



California ISO  
Your Link to Power

# GMC Review

July 22, 2009

# Agenda

- 2010 GMC Rate Extension
- Market Usage Forward Energy – Stakeholder Process
- Timelines
- CC 4537 Market Usage Forward Energy Rate Adjustment
- Current 2009 Outlook
- GMC Rate Development Process
- Estimated 2010 GMC Information
- Questions and Next Steps

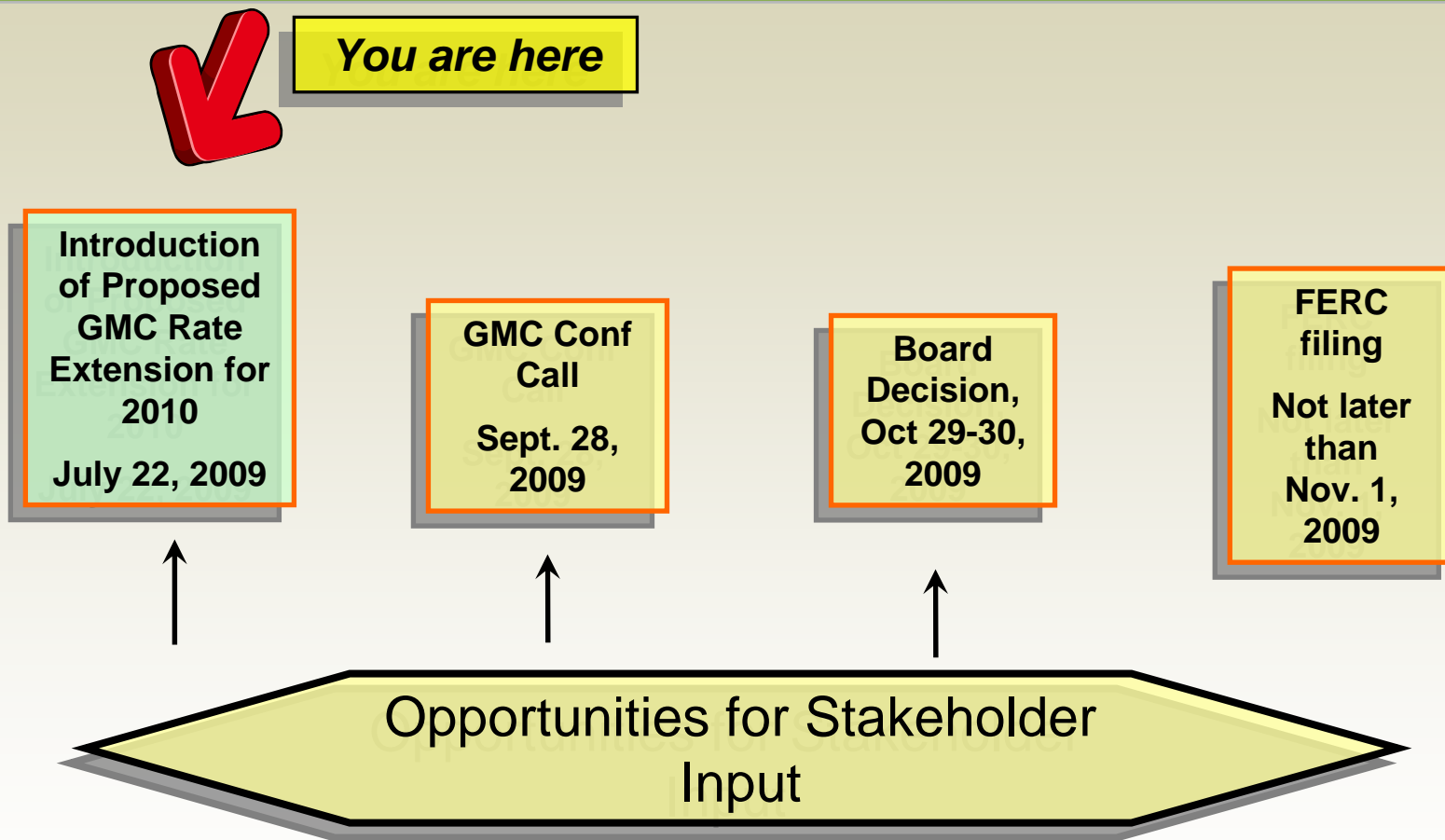
# 2010 GMC Proposal: Rate Extension and Market Usage Forward Energy Charge

- The 2010 revenue requirement is projected to be under the \$197 million cap.
- With the possible exception of the market usage forward energy charge, the ISO proposes no GMC rate structure changes for 2010.
- As a separate process, the ISO will initiate a stakeholder process to review the market usage forward energy charge code and consider modifications that would become effective 1/1/2010.
- The ISO proposes to extend the revenue requirement cap and the current GMC rate design through 2010.
- Modifications to the market usage forward energy charge, if any, resulting from the stakeholder process will be included in the extension request.

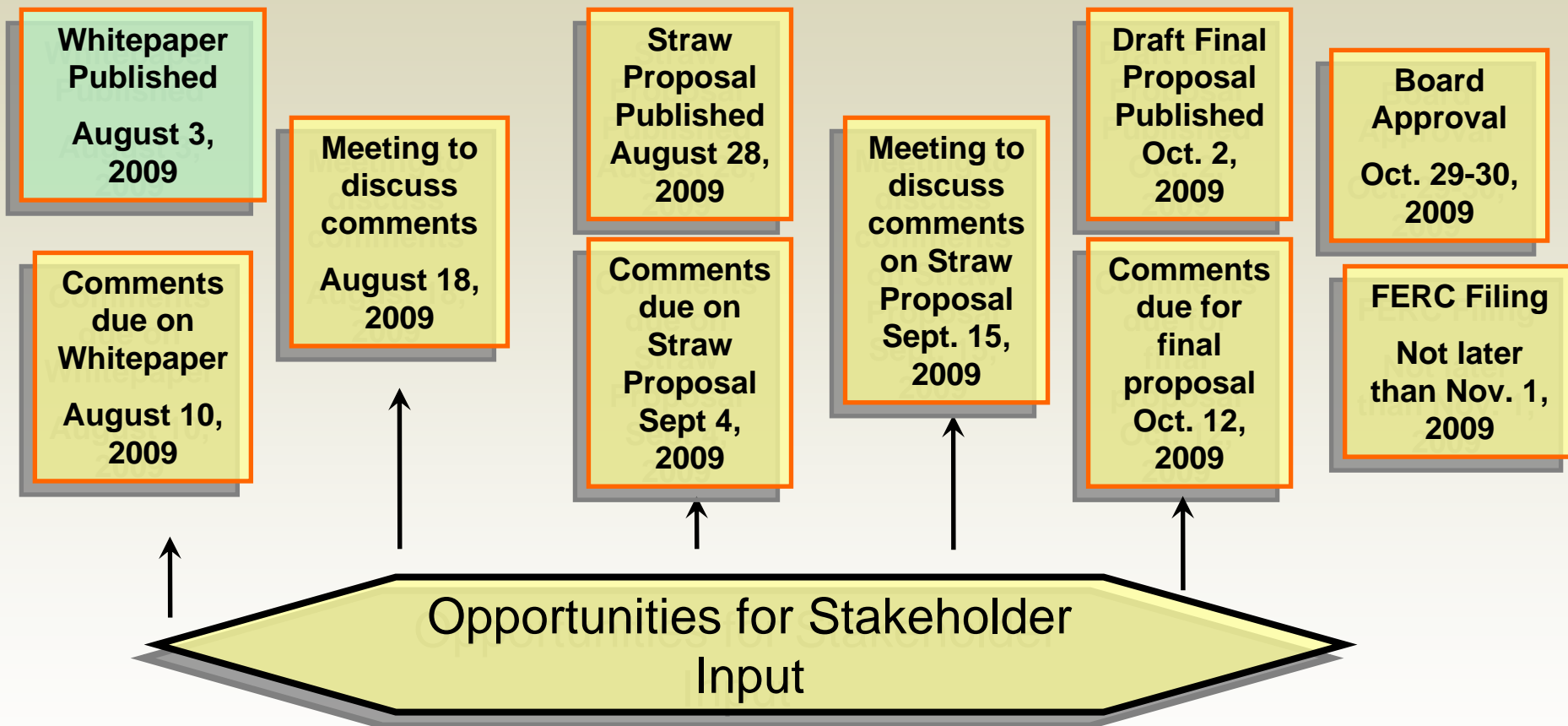
# Tariff Basis for 2010 GMC Rate Proposal and Filing Schedule

- ISO Tariff Appendix F, Schedule 1, Part D requires the ISO to submit a filing under FPA section 205 for approval of the GMC to be effective no later than January 1, 2010.
- The tariff provides that in such filing the CAISO may revise the GMC rates currently in effect in Schedule 1, but is not required to do so.
- To meet the tariff requirements, the 2010 GMC rate extension proposal must be filed with FERC by November 1, 2009.

# Timeline for Extending Current GMC Rate Structure for 2010



# Timeline for Stakeholder Process for GMC Charge Code Market Usage Forward Energy



# Market Usage Forward Energy Rate Adjustment

- Effective Trade Date August 1, 2009
- Market Usage Forward Energy Charge Code 4537 reduced by 30%

Charge Type	Jan-July	Aug-Dec
CT 4537	\$0.4316	\$0.30
Market notice issued on July 15, 2009.		

# 2009 Budget/ Actual (thru TD 4/30/09)

- Overall 2009 revenue (thru Trade Date 4/30/09)
  - Budgeted .....\$59,985,466
  - Actual Collections.....\$58,467,630
- 3% under collection



# GMC Review

- Rate Development Process
  - Costs and Revenues
  - Cost Allocation Process
  - Billing Determinants
    - Historical Data Set
    - Forecast Process
  - Rates

# Costs and Revenues

- Budgeted O&M
- Capital Expenditures
- Other Revenues and Credits
- Operating Reserve Credit

# Budgeted O&M

- Budget Process
  - June through July
  - Managers, Directors, and Officers
  - Board Presentation (preliminary Sept 10-11, 2009)

# Capital Expenditures

- Sources of Funding
  - Debt Financed
    - 2008 Bond Issue
  - Revenue (cash) Financed
    - None in 2009, \$15 Million for 2010

# Other Revenues and Credits

- Miscellaneous fees
  - SC application fees, training fees, wind forecast fees, MSS fees
- Other Revenues
  - COTP Path Operator Charge
  - Large Generator Interconnection Project
- Interest Earnings

# Operating Reserve Credit

- Adjustments to Operating Reserve
  - Results of Operations
    - Differences in budgeted vs. actual expenses and revenues
  - Reserves for legal and settlement issues
  - Debt service coverage (25% of annual principal and interest)
- Excess over 15% of next year's budgeted O&M expenditures

# Cost Allocation Process

- Functional Assignment
- Classification
- Allocation Process
- Current Cost Allocations shown in Tariff Appendix F, Section 1, Part E (see handout)

# Billing Determinants

- Historical Billable Quantities
- Adjustments



# Forecast Process

- Historical Monthly Allocation Factors
  - 5 Years of Data
  - Average monthly percentages of total annual
- Forecast
  - Forecast annual growth
  - Apportion to months using monthly percentages

# Rates

- Cost by Function
- Forecast billing determinants by function
- Cost divided by forecast billing determinant = rate
- Current and historical rates (see handout)

# Estimated 2010 budget and rates

- 2010 O&M Budget
- 2010 Capital Expenditures and Debt Service
- 2010 Other Revenues
- 2010 Operating Reserve Credit
- 2010 Revenue Requirement
- 2010 Rate Estimates using 2009 Billable Quantities

# Estimated 2010 O&M Budget

- 2010 O&M Budget - \$162.6 million
  - Increase of \$5.9 million or 3.7% from 2009 budget of \$156.7 million
- 2010 Staffing – 595 FTE
  - Reduction from authorized staffing of 598 in 2009

# Estimated 2010 Revenue Requirement (in millions) and comparison to 2009

	2010	2009	Difference
O&M	\$162.6	\$156.7	\$5.9
Debt Service	\$61.0	\$59.3	\$1.7
Cash Funded Capital Spending	\$15.0	\$0	\$15.0
Subtotal	\$238.6	\$216.0	\$22.6
Less: Expense recovery	\$(8.1)	\$(6.1)	\$(2.0)
Less: Operating Reserve credit	\$(38.5)	\$(17.0)	\$(21.5)
Revenue Requirement	\$192.0	\$192.9	\$(0.9)

# Estimated 2010 Capital Expenditures and Debt Service

- 2010 Capital Spending - \$32.75 million
  - \$17.75 million bond funded
  - \$15.00 million revenue (cash) funded
- Debt Service (including 25% reserve collection)
  - 2008 Bonds - \$61 million
- Cash financed capital expenditures has a benefit of no 25% reserve or interest

# Estimated 2010 Other Revenues

- 2010 Estimate - \$8.1 Million
  - SC Application and training fees - \$0.5 million
  - Interest Earnings - \$3.8 million
  - Large Generation Interconnection Project - \$1.8 million
  - COI Path Operator - \$2.0 million

# Estimated 2009 Operating Reserve Credit

- 2009 Estimate (which applies to 2010 budget) - \$38.5 Million
  - FERC generator fine interest refund
  - Impact of payment acceleration
  - True-up of actual – forecasted revenues and costs
  - Collections from debt service coverage (collect 25% of debt service annually)
  - Reserve credit of amount in excess of 15% of prospective O&M budget



# Estimated 2010 Revenue Requirement (in millions)

Summary of Revenue Requirement									
		Core Reliability	Energy Transmission Services	CRS/ETS TOR	Forward Scheduling	Market Usage	Market Usage Forward Energy	Settlements, Metering and Client Relations	Total
<b>Operations and Maintenance</b>									
2100	CEO	\$ 4,464,324	\$ 1,515,561	\$ 43,414	\$ 494,357	\$ 2,555,864	\$ 952,115	\$ 2,412,268	\$ 12,437,903
2200	Planning and Infrastructure	\$ 6,676,520	\$ 6,022,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,699,224
2300	CFO & Corporate Services	\$ 7,324,842	\$ 2,924,366	\$ 84,035	\$ 656,321	\$ 2,096,371	\$ 909,789	\$ 5,064,826	\$ 19,060,549
2400	IT	\$ 16,417,182	\$ 3,901,699	\$ 164,651	\$ 3,598,122	\$ 5,341,731	\$ 1,949,793	\$ 14,306,204	\$ 45,679,381
2500	Operations	\$ 20,088,373	\$ 7,799,016	\$ 352,221	\$ 756,994	\$ 8,298,601	\$ 1,189,466	\$ 7,219,611	\$ 45,704,283
2600	Legal	\$ 4,747,929	\$ 1,844,165	\$ 53,834	\$ 523,207	\$ 1,626,020	\$ 431,652	\$ 2,980,670	\$ 12,207,477
2700	Market & Product Development	\$ 1,378,071	\$ 1,263,709	\$ 6,897	\$ 544,406	\$ 2,354,932	\$ 55,649	\$ 605,863	\$ 6,209,528
2800	External Affairs	\$ 1,192,960	\$ 463,362	\$ 13,525	\$ 131,461	\$ 408,552	\$ 108,461	\$ 6,291,324	\$ 8,609,646
<b>Total Operations and Maintenance</b>		<b>\$ 62,290,201</b>	<b>\$ 25,734,582</b>	<b>\$ 718,578</b>	<b>\$ 6,704,868</b>	<b>\$ 22,682,070</b>	<b>\$ 5,596,926</b>	<b>\$ 38,880,765</b>	<b>\$ 162,607,990</b>
Percent Allocations		38.3%	15.8%	0.4%	4.1%	13.9%	3.4%	23.9%	100.0%
<b>Total Financing Budget - 2000 Debt</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Financing Budget - 2004 Debt</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Financing Budget - 2007 Debt</b>		<b>\$ 3,700,911</b>	<b>\$ 1,062,744</b>	<b>\$ 38,603</b>	<b>\$ 5,467,435</b>	<b>\$ 2,431,681</b>	<b>\$ 5,394,443</b>	<b>\$ 9,324,894</b>	<b>\$ 27,420,710</b>
<b>Total Financing Budget - 2008 Debt</b>		<b>\$ 11,066,780</b>	<b>\$ 4,063,523</b>	<b>\$ 122,349</b>	<b>\$ 3,599,601</b>	<b>\$ 5,000,392</b>	<b>\$ 1,786,310</b>	<b>\$ 7,915,334</b>	<b>\$ 33,554,290</b>
<b>Total Financing Budget - Cash funded</b>		<b>\$ 2,439,500</b>	<b>\$ 1,067,120</b>	<b>\$ 28,930</b>	<b>\$ 3,933,510</b>	<b>\$ 3,365,115</b>	<b>\$ 2,683,350</b>	<b>\$ 1,482,475</b>	<b>\$ 15,000,000</b>
Percent Allocations		22.6%	8.2%	0.2%	17.1%	14.2%	13.0%	24.6%	100.0%
<b>Total Expense Recovery Budget</b>		<b>\$ (4,514,812)</b>	<b>\$ (1,086,550)</b>	<b>\$ (14,279)</b>	<b>\$ (309,726)</b>	<b>\$ (526,220)</b>	<b>\$ (243,013)</b>	<b>\$ (1,405,400)</b>	<b>\$ (8,100,000)</b>
Percent Allocations		55.7%	13.4%	0.2%	3.8%	6.5%	3.0%	17.4%	100.0%
<b>Total Operating and Capital Reserves Credit</b>		<b>\$ (6,887,774)</b>	<b>\$ (16,311,513)</b>	<b>\$ (189,053)</b>	<b>\$ (2,200,424)</b>	<b>\$ (7,299,834)</b>	<b>\$ (5,208,317)</b>	<b>\$ (398,084)</b>	<b>\$ (38,495,000)</b>
Percent Allocations		17.9%	42.4%	0.5%	5.7%	19.0%	13.5%	1.0%	100.0%
<b>Total Revenue Requirement</b>		<b>\$ 68,094,806</b>	<b>\$ 14,529,906</b>	<b>\$ 705,128</b>	<b>\$ 17,195,264</b>	<b>\$ 25,653,204</b>	<b>\$ 10,009,699</b>	<b>\$ 55,799,984</b>	<b>\$ 191,987,990</b>
Percent Allocations		35.5%	7.6%	0.4%	9.0%	13.4%	5.2%	29.1%	100.0%

# Estimated 2010 Functional Association of Settlements, Metering, and Client Relations (SMCR)

	Core Reliability	Energy Transmission - Net Energy	Energy Transmission - Deviations	Forward Scheduling	Market Usage	Settlements, Metering and Client Relations	Total
Revenue Requirement (as filed)	\$ 68,094,806	\$ 12,188,027	\$ 3,047,007	\$ 17,195,264	\$ 35,662,902	\$ 55,799,984	\$ 191,987,990
	35.5%	6.3%	1.6%	9.0%	18.6%	29.1%	
Functional Association of SMCR	\$ -	\$ 28,462,032	\$ 7,115,508	\$ 378,128	\$ 18,008,315	\$ (53,963,984)	\$ -
Percent of SMCR	0.0%	52.7%	13.2%	0.7%	33.4%		
Adjusted Revenue Requirement	\$ 68,094,806	\$ 40,650,060	\$ 10,162,515	\$ 17,573,392	\$ 53,671,218	\$ 1,836,000	\$ 191,987,990
	35.5%	21.2%	5.3%	9.2%	28.0%	1.0%	100.0%

# Estimated 2010 Cost Allocation Model

Development of MRTU GMC Rates (with application of Settlement related cost reallocations)

	CRS - Peak	CRS - Off Peak	CRS Export Rate	ETS-NE	ETS-UE	CRS/ETS TOR	FS	MU	MU-FE	SMCR	Total
Revenue Requirement	\$ 68,094,806	\$ -	\$ -	\$ 11,482,900	\$ 3,047,007	\$ 705,128	\$ 17,195,264	\$ 25,653,204	\$ 10,009,699	\$ 55,799,984	\$ 191,987,990
Reassigned SMCR	\$ -	\$ -	\$ -	\$ 28,379,795	\$ 7,115,508	\$ 82,237	\$ 378,128	\$ 12,953,825	\$ 5,054,491	\$ (53,963,984)	\$ -
Adjusted Revenue Requirement	\$ 68,094,806	\$ -	\$ -	\$ 39,862,695	\$ 10,162,515	\$ 787,365	\$ 17,573,392	\$ 38,607,028	\$ 15,064,189	\$ 1,836,000	\$ 191,987,990
Reassignment of revenues per 2004 GMC Settlement											
CRS discount (35%)	\$ (23,833,182)	\$ -	\$ -	\$ 23,833,182	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FS discount (20%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CRS split to off peak and export	\$ (9,802,916)	\$ 986,690	\$ 8,816,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FS split to inter SC trade	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Settlement reassignments	\$ (33,636,098)	\$ 986,690	\$ 8,816,226	\$ 23,833,182	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Requirement	\$ 34,458,708	\$ 986,690	\$ 8,816,226	\$ 63,695,877	\$ 10,162,515	\$ 787,365	\$ 17,573,392	\$ 38,607,028	\$ 15,064,189	\$ 1,836,000	\$ 191,987,990
Billing units	454,828	19,734	12,077,727	244,749,685	12,517,930	3,898,411	14,797,487	49,471,486	42,156,567	1,836	
	MW-months	MW-months	MWh	MWh	MWh	MWh	Schedules	MWh		Customer months	
Estimated 2010 Rates	\$ 75.7621	\$ 50.0007	\$ 0.7300	\$ 0.2602	\$ 0.8118	\$ 0.2020	\$ 1.1876	\$ 0.7804	\$ 0.3573	\$ 1,000	

# Estimated 2010 Rates by Charge Code (using 2009 Billable Quantities)

**California Independent System Operator  
2010 Cost Allocation Model: MRTU Rate Structure  
Rates by Charge Code**

Function	Charge	CC #	Amount	Billing Unit
CRS	CRS Peak	4501	\$ 75.7621	MW-months
	CRS Off-Peak	4502	\$ 50.0007	MW-months
	CRS-Export Energy	4503	\$ 0.7300	MWh
ETS	ETS-NE	4505	\$ 0.2602	MWh
	ETS-UE	4506	\$ 0.8118	MWh
CRS/ETS	CRS/ETS-TOR	4508	\$ 0.2020	MWh
FS	Non-IS Trades	4511	\$ 1.1876	Schedules
	IS Trades	4512	\$ 1.1876	IS Trade
	PGAB	4513	\$ 0.8978	PGAB IS Trade
MU	AS	4534	\$ 0.7804	MWh
	IE	4535	\$ 0.7804	MWh
	UE	4536	\$ 0.7804	MWh
	Forward Energy	4537	\$ 0.3573	MWh
ETS/MU	PIRP	4546	\$ 1.5922	MWh
SMCR	SMCR	4575	\$ 1,000	Customer months

The revised CAISO GMC Rate Proposal includes:  
 80/20 revenue split between ETS-withdrawals (CC4505) and ETS-UE (CC4506)  
 Recovery of excess SMCR revenue based on Functional Association of Charge Types  
 No discount for Forward Scheduling (CC4511) or Inter SC trades (CC4512), but retain discount for Path 15 Facilitator Inter SC trades (CC4513)  
 MU-Forward Energy (CC4537) based on cost of service  
 ETS/MU UIE PIRP rate (CC 4546) to be simple sum of ETS-withdrawals (CC4505) and MU-deviations (CC4536) rates  
 SMCR rate (CC4575) remains at \$1000  
 Forward Energy bill determinant set to 20% of net of withdrawals and injections  
 CRS/ETS TOR rate based on cost of service

# Questions and Next Steps...

- Questions?
- Next Steps
  - August 3<sup>rd</sup> publish whitepaper for MU Forward Energy
  - August 19<sup>th</sup> circulate draft extension request