

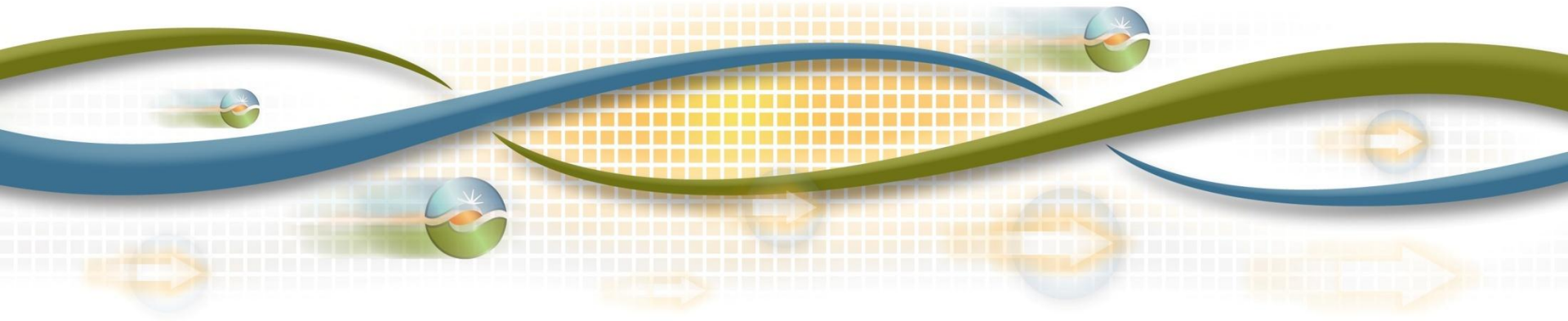


California ISO  
Shaping a Renewed Future

# 2013 Budget Presentation for Stakeholders

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Chief Financial Officer and Treasurer

October 10, 2012



# Agenda

<b>TOPIC</b>	<b>PRESENTER</b>
<b>Introduction</b>	<b>Chris Kirsten</b>
<b>2013 Budget Presentation</b>	<b>Ryan Seghesio</b>
<b>Questions / Answers</b>	<b>All</b>
<b>Next steps</b>	<b>Chris Kirsten</b>

# The budget development timeline extends from June through December.

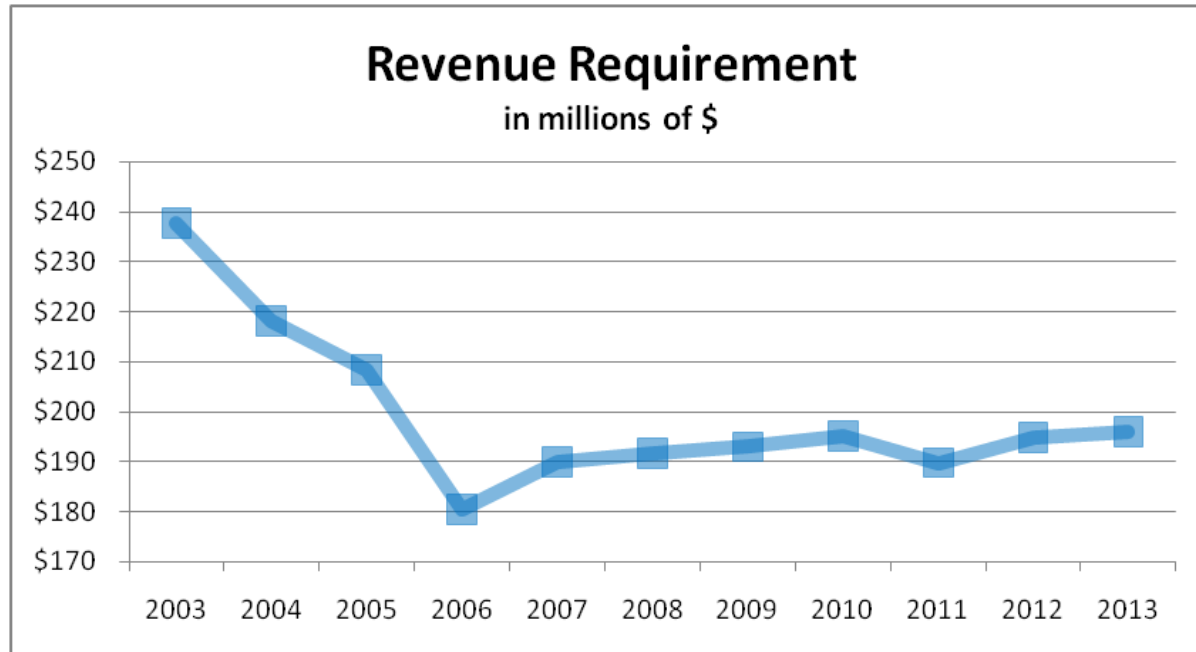
<b>Previous Events</b>	<b>Date</b>
Introduction of budget process to stakeholders	June 2012
Internal budgeting process - primary	June – September
Board review of preliminary budget (Executive Session)	September 2012
Preliminary budget posted to public website	September 2012

<b>Upcoming Events</b>	<b>Date</b>
Internal budgeting process – secondary	Thru December
Stakeholder budget workshop	October 2012
Board decision on budget (General Session)	December 2012
Posting of grid management charge rates	December 2012

The proposed budget exhibits fiscal discipline while providing for the ISO's long-term viability.

- Absorbs increased labor costs
- Allows for an increase in cash funded capital
- Allows for the continued delivery of more market functionality

Management proposes the revenue requirement to increase to \$196 million.



- Nearly 18% lower than its peak in 2003
- Only a 3.2% increase over the last seven years
- \$3M under the \$199M FERC approved rate cap

The proposed revenue requirement is up modestly to fund capital expenditures.

<b>Revenue Requirement Component</b> (\$ in millions)	2012 Budget	<b>2013 Proposed Budget</b>	Change
Operations & Maintenance budget	\$163.0	<b>\$162.9</b>	\$(0.1)
Miscellaneous revenue	(8.4)	<b>(7.9)</b>	0.5
Debt service (including 25% reserve)	46.3	<b>42.5</b>	(3.8)
Cash funded capital	17.0	<b>21.0</b>	4.0
Revenue credit	(23.1)	<b>(22.5)</b>	0.6
<b>Total Revenue Requirement</b>	\$194.8	<b>\$196.0</b>	\$1.2
Transmission volume in TWh	242.4	<b>244.8</b>	2.4
Pro-forma bundled GMC in \$ per MWh	\$0.80	<b>\$0.80</b>	(NM)

The proposed O&M budget decreases by \$0.1 million, to \$162.9 million.

(\$ in millions)

<b>O&amp;M Budget by Resource</b>	2012 Budget	<b>2013 Proposed Budget</b>	\$ Change
Salaries and benefits	\$113.5	<b>\$115.0</b>	\$1.4
Facility operating costs and equipment leases	8.1	<b>4.0</b>	(4.1)
Telecommunication and maintenance costs	15.2	<b>15.6</b>	0.4
Consultants and contract staff	10.8	<b>11.9</b>	1.0
Outsourced and other contracts and professional fees	8.5	<b>9.4</b>	1.0
Training, travel, and other costs	7.0	<b>7.1</b>	0.1
<b>Totals</b> <i>(Detail may not sum to totals due to rounding)</i>	\$163.0	<b>\$162.9</b>	\$(0.1)

The divisional changes are largely driven by internal and external personnel costs.

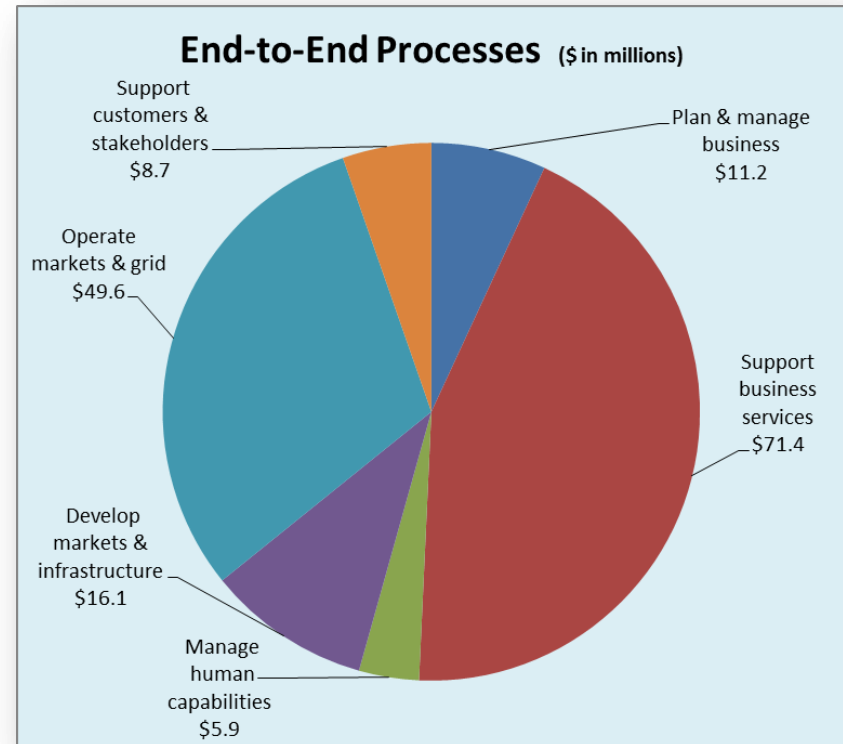
(\$ in millions)

<b>Division</b>	<b>2012 Budget</b>	<b>2013 Proposed Budget</b>	<b>\$ Change</b>	<b>% Change</b>
Chief Executive Officer	\$4.8	<b>\$4.8</b>	\$ -	- %
Human Resources	5.5	<b>5.7</b>	0.2	3.6%
Market and Infrastructure Development	15.9	<b>16.7</b>	0.8	5.0%
Technology	61.7	<b>58.8</b>	(2.9)	(4.7)%
Operations	44.7	<b>44.7</b>	-	- %
Legal & Administrative	21.9	<b>22.8</b>	0.9	4.1%
Policy and Client Services	8.5	<b>9.4</b>	0.9	10.6%
<b>Total</b>	<b>\$163.0</b>	<b>\$162.9</b>	<b>\$(0.1)</b>	<b>(0.0)%</b>



We have implemented, and are leveraging, an activity based costing structure for further transparency.

- Activity based costing (ABC) commenced third quarter of 2009
- Six summary activities were identified at the first level
- Level II activities are now fully implemented
- ABC will provide further insight into resource utilization



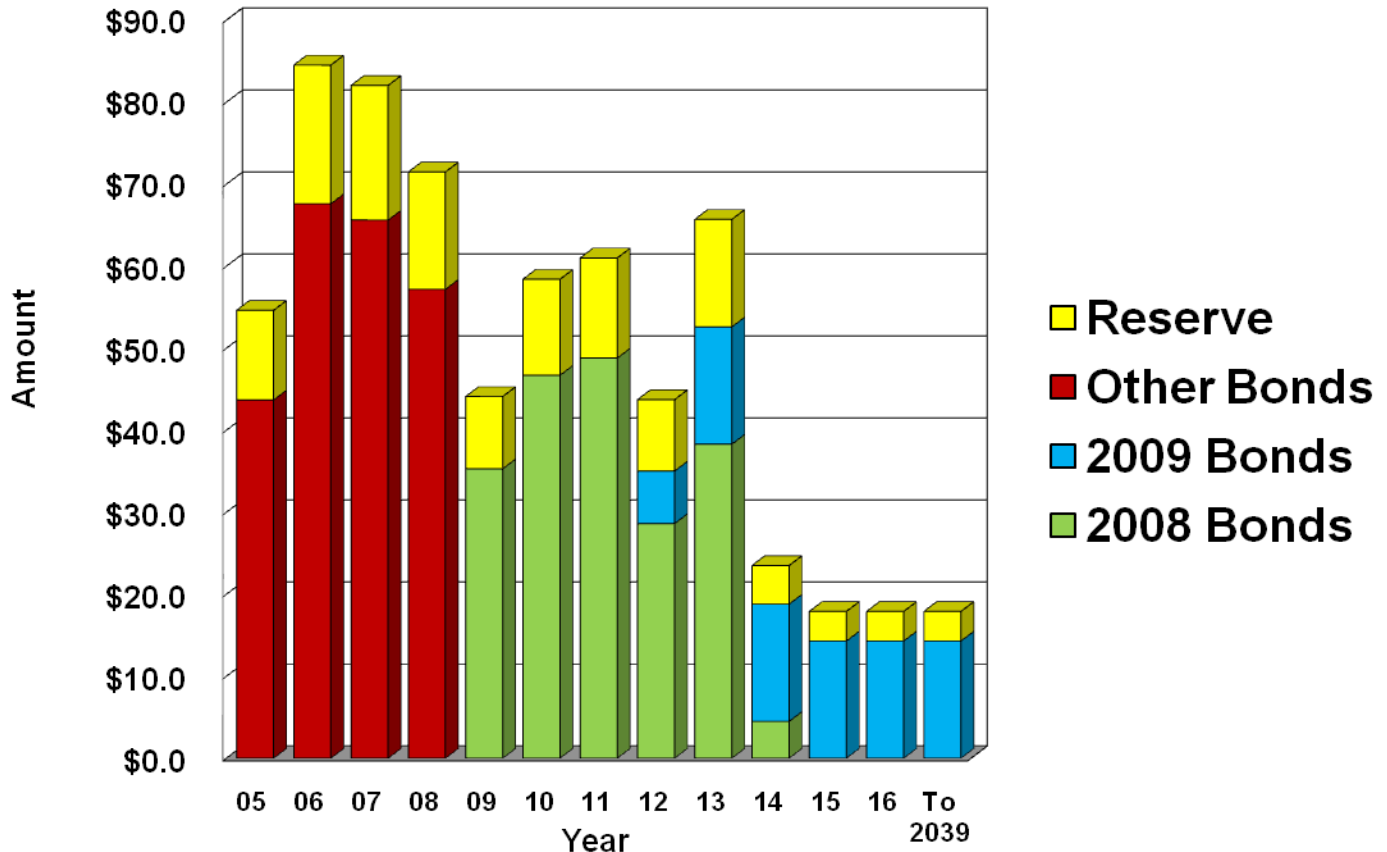
## There has been minimal variance in the cost of service percentages identified in tariff.

- Used 2012 actual ABC hours to build 2012 cost of service
- Compared to 2010 study used for service charge percentages in tariff
- Minimal changes noted

Service Change	% used in tariff	% from applying 2012 data	Change
Market services	27%	28%	1%
System operations	69%	69%	-
CRR services	4%	3%	(1%)

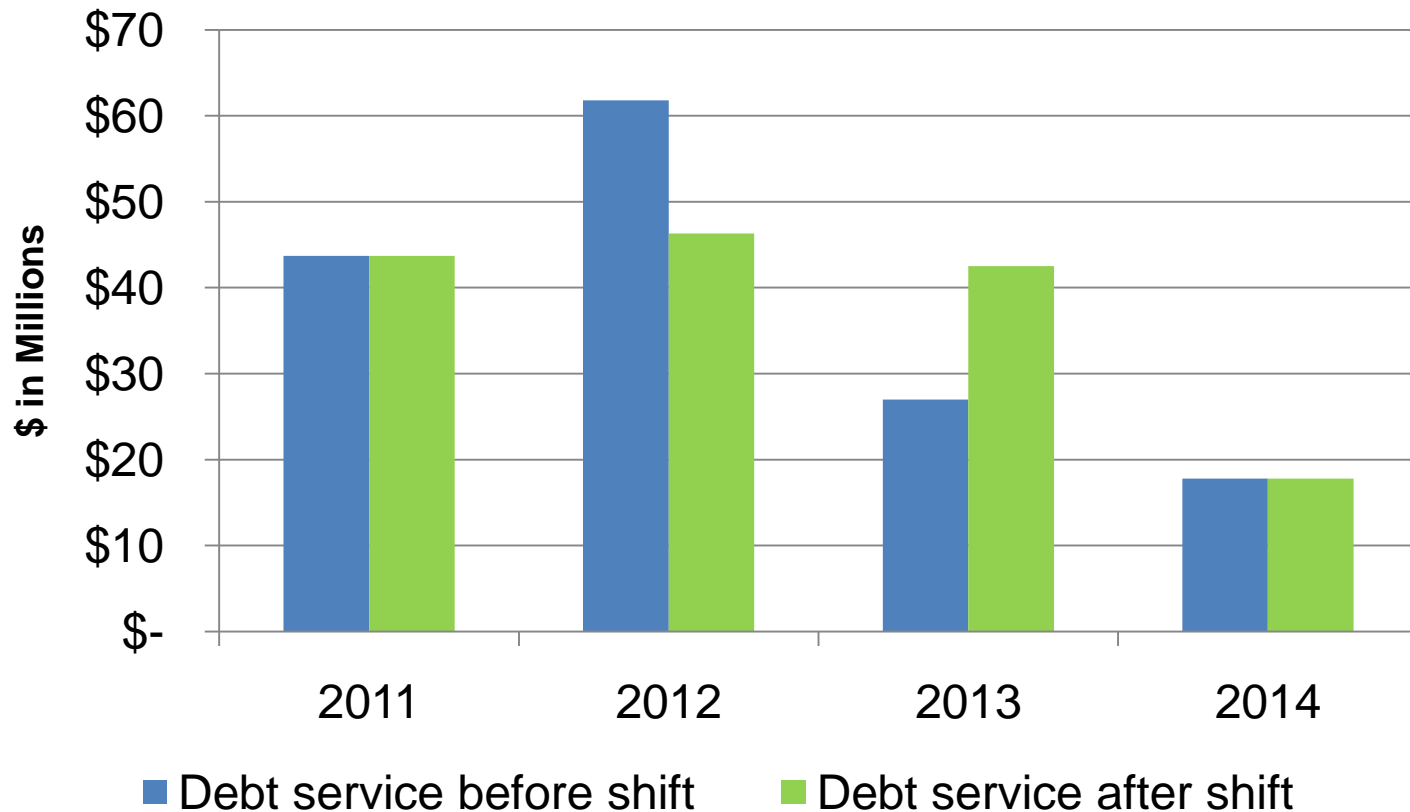
# Debt service collections will decrease by \$3.8 million.

## Net Debt Service with 25% Reserve (\$ in millions)



Note: Collections for 2013 debt service were split between 2012 and 2013 revenue requirement.

Debt service collection adjustment in 2012 shifted \$16M of debt service collections to 2013 budget.



## The planned 2013 capital will be mostly financed through GMC.

- Proposed revenue requirement contains a \$21 million cash funded capital component
- Total project approvals are targeted at \$19.5M for further market enhancements and regular capital
- Detailed draft of capital project list contained within the budget book
- Capital budgeting process continues through November; \$41M of proposed projects to be prioritized down to \$19.5M

The proposed grid management charge rates are listed below.

Charge / Fee name	2012 rate	2013 rate	change	Billing Units
<b>Market Services</b>	<b>\$0.0840</b>	<b>\$0.0941</b>	<b>\$0.0101</b>	<b>MWh</b>
<b>System Operations</b>	<b>\$0.2845</b>	<b>\$0.2902</b>	<b>\$0.0058</b>	<b>MWh</b>
<b>CRR Services</b>	<b>\$0.0100</b>	<b>\$0.0131</b>	<b>\$0.0031</b>	<b>MWh</b>
Bid segment fee	\$0.005	\$0.005	-	Bid segment
Inter-SC trade fee	\$1.00	\$1.00	-	Inter-SC Trade
CRR auction bid fee	\$1.00	\$1.00	-	Awarded CRR
TOR charges fee	\$0.27	\$0.27	-	MWh on TORs
Monthly SCID fee	\$1,000	\$1,000	-	Per month

Notes

- The 2013 rates are preliminary and will be finalized for the December board meeting.
- The 2012 rate reflects the recent quarterly adjustment made in October 1, 2012.
- System Operations volumes excludes specified grandfathered contracts.

# Next Steps

- Submit comments to [GMC@caiso.com](mailto:GMC@caiso.com)
- ISO Board decision – December 2012