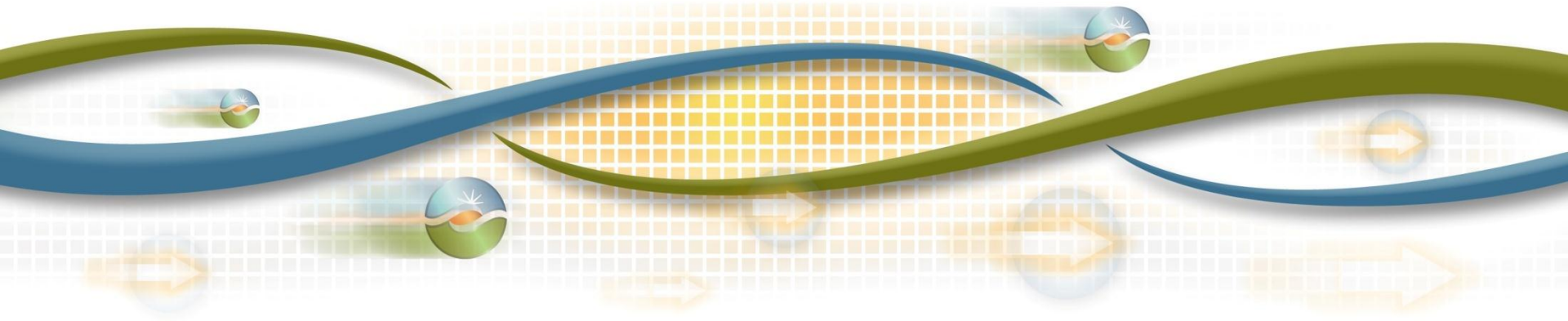




California ISO
Shaping a Renewed Future

2014 Budget Initial Stakeholder Meeting

June 18, 2013



Agenda

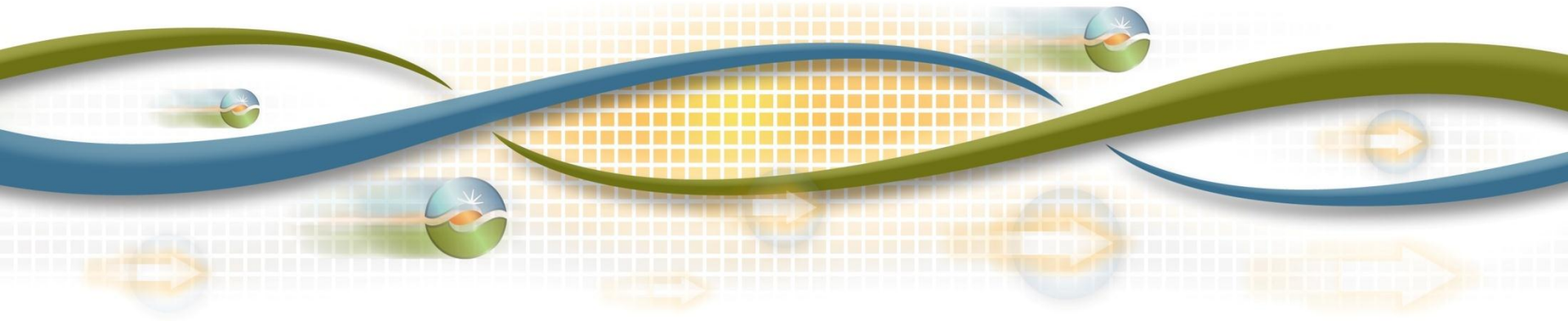
TOPIC	PRESENTER
Introduction & budget principles	Ryan Seghesio
2014 Budget process & GMC rate outlook	Michael Epstein
Managing employee compensation	Rebecca Regan
2013 - 2014 Project release plans	Janet Morris
2012 & 2013 Project summaries	Jan Cogdill
2012 & 2013 Q1 Financial summary	Denise Walsh
2014 Budget calendar & next steps	April Gordon
Stakeholder feedback & discussion	Group



California ISO
Shaping a Renewed Future

Budget Principles

Ryan Seghesio
CFO and Treasurer

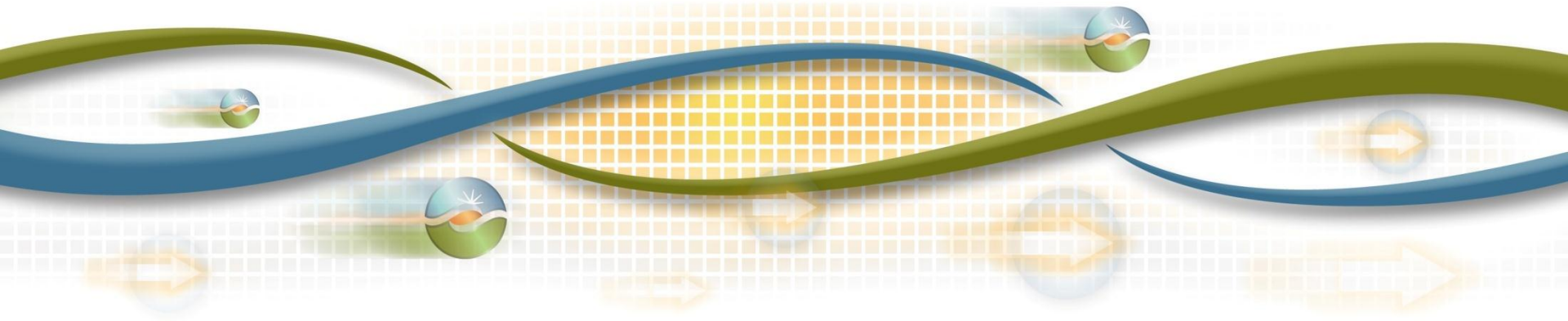


2014 Budget Principles

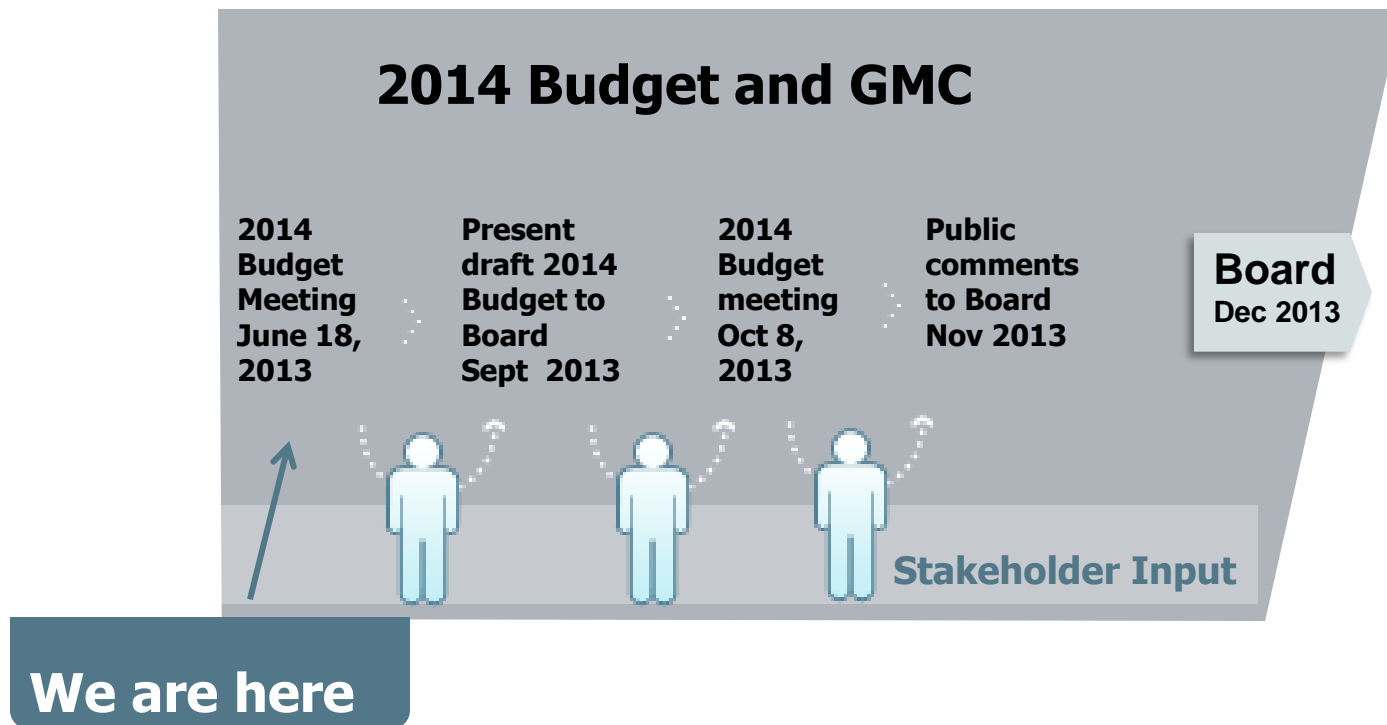
- Provide transparency of the budget process
- Enhance stakeholder understanding of the budget
- Gather stakeholder input to the budget
- Maintain fiscal discipline
 - 2013 bond refinancing
- Accommodate relevant strategic plan initiatives
- Deliver a revenue requirement under \$199M

Budget Process and Rate Outlook

Michael Epstein
Director Financial Planning

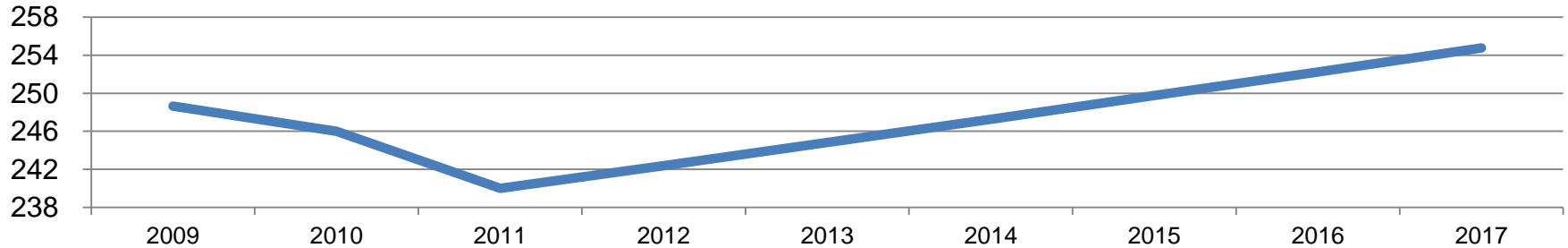


Timeline for 2014 budget and GMC rates

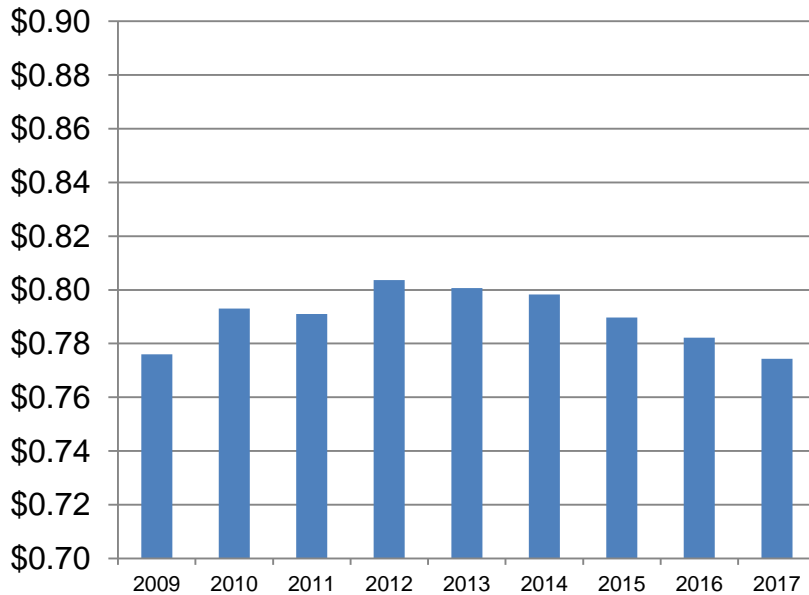


GMC Revenue requirement and rate outlook

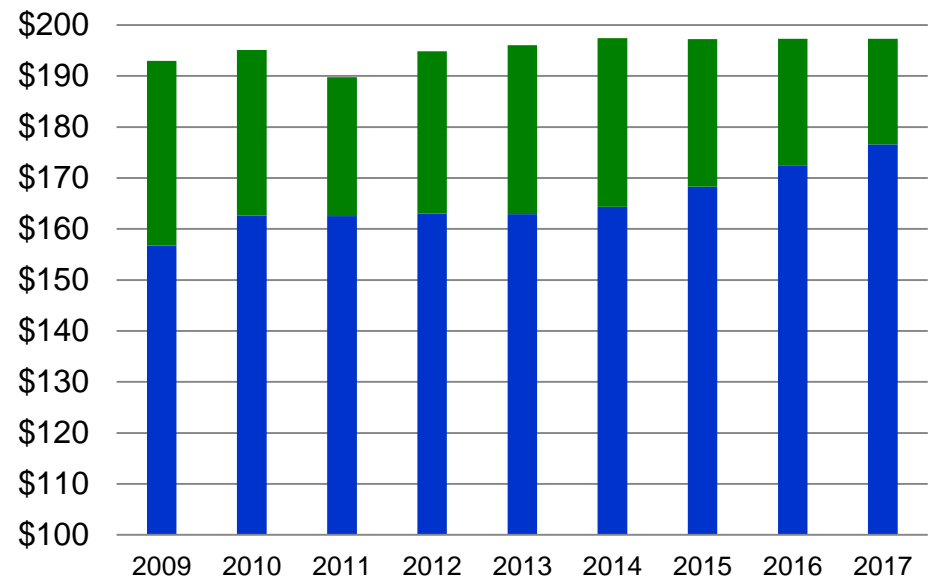
Budgeted Transmission volume - millions of MWhs



GMC bundled rate - \$ per MWh



Revenue Requirement - millions of \$



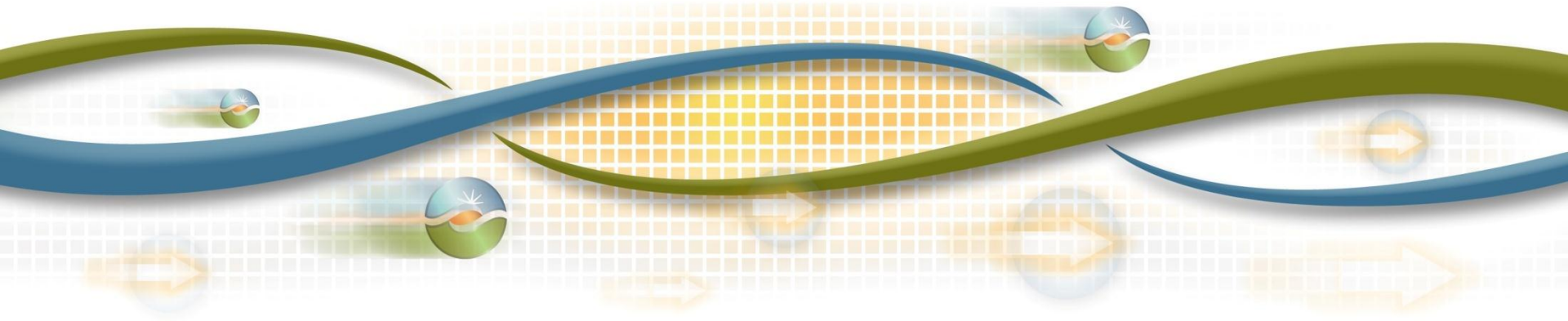
■ O&M ■ Other costs



California ISO
Shaping a Renewed Future

Managing Employee Compensation

Rebecca Regan
Director, Human Resources



Managing employee compensation reflects ISO people strategy to attract, train, motivate and retain top talent.

- Competitive Pay
 - Market pay practices
 - Annual salary surveys covering 100% of ISO positions
- Strong Performance Management Program
 - Individual performance plans
 - Stretch objectives
 - Ongoing feedback, coaching and support
- Pay for Performance Philosophy
 - Year-end evaluation of performance results against objectives
 - Differentiation of merit dollars based on performance
- 0-3% Merit Increase Guidelines
 - Optimal utilization of available merit dollars
 - Not all employees receive pay increases

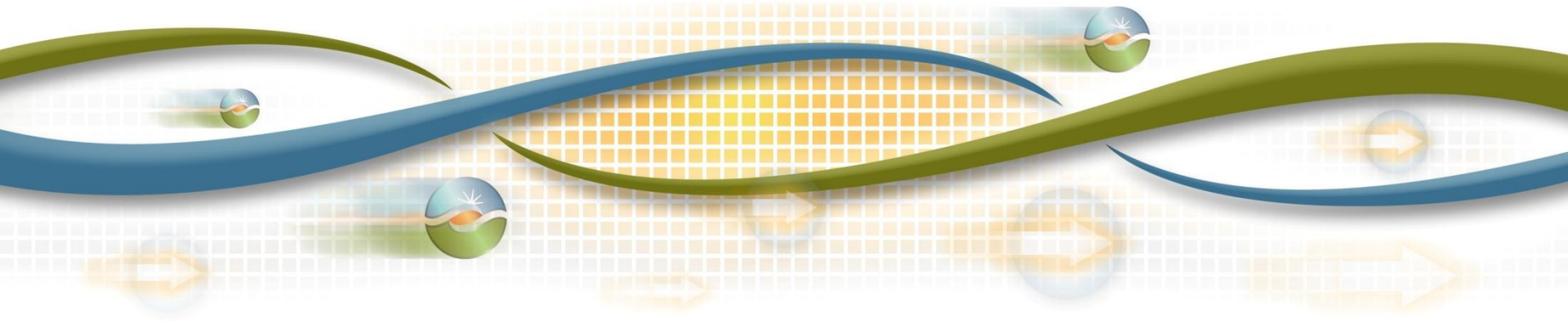


California ISO
Shaping a Renewed Future

2013 - 2014 Project Release Plans

Janet Morris

Director, Program Office



Release planning information is updated and discussed regularly throughout the year.

Release planning page:

<http://www.caiso.com/informed/Pages/ReleasePlanning/Default.aspx>

- Master Stakeholder Engagement Plan:
<http://www.caiso.com/Documents/MasterStakeholderEngagementPlan.pdf>
 - Policy and implementation initiatives
 - Updated on the first of each month
 - Multi-year time horizon
- Market Performance and Planning Forum
 - Every eight weeks
 - Technical and release plan updates
- Release Users Group
 - Bi-weekly updates to release plan
 - Interactive review of project impact assessment and milestones
- Technical Users Group – Technology Roadmap
http://www.caiso.com/Documents/ExternalTechnologyRoadmap_TUGWebConferenceJune5_2012.pdf

The 2014 Release Plan includes several approved policy initiatives and other high priority projects.

- Spring 2014
 - FERC Order 764 Compliance
 - Dynamic Transfers
 - Circular Scheduling
- Fall 2014
 - Energy Imbalance Market
 - Flexible Resource Adequacy Criteria and Must Offer Obligation
 - Subset of Hours
- Other projects under consideration:
 - Contingency Modeling Enhancements
 - Bid Cost Recovery Refinements for MSG Resources
 - Expanded Metering and Telemetry Options
 - Full Network Model Expansion
 - Load Aggregation Point Granularity
 - Outage Management System for Generation
 - RIMS enhancements

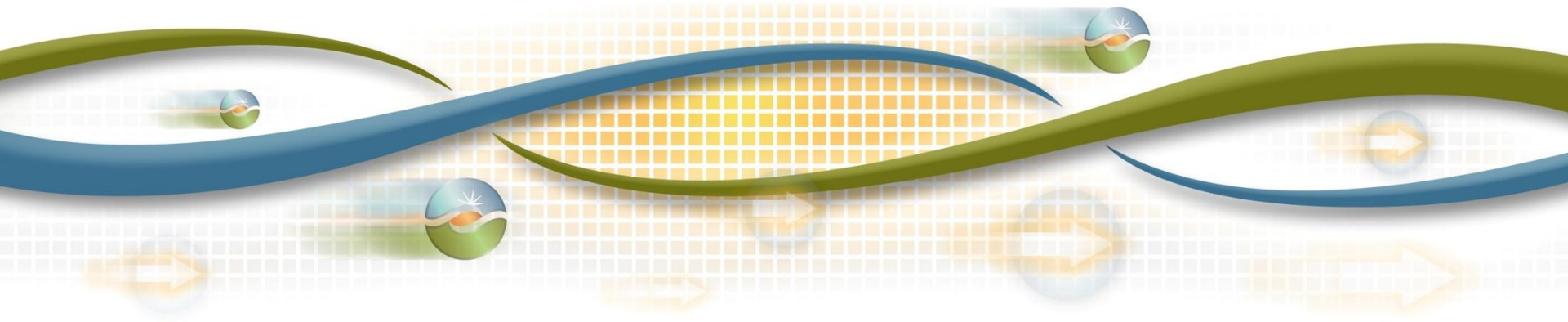


California ISO
Shaping a Renewed Future

Project Summaries

Jan Cogdill

Lead Financial Planning



Summary of Projects 2012-2013

- Projects completed from June 2012 to April 2013
 - 30 Capital projects completed
 - actual costs \$19.3M vs. budget of \$20.1M
 - 27 Requirements & other projects
 - actual costs \$2.1M vs. budget of \$2.4M
- Active projects as of April 30, 2013
 - 32 Capital Projects
 - budgeted costs \$20.02M, YTD spent \$6.7M
 - 33 Requirements & other projects:
 - budgeted costs \$4.9M, YTD spent \$2.3M

The 2013 and 2014 capital and projects budget

- 2013 project budget
 - Approved at \$19.5M

- 2014 budget
 - Targeted at \$19.5M
 - Excess of 50 proposed projects will be prioritized to meet final budget limit

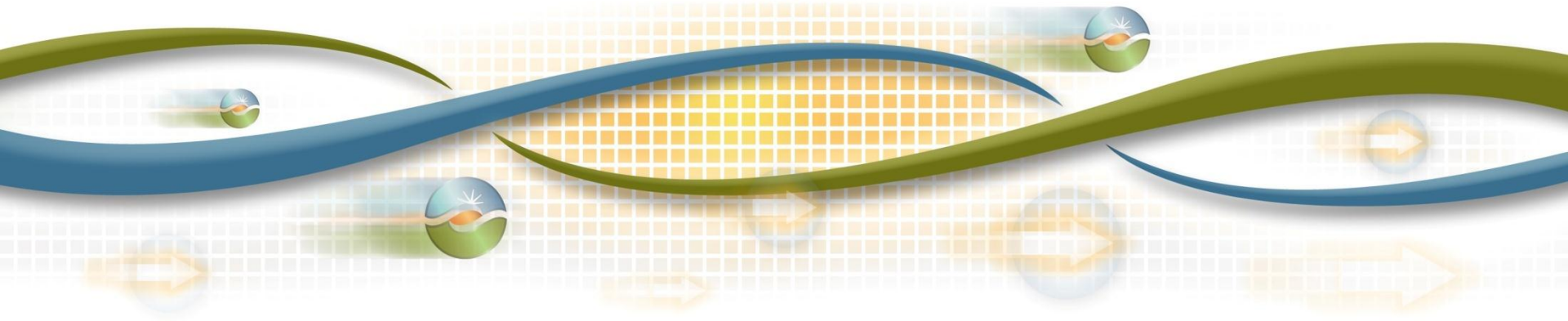
- EIM implementation budget



California ISO
Shaping a Renewed Future

2012 & 2013 Q1 Financial Summary

Denise Walsh
Controller

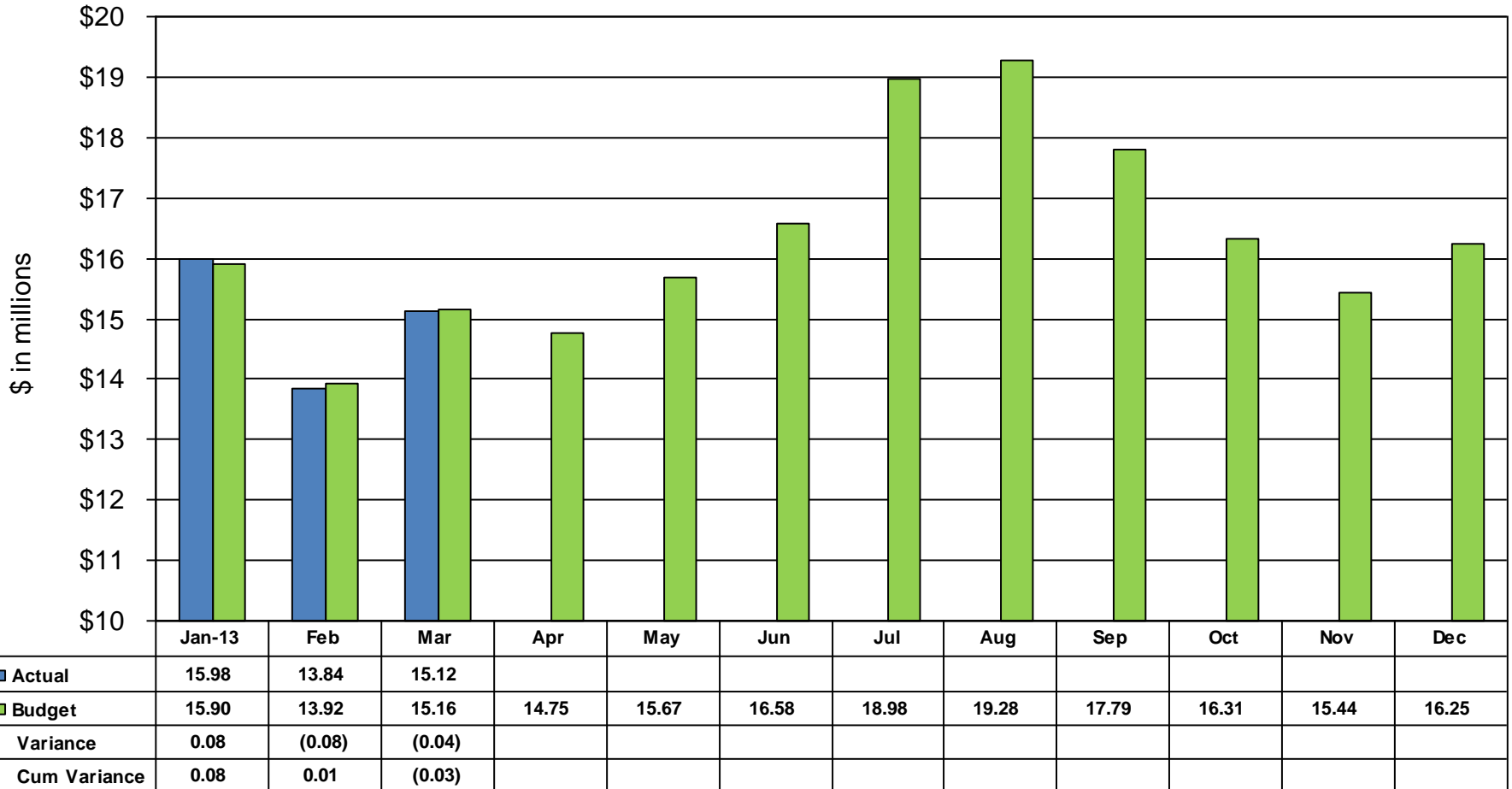


2012 Highlights

Key components of the 2012 budget:

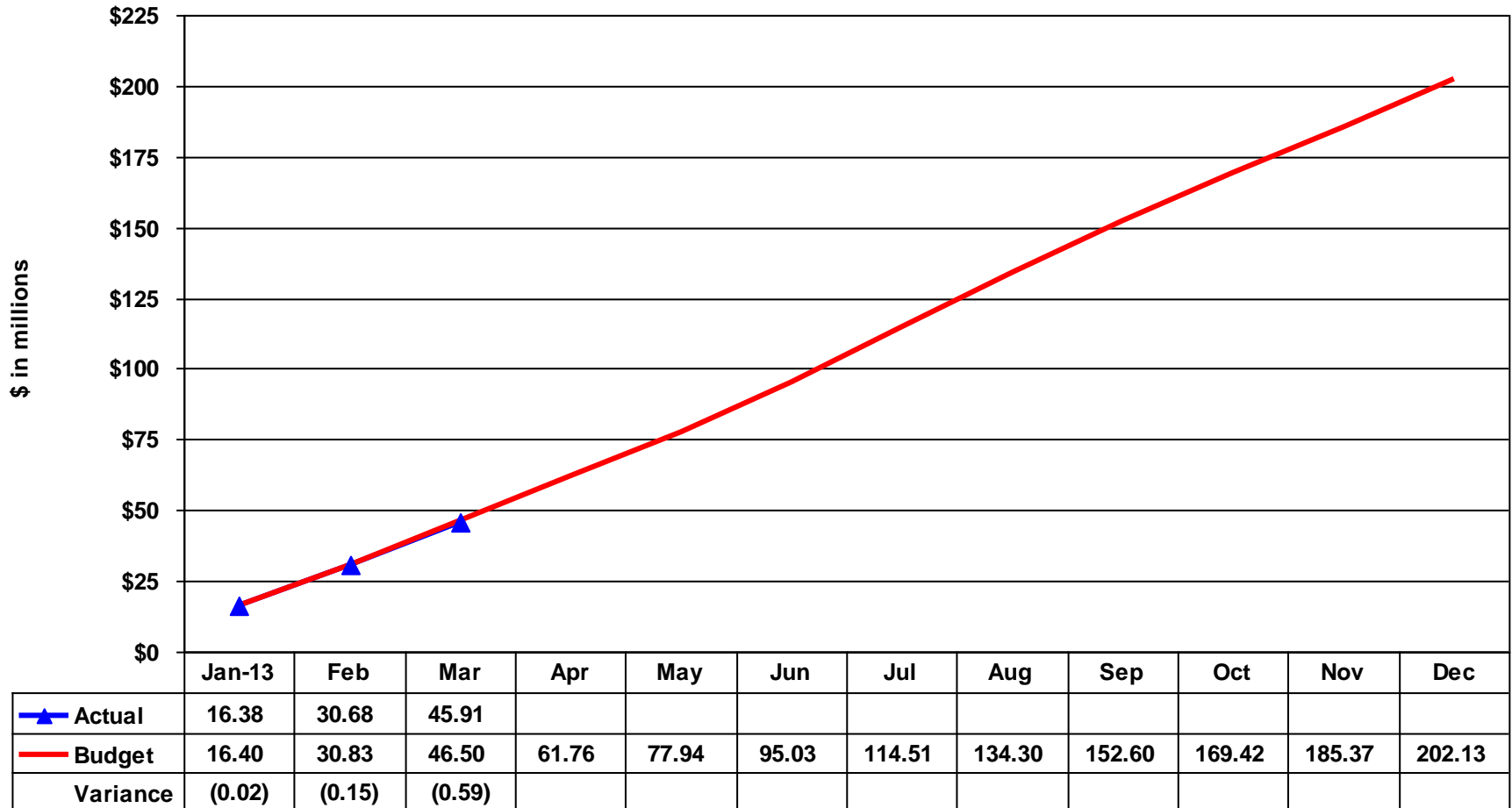
- Operating revenues = \$200.7 million vs. \$200.3 million
 - Mostly Grid Management Charge (GMC) revenues
- Operating expenses = \$156.2 million vs. \$163.0 million
 - Operating and maintenance expenses
- Capital Expenditures= \$23.4 million vs. \$23.4 million (approved)
 - Fixed assets and capital projects

Q1 2013 Monthly GMC Revenues

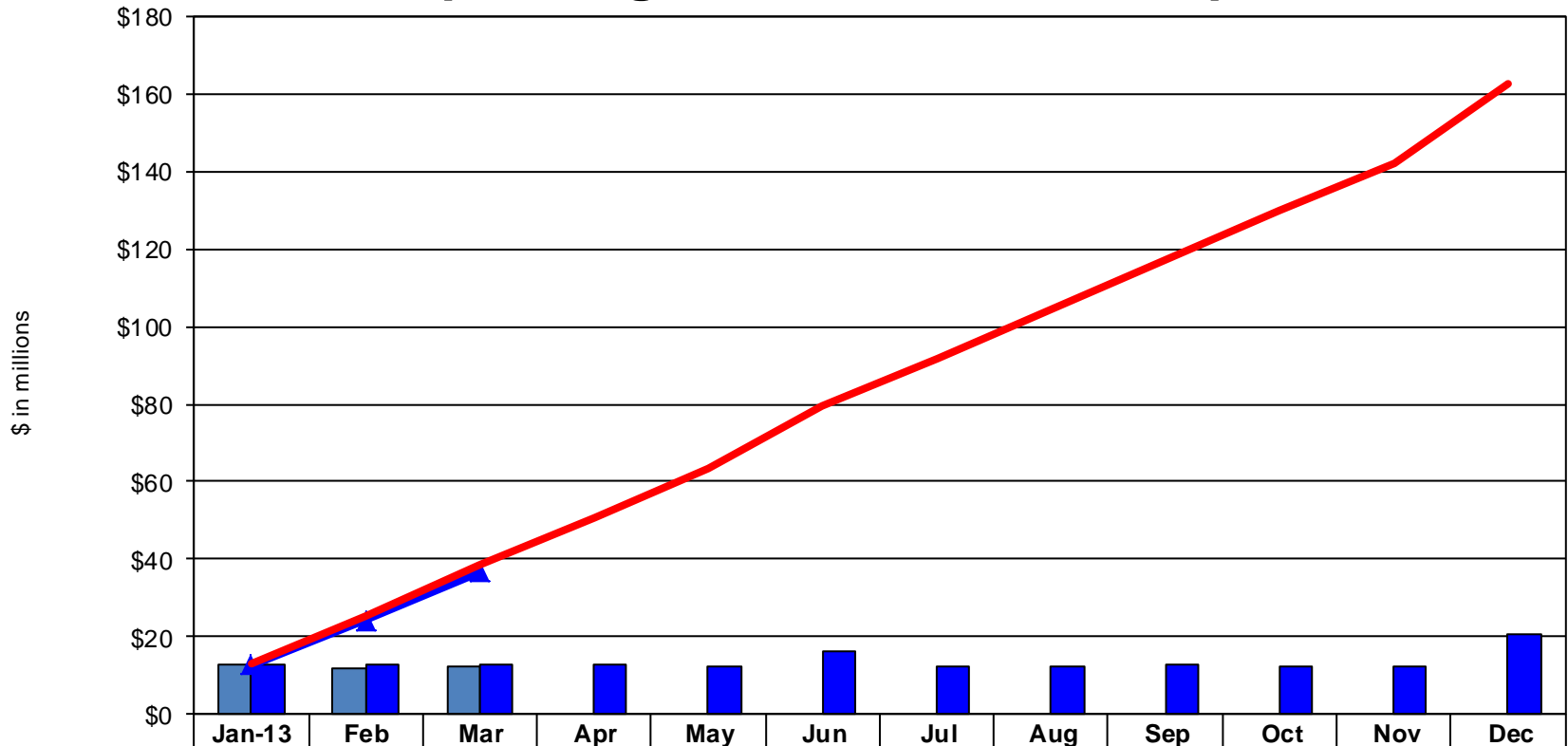


Q1 2013 Cumulative Operating Revenues

Revenues = GMC & Other Revenues

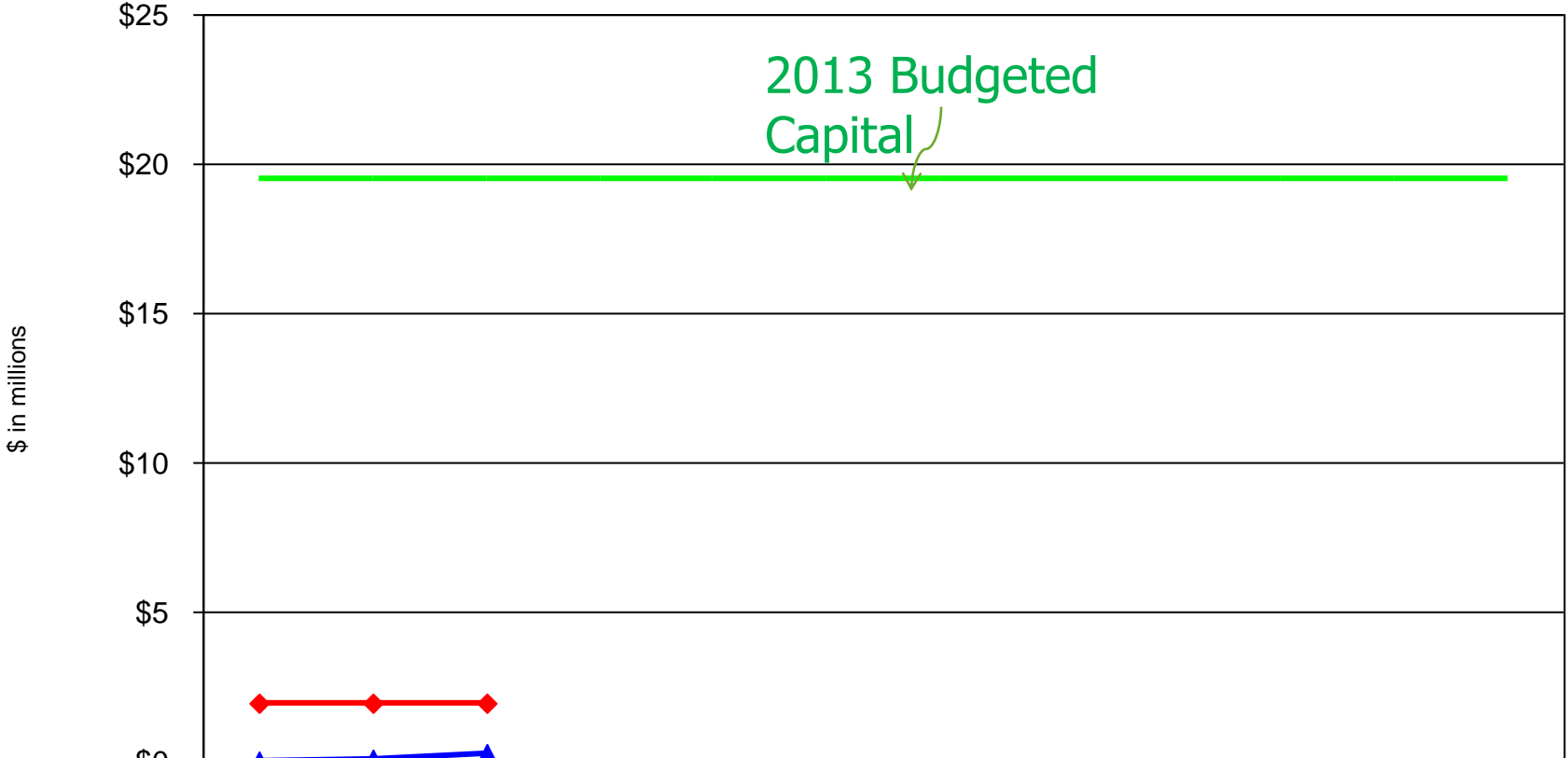


Q1 2013 Operating and Maintenance Expenses



	Jan-13	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	12.61	11.52	12.37									
Monthly Budget	12.88	12.51	12.90	12.49	12.41	16.26	12.45	12.46	12.94	12.45	12.41	20.75
Cum Actual	12.61	24.12	36.49									
Cum Budget	12.88	25.39	38.29	50.78	63.19	79.45	91.90	104.36	117.30	129.75	142.16	162.91
Cum Variance	0.28	1.27	1.79									

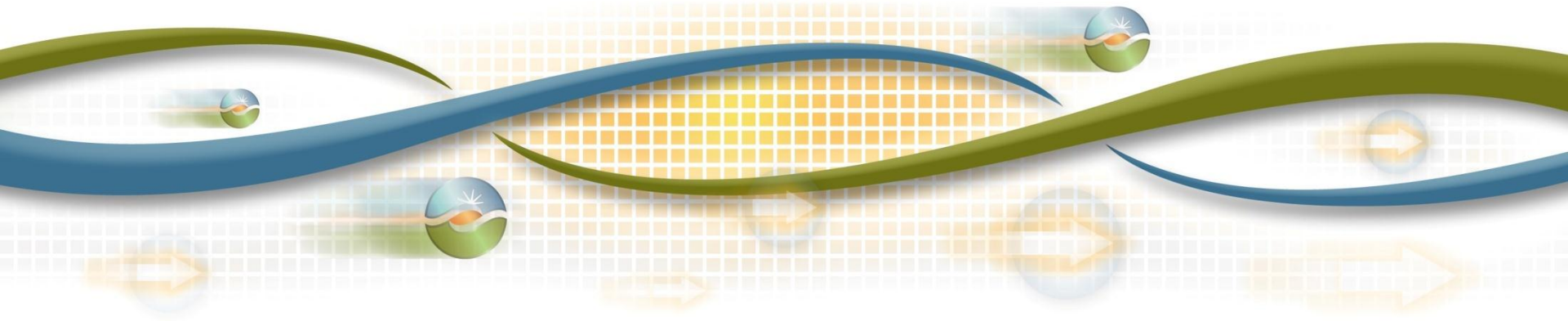
Cumulative Capital Expenditures



	Jan-13	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cumulative Expenditures	0.02	0.05	0.23									
Budgeted capital	19.50	19.50	19.50	19.50	19.50	19.50	19.50	19.50	19.50	19.50	19.50	19.50
Approved projects	1.95	1.95	1.95									

Budget Calendar & Next Steps

April Gordon
Lead Financial Analyst



Key calendar dates and next steps

- Stakeholder comments due Jun 25
 - Send to agordon@caiso.com
- Internal budget process Jun - Aug
- Board of Governors meeting Sep 12-13
 - Present preliminary 2014 budget
- Post 2014 budget information for stakeholders Sep 20
- Stakeholder meeting to review preliminary budget Oct 8
- Written Stakeholder comments due to ISO Oct 15
- Board of Governors meeting Nov 7-8
 - Public comments to board on 2014 budget
- Board of Governors meeting - approval of 2014 budget Dec 18-19
- Post rates and budget documentation to ISO website Dec 26