

2014 Budget Initial Stakeholder Meeting
ISO Folsom Facility
June 18, 2013
10:00a.m. – 11:00 p.m.

Attendees:

Name	Organization		Name	Organization
Via Phone:				
Clarissa Chan	Southern Cal Edison		James Reschke	NV Energy
Geoff Jong	SADWR		Christine Roensch	Weather Biz
Bob Kargol	PG&E		Jake Thai	CAISO
Colby Kettler	Vitol		Michelle Volk	Bonneville Power
Ahmad Khan	Valley Electric		Mike Whitney	Northern CA Power
Cindi Leinenkugel	City of Riverside		Steve Williams	San Diego Gas & Electric
Joe Marone	Southern Cal Edison		Heather Wilson	SMUD
Lynn Marshall	CEC			
Mike McGuffin	CES			
Sean Neal	Modesto & Santa Clara			
Mei Pan	City of Anaheim			
John Perry	TID			
Leslie Pompel	Bonneville Power			
Present:				
Denise Walsh	CAISO			
April Gordon	CAISO		David Cohen	Navigant
Mike Epstein	CAISO		Kevin King	CAISO
Christine Kirsten	CAISO		Maury Kruth	FERC
Ryan Seghesio	CAISO		John Anders	CAISO
Jan Cogdill	CAISO		Stephanie O'Guinn	CAISO
Janet Morris	CAISO		Becky Regan	CAISO

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Questions or comments about the GMC should be directed to: GMC@caiso.com

The following topics were covered:

- Budget Principles
- 2014 Budget Process & GMC Rate Outlooks
- 2013-2014 Project Release Plans
- 2012 & 2013 Project Summaries
- 2012 & 2013 Q1 Financial Summary
- 2014 Budget Calendar

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Response/Views
1.	Do the 2008 bonds mature in February 2014?	David Cohen	Ryan Seghesio	Yes, in February 2014
2.	Will the refinancing be retiring the remaining principal??	David Cohen	Ryan Seghesio	Yes we will be replacing the existing 2009 bonds
3.	Can you tell me the docket # for the FERC 204 filing?	David Cohen	Mike Epstein	It is http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13282393
4.	What is the current active headcount?	David Cohen	Denise Walsh	It is 587 as of March 31, 2013
5.	What will the 2014 benefits and burdens be relative to 2013 budget	David Cohen	Mike Epstein	The ISO modified its retiree medical plan to put a cap on the amount funded by the ISO. We are reviewing the possibility of reducing the burden by 1% to reflect that savings.
6.	Is the 2012-13 benchmarking data for RTOs available?	David Cohen	Mike Epstein	There is a joint benchmarking filing by RTOs on a biannual basis. I believe there will be a filing sometime later this year.
7.	Is there anticipation for GMC restructuring - adding charge codes, etc?	David Cohen	Mike Epstein	We don't anticipate any changes in the 2014 GMC rate structure. The EIM fee will be a separate level of service

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9.	What is the proposed EIM 2013 budget? What \$ is in the budget for EIM and EIM capital \$ for EIM and what category? Software upgrades and development? Or can current software handle EIM?	David Cohen	Mike Epstein	Our proposed EIM utilized our existing real time system to manage EIM. The proposed sign-up fee to implement PacifiCorp was \$2.1 million and was recently filed with FERC. We are proposing an ongoing EIM fee of 19 cents for 2014. There is an ongoing EIM stakeholder process that will seek board and FERC approval by the end of 2013. EIM is made up of the real time components of market services and system operations services of the GMC. We used the 2012 filed cost of service study to break down the ABC activities for EIM.
10.	If EIM overruns \$2.1 million, will it show up in the current budget?	Bob Kargol	Mike Epstein John Anders	We feel very confident we will not exceed the budget. As part of the agreement we would first look to PacifiCorp to recover any cost overruns
11.	Re. \$2.1 million from PacifiCorp- When will this be collected?	David Cohen	Mike Epstein	The billing doesn't start until approved by FERC and then billed and paid by milestones
12.	Will that be reflected as revenue?	David Cohen	Mike Epstein	Technically not, it is project funding separate from the revenue requirement
13	What are the factors used to project budget for transmission volume?	Sean Neil	Mike Epstein	We trend historical volumes. However the last couple of years have seen an economic recovery of more than the 1% trend. We may leave the trend at 1% but ratchet up the base to reflect current volume.
14	Do you factor EIM initiatives?	David Cohen	Mike Epstein	The volumes are specifically related to the GMC buckets versus the load used for the pro forma GMC rate. The current volumes for CRR services are running higher while the other two buckets are close to budget.
15	Is EIM a separate rate?	David Cohen	Mike Epstein	Yes, it is proposed to be 19 cents per mw for 2014
16	What about costs?	David Cohen	Mike Epstein	Again EIM is the real time component of market services and system operations. The EIM fee is structured to recover all the activities and revenue requirement that go into real time market and dispatch.
17	Are there competitive pay inflation adjustments?	David Cohen	Becky Regan	We don't look at CPI index; and don't use cost of living adjustments. We look at what's going on in market –how it moves up and down

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18	Re. 2013 merit \$ information; are their line items for wages and salary?	David Cohen	Becky Regan April Gordon Mike Epstein	Percentages are only a guideline but each manager rates the performance of the individual. The employees can get no merit or a high merit based on their individual performance. We do break our base compensation, overtime, incentive comp and other. As you can see in the budget book base comp increased only 2% from 2012 to 2013 and that covers merit promotions etc.
19	Is the performance compensation under the performance management program?	David Cohen	Becky Regan	It's all the same; Pay for Performance is the philosophy we have implemented and used as a measuring tool
20	Do you take a market comparison into consideration and are you the one to review? In other surveys, is there a similar break out structure and is the review of data comparable	David Cohen	Becky Regan	Base pay comparison (apples to apples)– we look at the job content not job title
21	Re. Surveys – what is included in the surveys other IRTOs or the electric industry by job	David Cohen	Becky Regan	It's a collective effort. We use a survey by Mercer of the electric industry to which all the RTOs provide their data.
22	Are there ISO union employees?	David Cohen	Becky Regan	No
23	Do the salary surveys reflect unionized employees?	David Cohen	Becky Regan	I suspect they do but I'm not sure. I would have to check. Yes, the data provided in the salary surveys represents both unionized and non-unionized employee's actual pay rates, which is blended in aggregate for each job title
24	So, your control room employees are not unionized?	David Cohen	Becky Regan	No
25	Why do 2010-13 ISO projects have 2 line items for FERC reports approved in 2013 with different project #s?	David Cohen	Jan Cogdill	We separate the projects into the capital and non-capital portion. The non-capital portion typically includes requirements, training etc.

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26	What is project 14172?	David Cohen	Jan Cogdill	That is the project for the AV system here and in the board rooms
27	Re: Hardware and software purchases of \$6.4 million. Is there a further break out by expenditure?	David Cohen	Jan Cogdill	It includes almost \$3 million for data storage. The remainder is mostly licenses and servers.
28	Is software licensing capitalized?	David Cohen	Jan Cogdill	Yes, if it has a life of more than one year. It is driven by the agreements. The larger software has an initial license which is capitalized while ongoing maintenance which is expensed.
29	What are EIM startup costs re PacifiCorp	Bob Kargol	Janet Morris/ Jan Cogdill/ Mike Epstein	The start-up costs for PacifiCorp is associated with EIM support implementation. Resources are assigned but won't change headcount. System changes should be considered to be relatively small. All projects would go through capital project approval process. There is no plan to increase headcount for EIM. The proposed EIM rate for 2014 is 19 cents per mw and will likely continue through 2015. The stake holder process in Spring 2014 would be to update that rate but we would project it to stay close to the 19 cents.
30	Are there 2013 EIM implementation costs or are they rolled into 2.1 million?	David Cohen	Jan Cogdill	There are no costs currently
31	Are the EIM implementation dollars budgeted?	David Cohen	Jan Cogdill	To date there has been no project request prepared
32	What is the EIM structure?	David Cohen	Mike Epstein	EIM is the existing in real-time activities in the market and dispatch
33	Why are June & December O&M so much greater?	David Cohen	April Gordon	June & December are three pay-period months and the remainder are two pay-period months
34	What month of the prior year are merit increases taken?	David Cohen	Mike Epstein	Performance and merit pay is spread over the payroll periods
35	What is ISO staff thinking about the process for renewal of rate structure and filing at FERC?	Sean Neil	Mike Epstein	We will start GMC extension process in Spring 2014. Percentages may change slightly but structure should remain the same. Everyone is satisfied with structure

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36	The early start will be for filing?	Sean Neil	Mike Epstein	We will have better idea on the time frame at the October meeting
37	Re. EIM discussion-is the capital project aspect associated to EIM known yet? Is there a Timeline to know this?	Sean Neil	Janet Morris	Implementation planning is in parallel with the stakeholder process. Nothing will be done before FERC approval; No estimates for system changes; No certainty for system requirements
38	Does the internal budget process (June-October) begin in early June?	David Cohen	April Gordon	The process is starting now
39	It seems like the timeline hasn't narrowed. Are there two rounds of discussions?	David Cohen	April Gordon	Yes
40	I'm wondering why it is taking so long.	David Cohen	Mike Epstein	We want to make sure they have chance to have what they need; so a second round is included in the calendar
41	Is there a board meeting in August?	David Cohen	April Gordon	No it is in September
42	Re. Merit increase, the budget book shows merit less than 2%. Is that due to lower headcount?	David Cohen	Mike Epstein	No; We budgeted for 601; It is still 601
43	So, you're able to operate with vacant positions?	David Cohen	Mike Epstein	Yes. We plan to fill all positions. It goes in cycles- as positions are filled others may become open.