

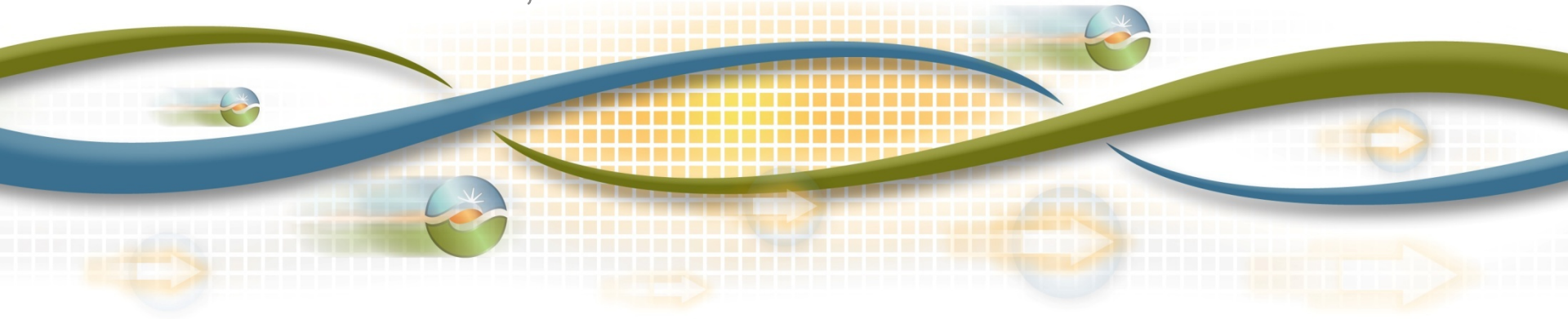


California ISO
Shaping a Renewed Future

Decision on 2014 budget

Ryan Seghesio
Chief Financial Officer and Treasurer

Board of Governors Meeting
General Session
December 18-19, 2013



The budget development timeline extends from June through December.

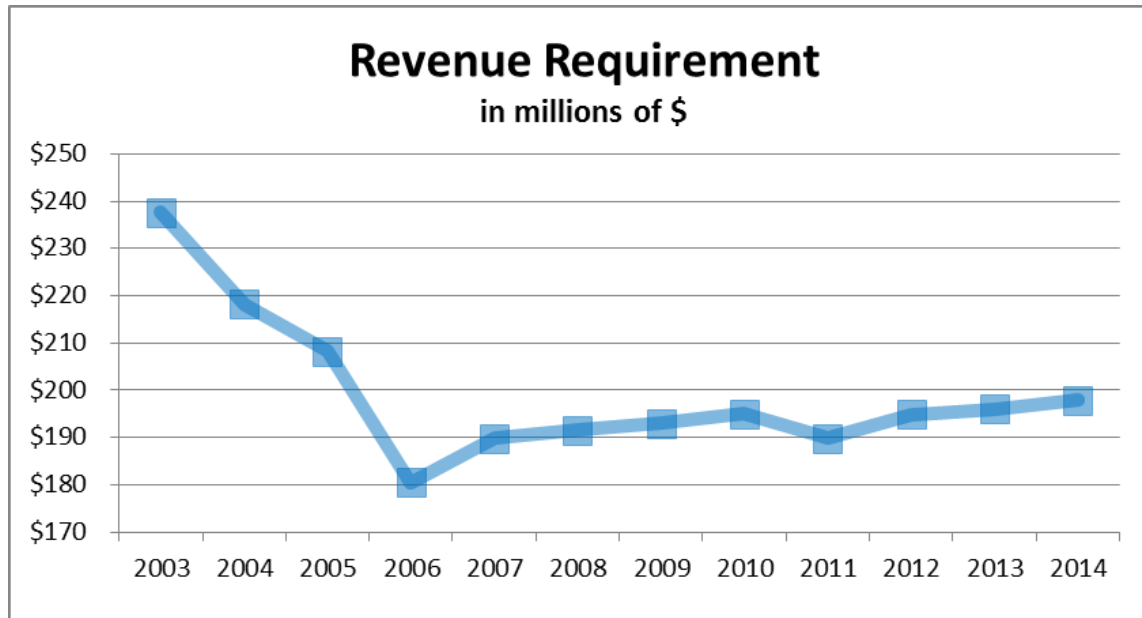
Previous Events	Date
Introduction of budget process to stakeholders	June 2013
Internal budgeting process	June – December
Board review of preliminary budget (executive session)	September 2013
Preliminary budget posted to public website	September 2013
Stakeholder budget workshop	October 2013

Upcoming Events	Date
Board decision on budget (general session)	December 2013
Posting of grid management charge rates	December 2013

The proposed budget continues to reflect the ISO's focus on costs and efficiencies.

- Revenue requirement growth rate remains disciplined despite continued completion of major initiatives
- Modest increase offset by increasing volumes
- Grid management charge rates remain stable

The proposed revenue requirement increases by \$2.0 million to \$198.0 million.



- Nearly 17% lower than its peak in 2003
- Averaging only 0.6% annual increase since 2007
- \$1M under the \$199M FERC approved rate cap

The proposed revenue requirement is up modestly, although volumes have increased resulting in flat to lower GMC rates.

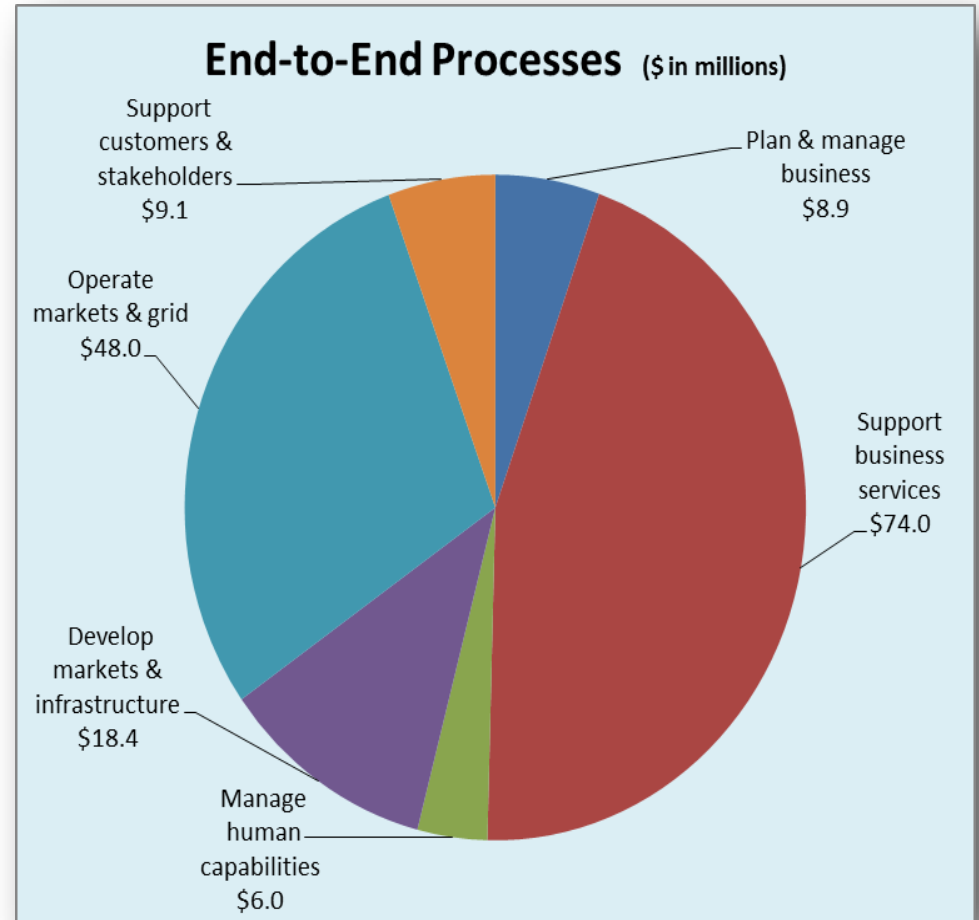
Revenue Requirement Component (\$ in millions)	2013 Budget	2014 Proposed Budget	Change
Operations and maintenance budget	\$162.9	\$164.4	\$1.5
Miscellaneous revenue	(7.9)	(8.3)	(0.4)
Debt service (including 25% reserve)	42.5	16.9	(25.6)
Cash funded capital	24.0	26.0	2.0
Reserve credit	(25.5)	(1.0)	24.5
Total Revenue Requirement	\$196.0	\$198.0	\$2.0
Transmission volume in TWh	244.8	247.2	2.4
Pro-forms bundled GMC rate in \$ per MWh	\$0.80	\$0.80	(NM)

The proposed O&M budget increases by \$1.5 million to \$164.4 million.

O&M Budget by Resource (\$ in millions)	2013 Budget	2014 Proposed Budget	Change
Salaries and benefits	\$113.9	\$114.3	\$0.4
Occupancy costs and equipment leases	3.8	3.5	(0.3)
Telecommunication and maintenance costs	14.9	14.7	(0.2)
Consultants and contract staff	13.4	13.2	(0.2)
Outsourced contracts and professional fees	9.8	11.6	1.8
Training, travel and other costs	7.1	7.1	-
Totals	\$162.9	\$164.4	\$1.5

We are leveraging an activity based costing structure for further transparency.

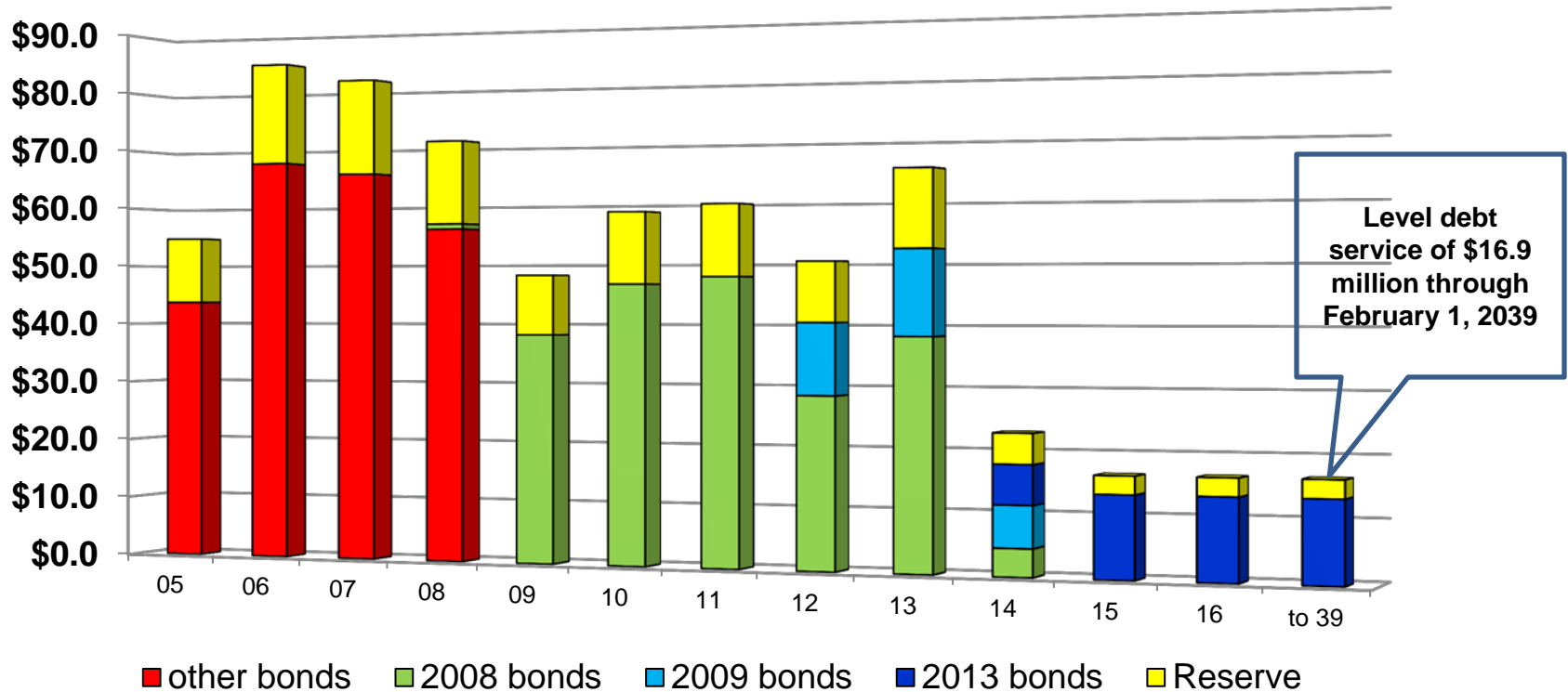
- Activity based costing (ABC) fully implemented
- Six summary activities were identified at the first level
- Tracking time by Level II activities fully functional in 2012
- ABC utilized to restructure GMC in 2012
- ABC will provide further insight into resource utilization



Debt service collections will decrease by \$25.6 million.

Net Debt Service with 25% Reserve

(\$ in millions)



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

The 2009 bonds were refinanced with the November 2013 advance refunding issue.

2013 Bonds	
Par amount:	\$191.8 million
Final maturity:	February 1, 2039
All-in true interest cost:	4.485%
Total savings:	\$30.5 million
Net annual debt service savings:	\$1.0 million

Capital/project budget continues to be funded through the revenue requirement.

- Proposed revenue requirement contains a \$26 million cash funded capital component
- Total project approvals are targeted at \$24M for further market enhancements and regular capital
- Detailed draft of proposed capital project list contained within the budget book

The operating reserve credit will be \$1 million in 2014.

Reserve Credit from Prior Year (\$ in millions)	2013 Budget	2014 Budget	Change
(Decrease) in 15% operating reserve for O&M budget	\$ -	\$(0.1)	\$(0.1)
25% debt service collection from prior year	9.2	8.5	(0.7)
Over collection of GMC from move to weekly market clearing	9.8	-	(9.8)
Reverse credit taken in prior years (2010 to 2013) for amortization of bond premium	-	(7.1)	(7.1)
Accrual of interest expense on generator fine refund liability	-	(2.2)	(2.2)
True-up of actual to forecast revenues and expenses	6.5	1.9	(4.6)
Total	\$25.5	\$1.0	\$(24.5)

Two of the proposed grid management charge rates will decrease due to higher forecasted volumes.

Charge / Fee name	2013 rate	2014 rate	change	Billing Units
Market Services	\$0.0931	\$0.0867	\$(0.0064)	MWh
System Operations	\$0.2872	\$0.2890	\$0.0018	MWh
CRR Services	\$0.0135	\$0.0112	\$(0.0023)	MWh
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

CRR = Congestion Revenue Rights; SC = Scheduling Coordinator ; TOR = Transmission Ownership Rights