

Memorandum

To: ISO Board of Governors

From: Philip Leiber, Chief Financial Officer & Treasurer
Steve Berberich, Vice President of Corporate Services

Date: October 20, 2008

Re: **Decision on Extension of Current Grid Management Charge Tariff into 2009**

This memorandum requires Board action.

A filing to extend the current grid management charge into 2009 is required because these tariff provisions expire at the end of 2008.

- Only minor changes to tariff are required.
- There is no known stakeholder opposition to this extension.
- Stakeholders are concerned over format of filing for 2010, not for 2009.

The California Independent System Operator Corporation (the ISO) has been able to reach agreement with its stakeholders on recovery of the ISO's administrative costs through the grid management charge since 2004. The grid management charge settlement in 2004 established the design of the ISO administrative rates, while the actual charges are the product of the application of this rate design to the annual ISO revenue requirement. This settlement, approved by the Federal Energy Regulatory Commission (FERC) in February 2005, terminated at the end of 2006. Prior to that termination date, the ISO and stakeholders reached agreement on an extension of the relevant tariff provisions to the earlier of MRTU startup or December 31, 2007. In 2007, the ISO and stakeholders again reached agreement on a similar extension into 2008. As MRTU startup has been delayed into 2009, a further extension of the relevant tariff provisions is necessary to enable the ISO to continue the current rate design for the one month period in 2009 prior to MRTU startup.¹ The tariff changes needed to implement the extension are restricted to one paragraph of the tariff, in *Appendix F, Schedule 1, Part D*. These changes consist solely of changing the references to the year "2008" to "2009" and the year "2009" to "2010."

As part of the ongoing ISO stakeholder budget process, Management has requested comments on these changes that are necessary to extend the current tariff provisions into 2009 until MRTU implementation.

¹ On February 20, 2008, the ISO filed the proposed grid management charge rate structure that would go into effective upon MRTU implementation (Docket No. ER08-585). FERC has not yet ruled on this filing.

Stakeholders were informed of Management's proposal to modify the relevant provisions of the tariff on a September 22, 2008 conference call regarding the 2009 budget. They were provided with more detail about the proposed changes at the September 26, 2008 stakeholder budget workshop. At that workshop, no party expressed reservations about the proposed filing to implement the extension of the current GMC into 2009. However, some parties did express concern about the form and the content of the potential rate filing for 2010 and asked the ISO to commit to a specific format more than one year in advance of the filing. The ISO received written comments from the Modesto Irrigation District reiterating this concern (see Attachment 1).

Management's response is it cannot commit to a specific format at this date and that the eventual form and content of the filing for 2010 will be the subject of discussion during the stakeholder process that begins in the late spring of 2009.

In order to file the ISO proposal to extend the currently effective provisions of the grid management charge rate design into 2009 with FERC by November 1, 2008, we request the Board's approval of the filing.

MOTION

Moved,

That the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed extension of the currently effective grid management charge rate design into 2009 until MRTU implementation, as outlined in the memorandum dated October 20, 2008.