



# Memorandum

**To:** ISO Finance Committee  
**From:** William J. Regan, Jr., Chief Financial Officer  
Philip Leiber, Treasurer & Director of Financial Planning  
Ben Arikawa, Senior Financial Analyst  
**cc:** ISO Board of Governors, ISO Officers  
**Date:** October 12, 2005  
**Re:** Review of Proposed 2006 Budget & Stakeholder Comments

---

*This memorandum is for information only. No Board action is required.*

The ISO revenue requirement for 2006 is currently forecast at \$180.5 million, a decrease of approximately \$27.7 million or 13% from the filed 2005 revenue requirement. A summary of the 2006 revenue requirement and GMC rates is included as **Attachment A**, which also highlights the changes in the calculation since the initial September budget posting.

Management has posted on the ISO website<sup>1</sup> additional information used in the calculation of 2006 GMC rates, including billing determinant detail (for 2005 and a forecast for 2006), a mapping of costs to GMC service categories, a forecast of the Operating Reserve balance at December 31, 2005 and the credit applicable to the 2006 revenue requirement. The Operating Reserve credit available to reduce the 2006 Revenue Requirement increases from \$28.1 million, as assumed in the previous budget posting, to \$30.3 million. The 2006 Revenue Requirement was reduced from \$182.5 million published in September, to \$180.5 million currently.

The ISO's 2006 budget is scheduled for Board approval in December, which provides an extended time for stakeholder review of the proposed budget, and also facilitates the use of the more current data in establishing the 2006 GMC rates.

As the Committee is aware, the ISO sponsored stakeholder meetings on the ISO's proposed 2006 Budget on June 17, September 12 and September 15, 2005. Stakeholder comments received at the June 17 meeting and the ISO's responses were previously provided to the Committee. Stakeholder comments received at the September 15 meeting are provided in **Attachment B**, along with ISO responses, and also posted on the ISO website. At the September 15 meeting, the ISO requested written comments by October 7, for inclusion in the materials provided to the Committee. Written comments from the CPUC, dated October 7, 2005, in the form of a letter to Finance Committee Chairman Tim Gage were received. A copy of this letter is also attached.

---

<sup>1</sup> <http://www.caiso.com/docs/2005/05/19/200505191618393216.html>