

Memorandum

To: ISO Board of Governors
From: Philip Leiber, Treasurer & Director of Financial Planning
William J. Regan, Jr., Chief Financial Officer
cc: ISO Officers
Date: October 9, 2007
Re: 2008 Budget Status & Stakeholder Comments

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

Budget Status

CAISO's proposed 2008 budget was posted for stakeholder review on September 11, and CAISO met with stakeholders in a workshop on September 18th to review and answer questions regarding the budget¹. Management will post additional information related to the proposed budget and GMC rates in November. This information will include support for the GMC rates, including cost allocations, billing determinant forecasts, and the operating reserve credit applicable to 2008. The Budget is scheduled for Board approval in December.

Stakeholder Process on the Preliminary 2008 Budget

CAISO held stakeholder meetings on CAISO's proposed 2008 Budget on June 12 (prior to the internal budget development process), September 14 (budget overview conference call) and September 18, 2007 (budget workshop). Stakeholder comments received at the June 12 pre-budget workshop and CAISO's responses were previously provided to the Board.

At the September 14 conference call, Management provided an overview of the CAISO budget process, a review of the preliminary 2008 Budget and a discussion of the 4th quarter 2007 rate adjustment. There was also a discussion concerning the proposed changes in the GMC rate structure under MRTU.

At the September 18 budget workshop, Management, including Officers, presented the Budget in detail to stakeholders. Based on stakeholder questions and comments at the meeting, Management does not believe that there are substantial stakeholder concerns about the level of the 2008 Budget or the recent trend of the annual ISO Revenue Requirement. Management requested that stakeholders provide any written comments on the Budget by October 5 for inclusion in the materials provided to the Board for discussion on October 18. To date, written questions have been received from one entity, Transmission Agency of Northern California (TANC), and are provided, along with CAISO responses in the **Attachment**. Management does not believe that the lack of comments from a broad range of entities reflects disinterest by stakeholders regarding this topic, but rather reflects a continuation of the general level of satisfaction with CAISO's overall budget, and the CAISO's commitment to maintain the bundled GMC at or below 76 cents for the next several years.

Management will provide an update of stakeholder comments and unresolved concerns at the December Board meeting when the Board will be asked to approve the 2008 Budget.

¹ Documents provided to stakeholders are located on the ISO website at: <http://www.caiso.com/1bdf/1bdfd04719f60.html>.