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California ISO Board of Governors Approves 2006 Budget

2006 Budget is \$27 Million Less Than 2005

(Folsom CA) The California Independent System Operator Corporation (California ISO) Board of Governors today approved the company's 2006 budget—a \$180.5 million revenue requirement—which is more than \$27 million, or about 13 percent less than the 2005 budget. Based on this budget, the California ISO will reduce its Grid Management Charge (GMC) by 14 percent, resulting in lower costs for wholesale customers that could eventually be passed on in savings to retail rate-payers. The California ISO estimates that on a typical monthly residential electrical bill of about \$80, the ISO portion is less than 50 cents.

While costs in virtually every budget area were reduced, the biggest savings came in the Operations and Maintenance (O&M) budget. It dropped nine percent from almost \$147 million in 2005 to about \$134 million in 2006. When adjusted for inflation, the 2006 O&M cost is less than in 1998, the ISO's first year of operation.

"We began a reorganization process in mid 2005," said President and CEO Yakout Mansour. "Looking for ways to streamline core functions and reduce costs, and at the same time increase service and improve relationships with clients, regulators, state agencies and other stakeholders. The ISO team has risen to the task. We are providing more value, building a better stakeholder process and reducing costs. I believe we can reduce spending further in the coming years as we retire debt and finish capital improvement projects."

The ISO revenue requirement for 2006 is about \$40 million less than the limit established by stakeholders in the 2004 GMC settlement agreement. Under the 2005 reorganization, the ISO corporate structure was realigned and about 95 positions, many of them vacant, were eliminated. The budget is available on the California ISO website at: www.caiso.com/docs/2005/09/09/200509091448228074.pdf. And the budget documents for the Board of Governors are posted at <http://www.caiso.com/14dc/14dcdb175ae60.html>.

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The California ISO is a not-for-profit public benefit corporation charged with managing the flow of electricity along California's open-market wholesale power grid. The mission of the California ISO is to safeguard the reliable delivery of electricity, and ensure equal access to a 25,000 circuit miles of "electron highway". As the impartial operator of the wholesale power grid in the state, the California ISO conducts a small portion of the bulk power markets. These markets are used to allocate space on the transmission lines, maintain operating reserves and match supply with demand in real time.

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