066	1%
5 Prof & Consulting Services	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
6 Audit, Legal & Regulatory	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
7 Training, Travel, Professional Dues	69	6%	190	2%	734	4%	457	2%	2,498	7%	1,736	2%	1,736	2%	2,498	7%	1,736	2%	2,498	7%	1,736	2%
8 Miscellaneous	20	2%	1,089	9%	56	0%	290	1%	188	1%	3,516	5%	1,000	1%	3,516	5%	1,000	1%	3,516	5%	1,000	1%
10 Other	-	0%	-	0%	-	0%	-	0%	(15)	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Subtotal	1,079	100%	12,591	100%	18,431	100%	20,737	100%	34,244	100%	77,402	100%	77,402	100%	77,402	100%	77,402	100%	77,402	100%	77,402	100%
Other Debt Service-Existing	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Operating Reserve-Existing	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Debt Service-2002 Debt	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Operating Reserve-2002 Debt	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Cash Funded Capital Expenditures	20	2%	1,089	9%	646	7%	457	2%	2,498	7%	1,736	2%	1,736	2%	2,498	7%	1,736	2%	2,498	7%	1,736	2%
Expense Recovery	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Revenue Credit from Operating Reserve	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total	\$ 1,079	100%	\$ 12,591	100%	\$ 18,431	100%	\$ 20,737	100%	\$ 34,244	100%	\$ 77,402	100%	\$ 77,402	100%	\$ 77,402	100%	\$ 77,402	100%	\$ 77,402	100%	\$ 77,402	100%

Headcount	FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget		FY2002 Proposed Budget					
	Total	20	35	139.5	206.0	53.0	126.0	28.5	590.5	20	35	139.5	206.0	53.0	126.0	28.5	590.5	20	35	139.5	206.0	
1 Salaries and Benefits	0.9%	0.0%	4.3%	21.5%	34.7%	8.9%	18.2%	6.7%	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2 Bldg, Lease & Facility Costs	0.0%	0.0%	35.6%	100.0%	64.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3 Insurance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4 Third Party Vendor Contracts	0.0%	0.0%	0.3%	0.6%	1.2%	0.3%	2.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5 Prof & Consulting Services	2.1%	0.0%	2.8%	8.8%	30.6%	14.6%	18.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6 Audit, Legal & Regulatory	0.0%	0.0%	10.6%	0.0%	0.0%	88.8%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
7 Training, Travel, Professional Dues	1.1%	0.4%	3.0%	7.2%	3.4%	5.2%	11.6%	10.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8 Miscellaneous	0.4%	19.6%	19.6%	63.4%	3.4%	5.2%	1.0%	6.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10 Other	0.0%	0.0%	0.0%	101.5%	-1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subtotal	0.6%	0.0%	7.1%	43.6%	19.3%	11.7%	10.4%	5.2%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Debt Service-Existing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Reserve-Existing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service-2002 Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Reserve-2002 Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Funded Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expense Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Credit from Operating Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	0.6%	0.0%	7.1%	43.6%	19.3%	11.7%	10.4%	5.2%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

For Each Line Item, What Percentage Does Each Division Contribute to the Total for that Line Item?



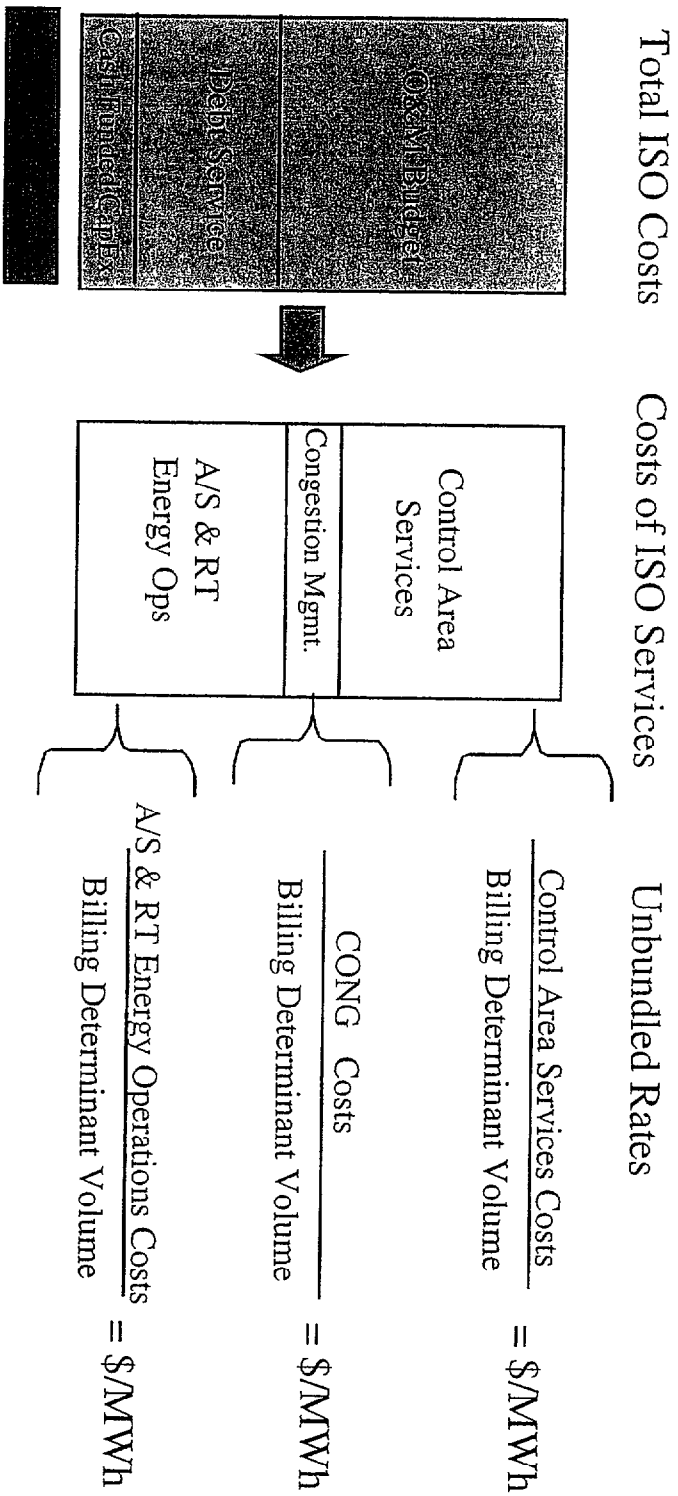
FY2002 vs. FY2001 O&M Budget and Revenue Requirement Comparison \$ in 000's

FY2001 Budget (reflective of reorganization)	FY2001		FY2002 Proposed vs. FY2001		Headcount
	Amount	% Change	Amount	% Change	
1 Salaries and Benefits	579	18%	539	14%	20
2 Bldg, Lease & Facility Costs	-	0%	-	0%	60
3 Insurance	971	8%	931	-4%	90
4 Third Party Vendor Contracts	-	0%	-	0%	70
5 Prof & Consulting Services	100	3%	157	57%	70
6 Audit, Legal & Regulatory	-	0%	-	0%	70
7 Training, Travel, Professional Dues	2,570	79%	2,444	-5%	40
8 Miscellaneous	5	0%	1	-20%	40
Subtotal	3,254	100%	3,801	14%	40
Other Debt Service-Existing	-	0%	-	0%	180
Operating Reserve-Existing	-	0%	-	0%	180
Debt Service-2002 Debt	-	0%	-	0%	180
Operating Reserve-2002 Debt	-	0%	-	0%	180
Cash Funded Capital Expenditures	-	0%	-	0%	180
Expense Recovery	-	0%	-	0%	180
Revenue Credit from Operating Reserve	3,254	100%	2,268	-30%	180
Total	\$ 3,254	100%	\$ 2,268	-30%	180
1 Salaries and Benefits	579	18%	539	14%	20
2 Bldg, Lease & Facility Costs	-	0%	-	0%	60
3 Insurance	477	14%	447	-6%	90
4 Third Party Vendor Contracts	83	1%	78	-6%	70
5 Prof & Consulting Services	343	10%	393	14%	70
6 Audit, Legal & Regulatory	1,250	38%	1,211	-3%	70
7 Training, Travel, Professional Dues	1,670	51%	1,444	-14%	40
8 Miscellaneous	5	0%	1	-20%	40
Subtotal	12,494	100%	11,475	-8%	40
Other Debt Service-Existing	-	0%	-	0%	180
Operating Reserve-Existing	-	0%	-	0%	180
Debt Service-2002 Debt	-	0%	-	0%	180
Operating Reserve-2002 Debt	-	0%	-	0%	180
Cash Funded Capital Expenditures	-	0%	-	0%	180
Expense Recovery	-	0%	-	0%	180
Revenue Credit from Operating Reserve	12,494	100%	7,327	-41%	180
Total	\$ 12,494	100%	\$ 7,327	-41%	180
1 Salaries and Benefits	579	18%	539	14%	20
2 Bldg, Lease & Facility Costs	-	0%	-	0%	60
3 Insurance	971	8%	931	-4%	90
4 Third Party Vendor Contracts	-	0%	-	0%	70
5 Prof & Consulting Services	100	3%	157	57%	70
6 Audit, Legal & Regulatory	-	0%	-	0%	70
7 Training, Travel, Professional Dues	2,570	79%	2,444	-5%	40
8 Miscellaneous	5	0%	1	-20%	40
Subtotal	3,254	100%	3,801	14%	40
Other Debt Service-Existing	-	0%	-	0%	180
Operating Reserve-Existing	-	0%	-	0%	180
Debt Service-2002 Debt	-	0%	-	0%	180
Operating Reserve-2002 Debt	-	0%	-	0%	180
Cash Funded Capital Expenditures	-	0%	-	0%	180
Expense Recovery	-	0%	-	0%	180
Revenue Credit from Operating Reserve	3,254	100%	2,268	-30%	180
Total	\$ 3,254	100%	\$ 2,268	-30%	180



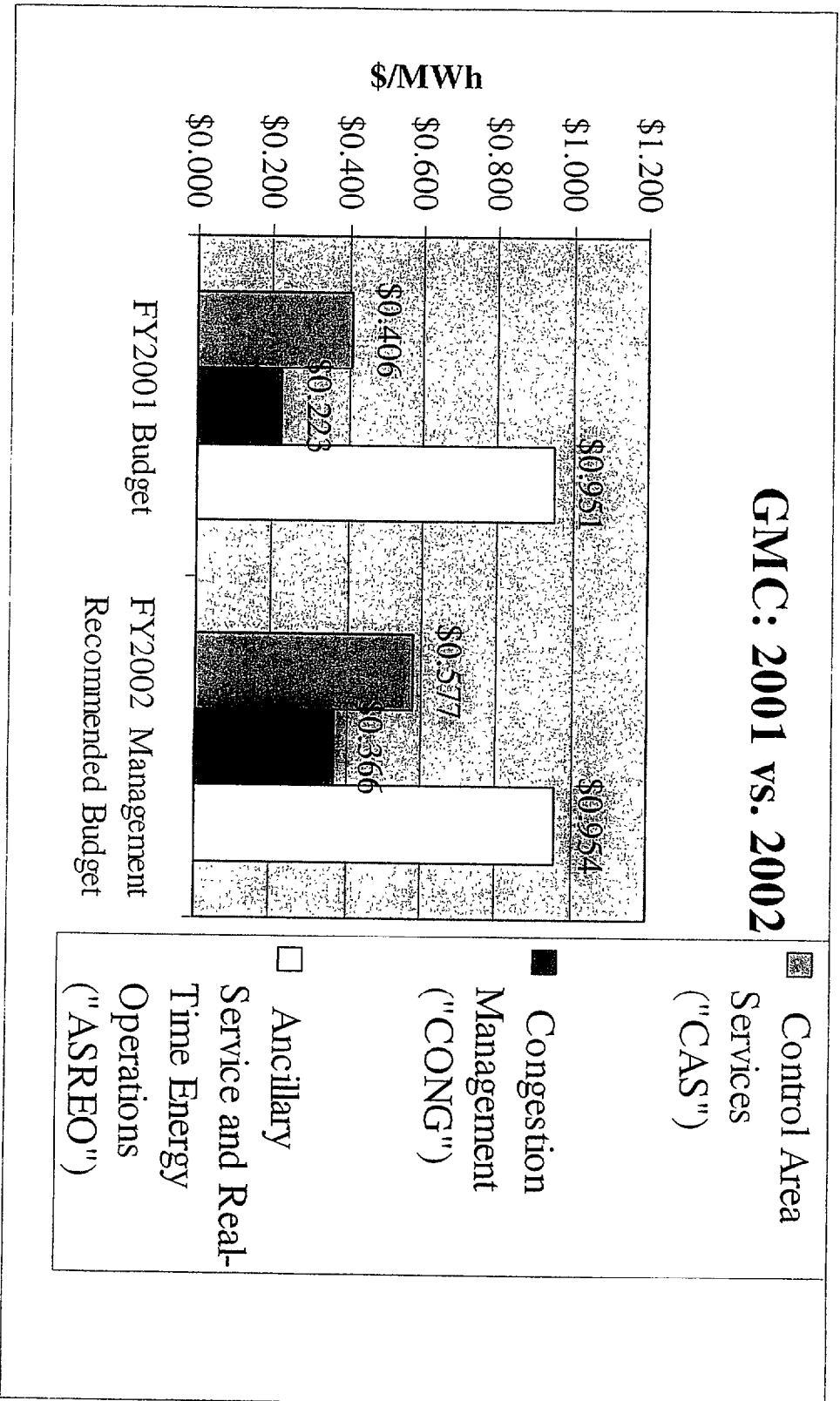
## APPENDIX B: GMC RATE CALCULATION

# GMC Calculation

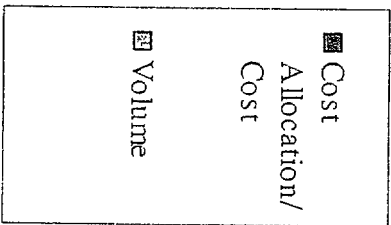
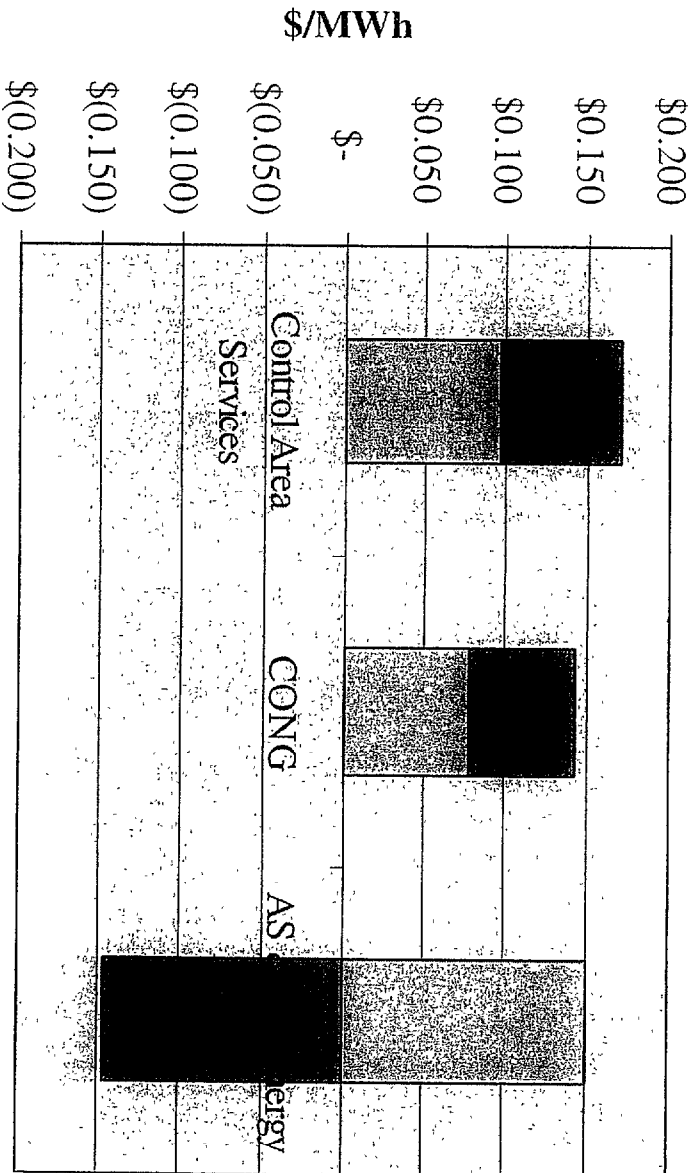


# Rates

## GMC: 2001 vs. 2002

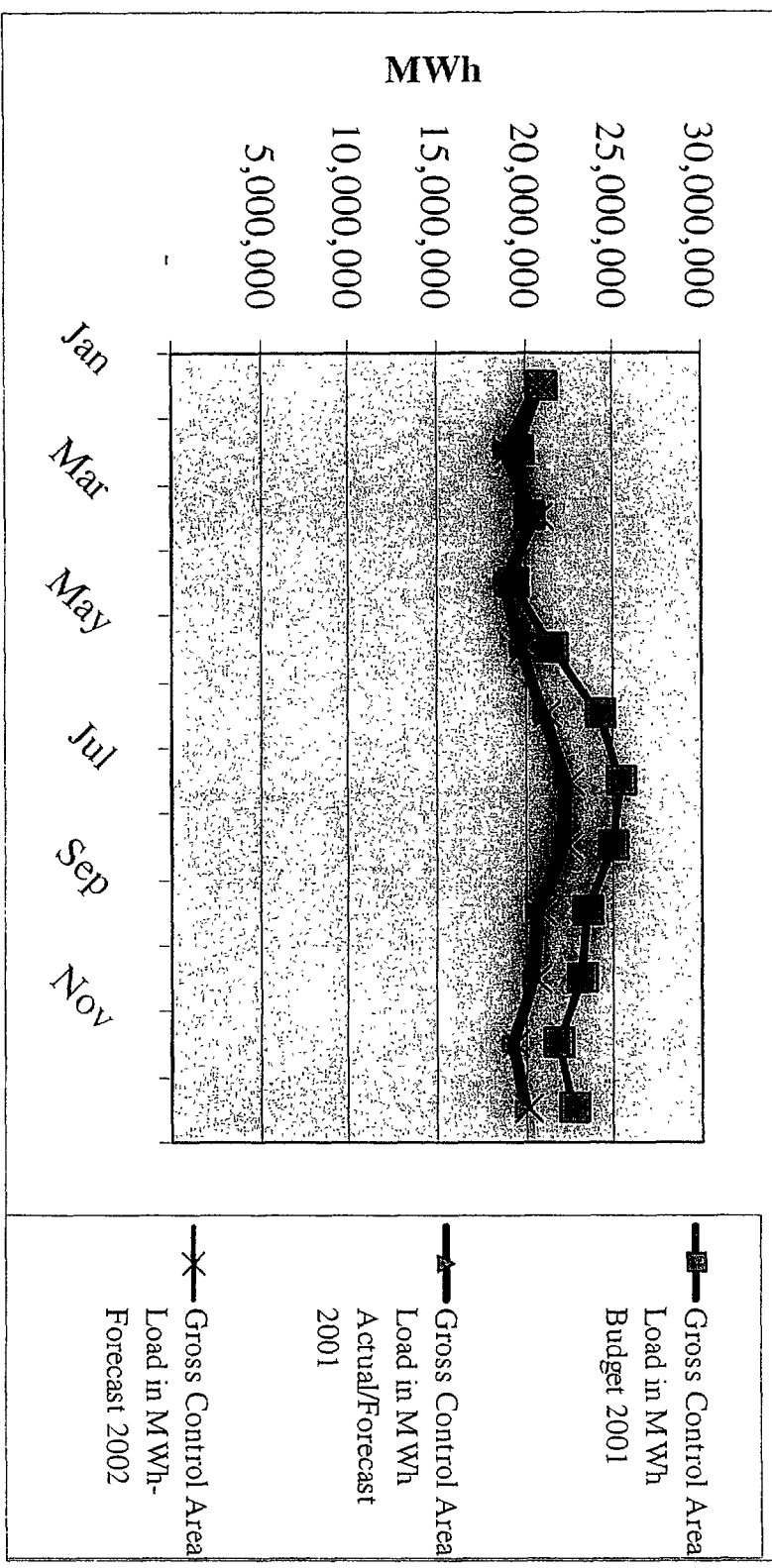


### Cause of Change in Rates



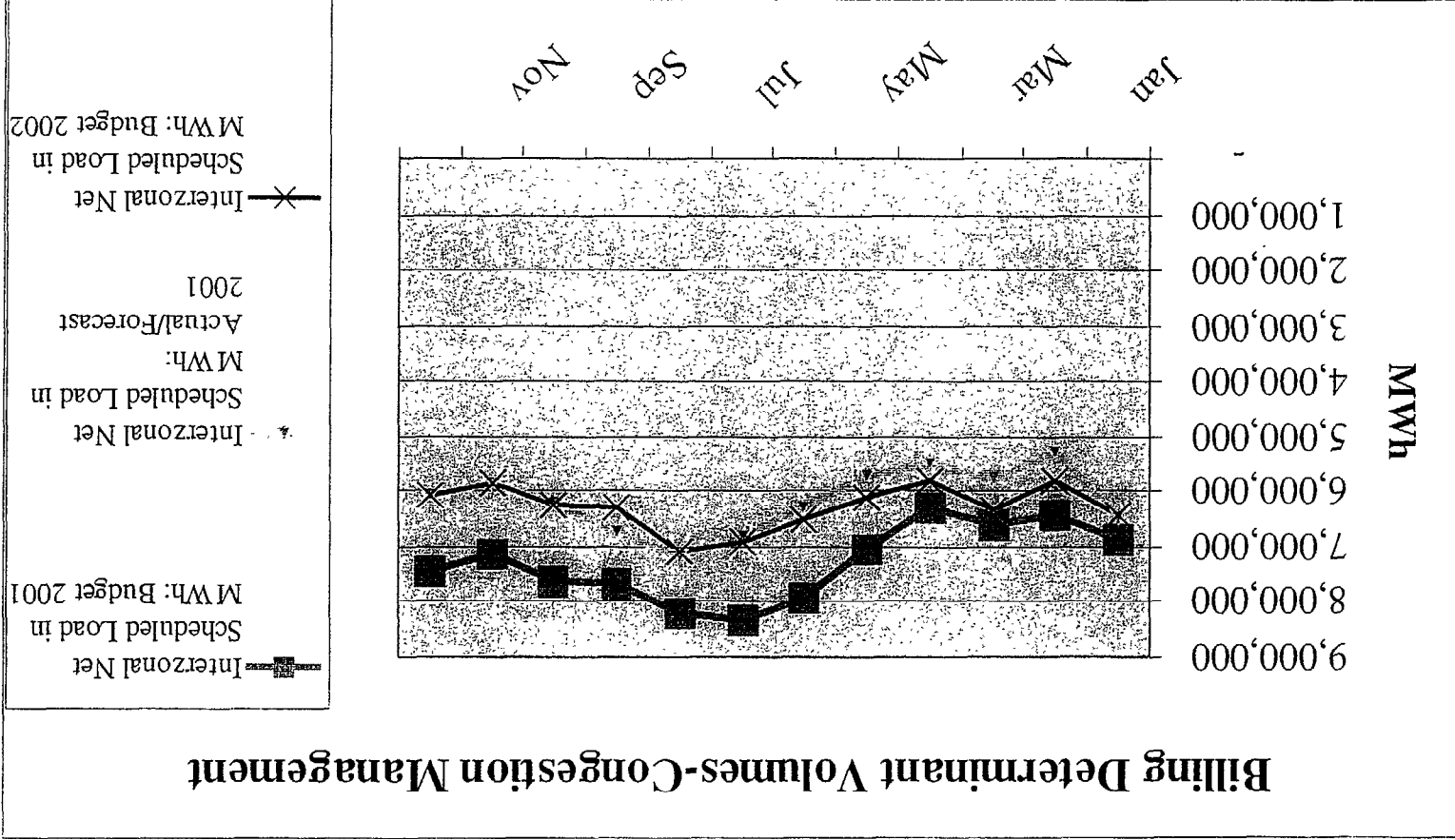
# Volume: Gross Control Area Load & Exports

## Billing Determinant Volumes-Control Area Services

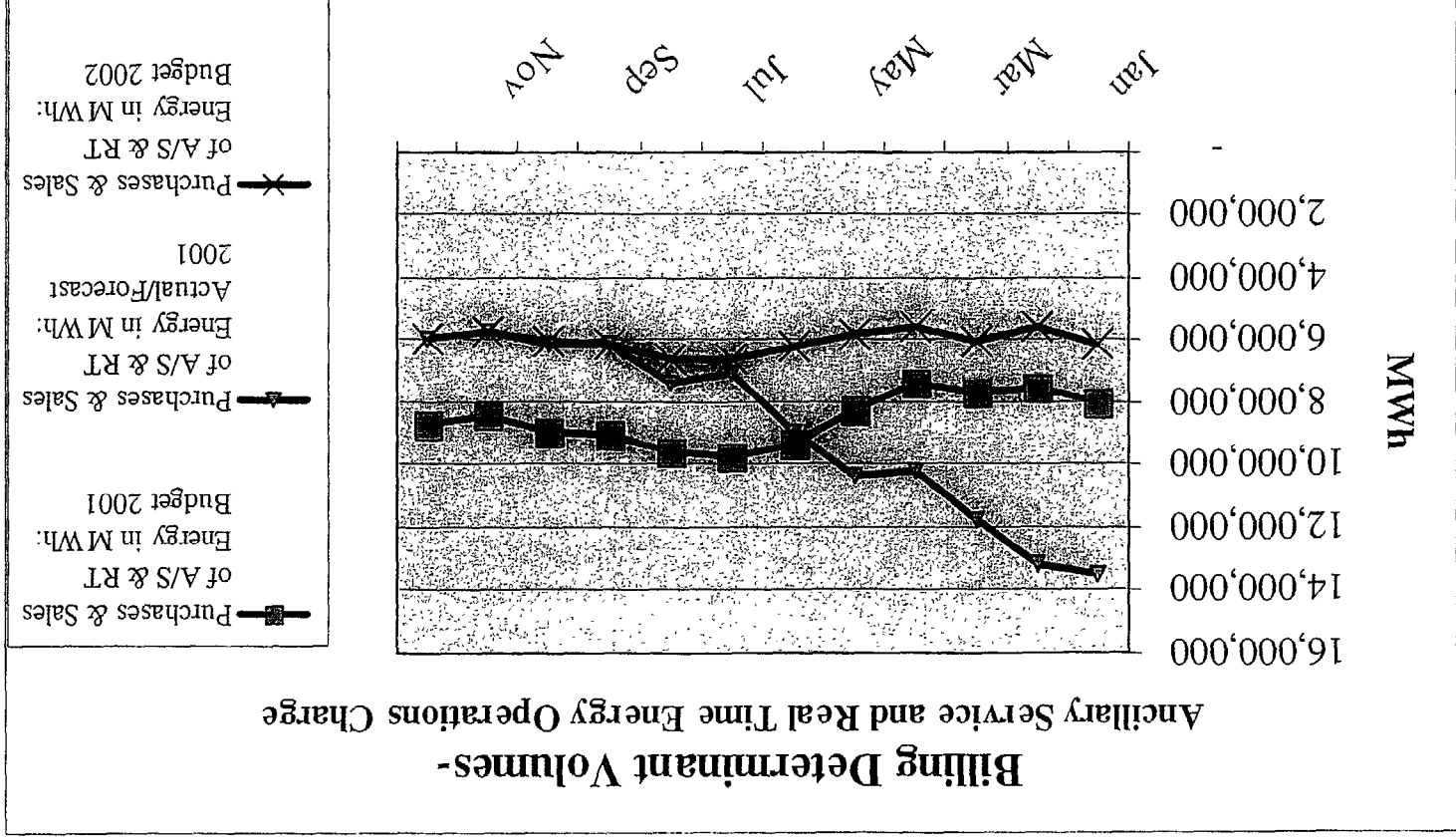


# Volume: Inter-zonal Net Scheduled Load

Billing Determinant Volumes-Congestion Management



# Volume: A/S & Real Time Energy



EXCLUDES SELF PROVIDED A/S, WHICH IS INCLUDED IN THE BILLING DETERMINANT VOLUME FORECAST USED IN THE CALCULATION OF THE PROPOSED 2002 RATE. SEE POSITION PAPER ON BILLING DETERMINANT CHANGE FOR THIS RATE CATEGORY FOR ANALYSIS OF A/S VOLUMES IN 2001.