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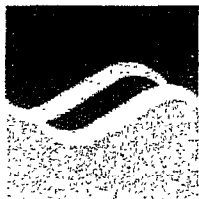
**Exhibit 9**

**Board of Governors Meeting  
October 25, 2001**

**FY2002 BUDGET AND GRID MANAGEMENT CHARGE**

**APPROVAL OF PROPOSED**

**CALIFORNIA ISO**



### BUDGET OVERVIEW

- Proposed total budgeted spending by the ISO **decreases** from 2001 to 2002, as measured by the combined O&M and capital budgets:

	2001	2002	%Chg.
O&M Budget	\$171,798	\$177,465	3%
Capital Budget	\$37,774	\$22,000	(55%)
Total Spending	\$209,572	\$199,465	(5%)

- Net Revenue Requirement increases from \$225,307 to \$244,794.
- Rates increase from 0 to 65% due to:

- Volumes used to calculate the rates for 2002
- Under-recoveries due to volume decreases in 2001
- Funding method for capital budget
- Changes in cost allocation between categories

(1) '000 Omitted throughout presentation except for \$/MWh.

**Recent Events and Changes**

- Revenue Requirement:

Goal of keeping total revenue requirement flat at:  
 Presented at last Board meeting:  
 Now:

\$225,307  
 \$250,000  
 \$244,794

	FY2001 Budget	Proposed FY2002 Budget	Amount Change	% Change
Total O&M Budget	\$ 171,798	\$ 177,465	5,667	3%
Total Finance and Cash Funded CapEx Budget (See Note)	\$ 63,141	\$ 68,330	5,190	8%
Total Expense Recovery Budget Available (Revenue Credit) or Deficiency (See Note)	\$ (2,402)	\$ (2,610)	(208)	9%
Net Revenue Requirement	\$ 225,307	\$ 244,794	19,487	9%

Most recent changes due to:

- Revenue credit/ or shortfall: based on shifting 2001 volumes. From deficiency of \$5 million to \$1.8 million.
- Modified assumptions regarding the ISO's debt issuance in 2002

**Recent Events and Changes**

- Rate Changes:

Rates in \$/MWh

1. Control Area Services ("CAS")	\$ .514		
2. Congestion Mgmt. ("CONG")	\$ .308		
3. Ancillary Service and Real-Time Energy Operations ("ASREO")	\$ 1.605		
	<u>Web-Posting</u>		
	\$ .577		
	<u>Board Book</u>		
	\$ .366		
	\$ .954		
	<u>Final</u>		
	\$ .575		
	\$ .368		
	\$ .957		

Changes due to:

- Cost allocation between three categories
- Allocation of proceeds from collected ISO fines & penalties to the three service categories
- Changes in volume estimates for 2002 (based on 2001 experience)
- Inclusion of 50% of self-provided A/S volumes in third GMC category.

**Recent Events and Changes**

- The ISO has proposed replacing the third GMC category "Market Operations" with the "Ancillary Services and Real Time Energy Operations" charge. The billing determinant would be expanded to include 50% of self-provided ancillary services.

Stakeholders notified of the proposal at October 11 MIF, and were later polled on the issue:

<u>FOR</u>	CDWR (Water Project, not CERS)
	San Diego Gas & Electric
<u>AGAINST</u>	California Municipal Utilities Association
	Sacramento Municipal Utility District
	Electricity Oversight Board
	Transmission Agency of Northern California
	City of Riverside

- Not making the change would result in a rate of \$1.041 instead of \$0.957.

- The Proposed FY2002 Budget was presented to stakeholders at an ISO Budget Workshop on October 4, 2001. Comments from stakeholders on the proposed FY2002 Budget were to be submitted by October 15, 2001. No comments received by that date. CMLA submitted comments on 10/23/2001.

**Other Issues**

- To the extent that the 2002 volume forecast has been developed based on 2001 experience and the year is not yet complete, the ISO is prepared to adjust rates as necessary during 2002 under the quarterly GMC adjustment mechanism of the ISO Tariff.
- To the extent that the ISO is able to execute a bond issuance earlier in 2002 than currently anticipated, a reduction in rates would be pursued, as the cash funded capital expenditure provision in the revenue requirement would not be necessary.
- The ISO is not proposing a rate change for 2001.
- The "Interzonal Scheduling" category will be renamed: "Congestion Management". There is no change to the proposed billing determinant for this category at this time.
- Other minor tariff changes related to the GMC will be made in the November 1, 2001 filing.



CALIFORNIA ISO

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### Updates to Board Materials

FN/PRL 10/25/2001

PROPOSED FY2002 BUDGET

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**California ISO  
Calculation of Available Revenue Credit for 2002  
\$ in '000**

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1 Beginning Reserve Balance, 1/1/2001		CAS	15,840	CONG	2,970	AS&RT	14,190	Total	33,000
2 Calculation of Contributions to Reserve from Operations		CAS	108,518	CONG	19,519	AS&RT	97,377	Total	225,414
3 Revenue: 2001 Calendar Year Revenue		CAS	1,702	CONG	117	AS&RT	583	Total	2,402
4 GMC Rates: 2001 Calendar Year Revenue		CAS	17.02	CONG	1.17	AS&RT	5.83	Total	24.02
5 Other		CAS	1,702	CONG	117	AS&RT	583	Total	2,402
6 Expenses:		CAS	(88,055)	CONG	(12,700)	AS&RT	(71,043)	Total	(171,798)
7 O&M		CAS	(88,055)	CONG	(12,700)	AS&RT	(71,043)	Total	(171,798)
8 Debt Service		CAS	(20,485)	CONG	(6,062)	AS&RT	(23,966)	Total	(50,513)
9 Contribution to Operating Reserve (Sum lines 2 through 8)		CAS	1,680	CONG	874	AS&RT	2,931	Total	5,505
10 Other Reserve Uses		CAS		CONG		AS&RT		Total	
11 Use of Reserve for CapEx		CAS		CONG		AS&RT		Total	
12 2001 Section 35 Filings Allocation		CAS	(12,829)	CONG	(5,067)	AS&RT	(7,248)	Total	(26,144)
13 Generator Firms/Families		CAS		CONG		AS&RT		Total	
14 Not Increase in Operating Reserve (Sum Lines 9-13)		CAS	1,680	CONG	874	AS&RT	2,931	Total	5,505
15 Ending Reserve Balance (Line 1 plus Line 14)		CAS	17,520	CONG	3,844	AS&RT	17,141	Total	38,505
16 Less: Reserve Requirement (1.5% of 2002 Budget, Line 20)		CAS	(14,962)	CONG	(2,848)	AS&RT	(8,418)	Total	(26,228)
17 Net O&M Budget (exclusive of interest earnings, WSCC collection, and other revenues)		CAS	99,747	CONG	18,985	AS&RT	56,123	Total	174,855
18 Equals: Revenue Credit Available (Line 17 less Line 20)		CAS	2,558	CONG	997	AS&RT	8,722	Total	12,277
19 2001 Section 35 Filings Distribution		CAS	9,806	CONG	1,839	AS&RT	8,784	Total	20,429
20 2001 revenue credit (48%, 9%, 43%)		CAS	48.0%	CONG	9.0%	AS&RT	43.0%	Total	100.0%

15 Ending Reserve Balance (Line 1 plus Line 14)		CAS	17,520	CONG	3,844	AS&RT	17,141	Total	38,505
16 Less: Reserve Requirement (1.5% of 2002 Budget, Line 20)		CAS	(14,962)	CONG	(2,848)	AS&RT	(8,418)	Total	(26,228)
17 Net O&M Budget (exclusive of interest earnings, WSCC collection, and other revenues)		CAS	99,747	CONG	18,985	AS&RT	56,123	Total	174,855
18 Equals: Revenue Credit Available (Line 17 less Line 20)		CAS	2,558	CONG	997	AS&RT	8,722	Total	12,277

19 Ending Reserve Balance (Line 1 plus Line 14)		CAS	17,520	CONG	3,844	AS&RT	17,141	Total	38,505
20 Less: Reserve Requirement (1.5% of 2002 Budget, Line 20)		CAS	(14,962)	CONG	(2,848)	AS&RT	(8,418)	Total	(26,228)
21 Net O&M Budget (exclusive of interest earnings, WSCC collection, and other revenues)		CAS	99,747	CONG	18,985	AS&RT	56,123	Total	174,855
22 Equals: Revenue Credit Available (Line 21 less Line 20)		CAS	2,558	CONG	997	AS&RT	8,722	Total	12,277

23 Generator Firms/Families		CAS		CONG		AS&RT		Total	
24 Use of Reserve for CapEx		CAS	(12,829)	CONG	(5,067)	AS&RT	(7,248)	Total	(26,144)
25 Contribution to Operating Reserve (Sum lines 2 through 8)		CAS	1,680	CONG	874	AS&RT	2,931	Total	5,505
26 Debt Service		CAS	(20,485)	CONG	(6,062)	AS&RT	(23,966)	Total	(50,513)
27 O&M		CAS	(88,055)	CONG	(12,700)	AS&RT	(71,043)	Total	(171,798)
28 Expenses:		CAS	(88,055)	CONG	(12,700)	AS&RT	(71,043)	Total	(171,798)
29 Other		CAS	1,702	CONG	117	AS&RT	583	Total	2,402
30 GMC Rates: 2001 Calendar Year Revenue		CAS	17.02	CONG	1.17	AS&RT	5.83	Total	24.02
31 Security coordinator fees assigned to CAS, remainder spread proportionately		CAS	3,640	CONG	1,201	AS&RT	199	Total	5,040
32 remainder of 2001		CAS	3,640	CONG	1,201	AS&RT	199	Total	5,040
33 Actual collections and forecast for		CAS	218,091	CONG	101,226	AS&RT	16,771	Total	336,088
34 Security coordinator fees assigned to CAS, remainder spread proportionately		CAS	3,640	CONG	1,201	AS&RT	199	Total	5,040
35 Allocation based on filed 2001 O&M allocations by category		CAS	(163,800)	CONG	(67,736)	AS&RT	(83,956)	Total	(315,492)
36 Allocation based on filed 2001 O&M allocations by category		CAS	(163,800)	CONG	(67,736)	AS&RT	(83,956)	Total	(315,492)
37 Variance spread proportionately		CAS	(45,911)	CONG	(21,783)	AS&RT	(18,619)	Total	(86,313)
38 Variance spread proportionately		CAS	(45,911)	CONG	(21,783)	AS&RT	(18,619)	Total	(86,313)
39 Allocation based on filed 2001 allocation factors		CAS	12,020	CONG	12,908	AS&RT	(648)	Total	24,280
40 2001 Section 35 Filings Allocation		CAS	(12,829)	CONG	(5,067)	AS&RT	(7,248)	Total	(26,144)
41 of Proposed 2001 Debt Service, excluding CMR, \$12,829 is		CAS	(12,829)	CONG	(5,067)	AS&RT	(7,248)	Total	(26,144)
42 shortfall of funding available for CAPX in 2001 due to inability to issue bonds		CAS	(12,829)	CONG	(5,067)	AS&RT	(7,248)	Total	(26,144)
43 Allocated based on overall Rev Req.		CAS	5,000	CONG	2,150	AS&RT	450	Total	7,600
44 Not Increase in Operating Reserve (Sum Lines 9-13)		CAS	1,680	CONG	874	AS&RT	2,931	Total	5,505
45 Ending Reserve Balance (Line 1 plus Line 14)		CAS	17,520	CONG	3,844	AS&RT	17,141	Total	38,505
46 Less: Reserve Requirement (1.5% of 2002 Budget, Line 20)		CAS	(14,962)	CONG	(2,848)	AS&RT	(8,418)	Total	(26,228)
47 Net O&M Budget (exclusive of interest earnings, WSCC collection, and other revenues)		CAS	99,747	CONG	18,985	AS&RT	56,123	Total	174,855
48 Equals: Revenue Credit Available (Line 47 less Line 46)		CAS	2,558	CONG	997	AS&RT	8,722	Total	12,277

**FY2001/FY2002 UNBUNDLED GRID MANAGEMENT CHARGE COMPARISONS**

	FY2001 Budget	Proposed FY2002 Budget	Amount Change	% Change
<b>Gross Revenue Requirement</b>	\$ 232,537	\$ 243,186	\$ 10,649	5%
Control Area Services ("CAS")	111,916	131,570	19,654	18%
Congestion Management ("CONG")	20,178	26,071	5,893	29%
Ancillary Service and Real-Time Energy Operations ("ASREO")	100,443	85,545	(14,898)	-15%
<b>Net Revenue Requirement</b>	\$ 225,307	\$ 244,794	\$ 19,487	9%
Control Area Services ("CAS")	108,446	141,815	33,369	31%
Congestion Management ("CONG")	19,527	27,791	8,264	42%
Ancillary Service and Real-Time Energy Operations ("ASREO")	97,334	75,188	(22,146)	-23%
<b>Billing Determinant Forecast '000 MWh</b>	267,289	246,487	(20,802)	-7.8%
Control Area Services ("CAS")	87,536	75,558	(11,978)	-13.7%
Congestion Management ("CONG")	102,394	78,597	(23,796)	-23.2%
Ancillary Service and Real-Time Energy Operations ("ASREO")	77,359	92,332	14,973	19.4%
<b>Rates</b>	\$ 0.406	\$ 0.575	\$ 0.170	42%
Control Area Services ("CAS")	0.223	0.368	0.145	65%
Congestion Management ("CONG")	0.951	0.957	0.006	1%
<b>Allocation Factors (Gross):</b>				
Control Area Services ("CAS")	48.1%	54.1%	6.00%	
Congestion Management ("CONG")	8.7%	10.7%	2.02%	
Ancillary Service and Real-Time Energy Operations ("ASREO")	43.2%	35.2%	-8.02%	

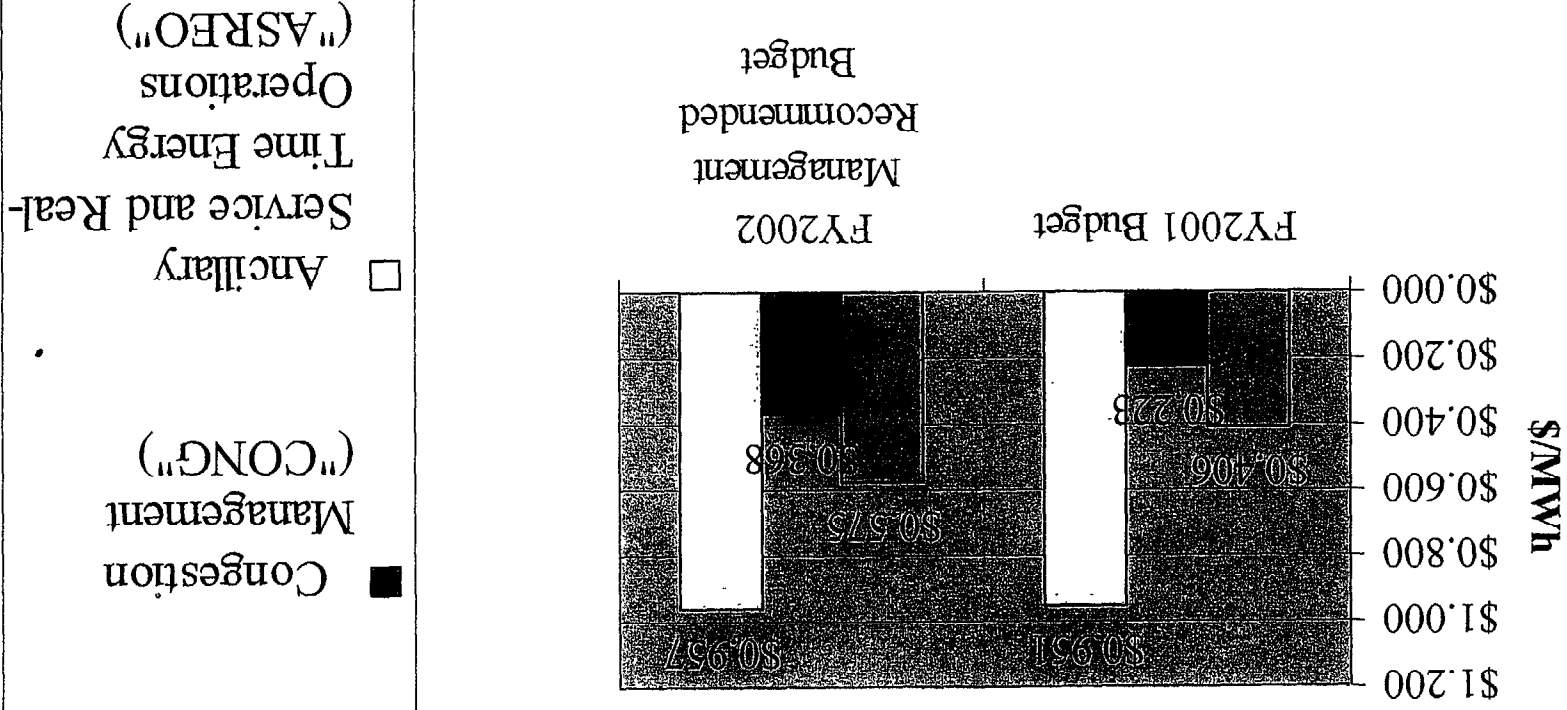
**Notes:**

- Rates for the third GMC category assume that 50% of self provided A/S volumes are assessed this fee.
- Allocation factors changed between the three services due to (1) general changes in budgets and priorities from 2001 to 2002, (2) allocation of capital spending for projects during 2001 and 2002, and (3) changed allocation of the Settlements and Billing function, which during 2001, was assigned almost entirely to the "Market Operations" category. In 2002, the O&M costs related to this function have been assigned to all three categories, in a ratio of approximately 15%, 7%, 78%.

'000 Omitted except for \$/MWh.

# Rates

## GMC: 2001 vs. 2002



Control Area

Services ("CAS")

Congestion Management ("CONG")

Ancillary Service and Real-Time Energy Operations ("ASREO")