

Briefing on Draft 2015 Budget

Meeting Date and Time: October 9, 2014 (10:00am-11:00am)

Meeting Place: ISO Folsom Facility

Topics covered: Timeline for 2015 Budget and GMC Rates
Grid Management Charge
O & M Budget
Cash Funded Capital
Next Steps

Attendees:

Name	Organization		Name	Organization
Via Phone				
Keoni Almeida	CAISO		Mike Kramek	Boston Energy Trading and
Mike Benn	Powerex		Tina Lee	Star West Generation
Don Brookhyser	Alcantar & Kahl		Mei Pan	City of Anaheim
Geoff Gong	CDWR		Leslie Pompel	Bonneville Power Administration
Bert Hansen	Southern California Edison		Vela Wann	NCPA
Kyle Hoffman	Powerex		Mike Whitney	NCPA
William Kelly	California Current			
Present				
Kristina Osborne	CAISO		Dennis Estrada	CAISO
April Gordon	CAISO		Jordon Pinjuv	CAISO
Mike Epstein	CAISO		Janet Morris	CAISO
Stephanie O'Guinn	CAISO		Maury Kruth	FERC
Ryan Seghesio	CAISO		Saeed Farrokhpay	FERC
Jan Cogdill	CAISO		Sean Neil	MID/SVP

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#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Response/Views
1.	Why were the HR and Finance departments moved into the CEO division?	Sean Neil	Ryan Seghesio	Previously, the Finance and HR departments reported to General Counsel. With the recent change in officers, the ISO executive team decided to have the Finance and HR departments report to CEO.
2.	Why the change in audit costs?	Sean Neil	Ryan Seghesio	A special audit was required this year which is not required next year.
3.	Can you explain the changes in personnel expense budget?	Sean Neil	Ryan Seghesio	The 2014 to 2015 change in budget includes a 3% merit increase for budgeting purposes. The merit percentage is not an automatic increase but is a target range. The actual increase is based on managers' assessment of their teams each year.
4.	The cash funded capital budget for 2015 is \$30M however only \$20M is projected to be used. What happens to the other \$10M?	Sean Neil	Ryan Seghesio	<p>Additional funds collected each year above projected capital expenditures become part of the capital reserve account that will be used in future years to fund capital projects, while keeping the overall budget under the \$202M cap. Currently we are using cash funded GMC dollars and remaining bond funds to fund capital projects.</p> <p>By having a reserve the ISO will be able to fund future capital while maintaining the total GMC under the \$202M cap without having to issue debt. The issuance of debt to fund capital projects poses a problem for the ISO. In the ISO's case, the life of assets purchased by bonds (such as software and equipment) is generally less than the bond period. This makes the debt fund to match the life of the assets more expensive than by funding capital</p>

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				projects within the annual budget.
5.	In regards to the question that David Cohen asked about existing transmission contract calculator (ETCC), is there any implication with EIM coming on line that it will require greater expenditure?	Sean Neil	Janet Morris	Janet read the posting that addressed David Cohen's question (available on the CAISO website) which explains what the ETCC does for the ISO. She noted that this software is used for our own reliability and that PacifiCorp is responsible for maintaining their own reliability. This potential project is not related to EIM. Actual cost for this project is not determined at this time.
	No additional complications?	Sean Neil	Janet Morris	No
	Referring to David Cohen's question of funding for this project over multiple years.	Sean Neil	Jan Cogdill	For approved capital projects there is no "use it or lose it" provision. If a project is approved in 2015, but will not be completed within the current budget year (2015), then the funding is still tracked as coming from the budget year in which it was approved.
6.	How are the 2015 Stakeholder Initiatives covered in the project listing?	Sean Neil	Janet Morris	Input received during the Stakeholder process is factored into the rating of projects, generally making them highly ranked items.
			Ryan Seghesio	Once the Board approves the capital budget it remains fixed. If additional funding within that year is required ISO Management would have to go back to the board for approval to raise the approved cap.