

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System) Docket No. ER11-2128-000
Operator Corporation)**

**ANSWER TO MOTIONS TO INTERVENE AND COMMENTS, AND
MOTION TO FILE ANSWER AND ANSWER TO PROTESTS, OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

On November 15, 2010, the California Independent System Operator Corporation (“ISO”)¹ submitted a filing in this proceeding (“November 15 Compliance Filing”) to modify the provisions of the ISO tariff regarding convergence bidding, in compliance with directives contained in the “Order Accepting Tariff Revisions, Directing Compliance Filing and Granting Waiver Request” issued by the Commission on October 15, 2010.² Several parties filed motions to intervene, comments, and protests in response to the November 15 Compliance Filing.³

¹ The ISO is also sometimes referred to as the CAISO. Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A of the ISO tariff. In this answer, the terms convergence bidding and virtual bidding, and the terms convergence bid and virtual bid, are used interchangeably.

² *California Independent System Operator Corp.*, 133 FERC ¶ 61,039 (2010) (“October 15 Order”). In the October 15 Order, the Commission conditionally accepted the tariff amendment the ISO submitted on June 25, 2010 (“June 25 Tariff Amendment”), to implement convergence bidding in the ISO market effective February 1, 2011. The June 25 Tariff Amendment was filed and the October 15 Order was issued in Docket No. ER10-1559-000. Pursuant to the Commission’s eTariff requirements, the November 15 Compliance Filing was filed in Docket No. ER11-2128-000.

³ The following entities filed motions to intervene, comments, and protests: the California Department of Water Resources State Water Project (“SWP”); Modesto Irrigation District; Pacific Gas and Electric Company (“PG&E”); Powerex Corp. (“Powerex”); SESCO Enterprises, LLC, Jump Power, LLC, Silverado Energy LP, JPTC, LLC, and Solios Power, LLC (collectively, “Financial Marketers”); and Western Power Trading Forum (“WPTF”).

The ISO hereby files its answer to the comments along with a motion to answer any protests submitted in this proceeding.⁴ As explained below, the Commission should accept the November 15 Compliance Filing without modification or condition except for certain clarifications the ISO commits to make in a further compliance filing as discussed herein.

I. Answer

A. The Commission Should Not Direct the ISO to Make Revisions to the ISO Tariff that Are Inconsistent With the October 15 Order or Outside the Scope of the Compliance Filing.

In the October 15 Order, the Commission directed the ISO to make specific tariff changes in its compliance filing. As explained in the November 15 Compliance Filing and this answer, the ISO has made the tariff changes required by the October 15 Order. Financial Marketers and Powerex, however, now request that the Commission direct the ISO to make tariff changes that are inconsistent with the directives set forth in the October 15 Order or go beyond the scope of the issues raised in the November 15 Compliance Filing.

Financial Marketers argue that the ISO should not be permitted to release virtual bid data on a daily basis.⁵ However, in the October 15 Order, the

⁴ The ISO submits this answer pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213 (2010). The ISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to make an answer to the protests. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case. See, e.g., *Entergy Services, Inc.*, 116 FERC ¶ 61,286, at P 6 (2006); *Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,124, at P 11 (2006); *High Island Offshore System, L.L.C.*, 113 FERC ¶ 61,202, at P 8 (2005).

⁵ Financial Marketers at 8-12.

Commission found that the ISO's information release policy is just and reasonable and rejected these arguments about the information release policy as unjustified.⁶ In compliance with the Commission's directives, the ISO included in the November 15 Compliance Filing new Section 6.5.8 of the ISO tariff, which states that the ISO will "post on OASIS [the Open Access Same-Time Information System] the net cleared quantities of Virtual Awards at each Eligible PNode or Eligible Aggregated PNode by the close of the Real-Time Market for each Trading Day." Financial Marketers do not contest that the Commission has authorized the daily release of virtual bid data. As they acknowledge in their comments, Financial Marketers filed a request for rehearing of those Commission directives.⁷ Indeed, as Financial Marketers themselves note, they make the same arguments on the issue, often using the same words, in both their request for rehearing and their protest.⁸

Powerex accurately notes that, in the October 15 Order, the Commission accepted Section 30.10 of the ISO tariff as proposed in the June 25 Tariff Amendment, subject only to the ISO's correction on compliance of a minor typographical error in the section.⁹ The ISO included Section 30.10 with the

⁶ October 15 Order at PP 88-89.

⁷ Request of Financial Marketers for Rehearing, Docket No. ER10-1559-001, at 4-5, 7-11 (Nov. 15, 2010) (arguing that "[t]he October 15 Order errs . . . in approving CAISO's unjust, unreasonable, and unduly discriminatory proposal to release net cleared quantities of convergence bids at each node at the close of the real-time market for each trading day.").

⁸ Financial Marketers at 2 ("Financial Marketers reiterate here the arguments it has made in its request for rehearing of the October 15 Order"). *Compare* Financial Marketers' request for rehearing at 8-11 *with* Financial Marketers' protest at 9-12.

⁹ Powerex at 9-10 (citing October 15 Order at P 252). Section 30.10 concerns the ISO's use of an alternating current ("AC") solution and nodal MW constraints. See *also* October 15

required minor correction in the November 15 Compliance Filing. Nevertheless, Powerex now requests that the Commission direct the ISO to make additional changes to Section 30.10.¹⁰ Powerex also requests that the Commission require the ISO to make additional changes to Section 11.32(iii) of the ISO tariff, which the Commission accepted in the October 15 Order subject only to commitments the ISO had made to add back an unintentionally omitted subsection (11.32(ii)) and to make revisions to Section 11.32(v) on compliance.¹¹ The November 15 Compliance Filing included these changes to Sections 11.32(ii) and -(v). The November 15 Compliance Filing made no changes to what is now Section 11.32(iii).

The Commission should not require the ISO to make the additional tariff changes requested by Financial Marketers and Powerex. Those parties had the opportunity to present the arguments described above in the filings they submitted in response to the June 25 Tariff Amendment, but Powerex declined to do so and Financial Marketers had their arguments rejected in the October 15 Order. By arguing now that the Commission should require additional tariff changes, Financial Marketers and Powerex are essentially asserting that the October 15 Order itself is in error. Therefore, although not styled as such, these parties' arguments on these issues constitute requests for rehearing of the

Order at P 202 (“[W]e find reasonable CAISO’s proposed tariff revisions that enforce megawatt constraints in the integrated forward market when an AC solution is not otherwise attainable.”).

¹⁰ Powerex at 10-11. Powerex requests additional clarification concerning the use of an AC solution and nodal MW constraints.

¹¹ See October 15 Order at PP 241, 248, 251-52. The ISO committed to make these changes to Sections 11.32(ii) and -(v) in the answer to comments and protests regarding the June 25 Tariff Amendment that the ISO filed on August 2, 2010 (“August 2 Answer”).

October 15 Order. Court and Commission precedent clearly state that the Commission is barred by Section 313(a) of the Federal Power Act, 16 U.S.C. §8251(a), from considering any request for rehearing that is submitted more than 30 days after the issuance of the order that the request for rehearing concerns.¹² Also, the Commission has stated that it will reject protests of a compliance filing that constitute untimely requests for rehearing of, and thus collateral attacks on, the underlying order.¹³ Therefore, the Commission should reject the arguments of Powerex described above as collateral attacks on the October 15 Order. Moreover, although the ISO continues to believe Financial Marketers' arguments concerning the daily release of virtual bid data are without merit, the proper forum for the Commission to address this issue is in response to the rehearing request of Financial Marketers.

B. The Commission Should Not Require the ISO to Further Modify Section 30.9 of the ISO Tariff.

In the October 15 Order, the Commission directed the ISO to modify Section 30.9 of the ISO tariff to make clear that virtual bids can be submitted at interties.¹⁴ Accordingly, in the November 15 Compliance Filing, the ISO revised

¹² See, e.g., *Cities of Campbell v. FERC*, 770 F.2d 1180, 1183 (D.C. Cir. 1985); *Boston Gas Co. v. FERC*, 575 F.2d 975, 977-98, 979 (1st Cir. 1978); *Alabama Electric Cooperative, Inc.*, 116 FERC ¶ 61,115 (2006).

¹³ *California Independent System Operator Corp.*, 119 FERC ¶ 61,240, at P 13 (2007) ("Moreover, these protests should have been raised on rehearing and/or clarification of the January 22 Order, and therefore we reject their requests to alter the CAISO's compliance filing as untimely and a collateral attack on the Commission's January 22 Order."); *PJM Interconnection, LLC*, 104 FERC ¶ 61,020, at P 13 n.8 (2003) ("FirstEnergy's protest on this issue is a collateral attack on the November 1 Order. FirstEnergy should have sought rehearing of the November 1 Order if it believed the compliance obligation was incorrect, rather than raising it in a protest to the compliance filing.").

¹⁴ October 15 Order at P 253. Section 30.9 contains provisions that explain features of virtual bids.

Section 30.9 to state that virtual bids may be submitted at Eligible PNodes or Eligible Aggregated PNodes located at interties where virtual bidding is permitted. Powerex argues that the words “where virtual bidding is permitted” should be deleted from Section 30.9, because its understanding is that virtual bidding will be permitted at all interties.¹⁵

The Commission should accept the revisions to Section 30.9 proposed in the November 15 Compliance Filing. There are in fact a handful of locations that are treated as interties for system modeling purposes but not for scheduling purposes. The ISO will maintain on OASIS the list of locations at which virtual bidding is allowed. Thus, the words “where virtual bidding is permitted” indicate that virtual bidding is permitted only at designated locations published on OASIS, not all locations.¹⁶

Powerex suggests that other provisions in the ISO tariff do not limit the applicability of virtual bidding at the interties.¹⁷ This is incorrect. The definitions of the terms Eligible PNode and Eligible Aggregated PNode filed in the June 25 Tariff Amendment and accepted by the Commission in the October 15 Order expressly state that these locations include interties where virtual bidding is permitted. The revisions to Section 30.9 filed in the November 15 Compliance Filing are fully consistent with these accepted tariff definitions.

¹⁵ Powerex at 4-6.

¹⁶ In the market simulations the ISO is conducting in preparation for the implementation of virtual bidding, the ISO publishes and updates for market participants the list of Eligible PNodes and Aggregated Eligible PNodes located at interties where virtual bidding is permitted. The ISO will continue to publish and update this list on OASIS when virtual bidding is implemented.

¹⁷ See Powerex at 5.

C. The Commission Should Accept the Virtual Award Charge Filed by the ISO As Just and Reasonable.

Financial Marketers argue that, in the November 15 Compliance Filing, the ISO “proposes to establish a new ‘virtual award charge’” which the ISO has not demonstrated to be just and reasonable.¹⁸ Financial Marketers are incorrect as to both the newness of the ISO’s proposal to establish the virtual award charge and the information offered by the ISO to demonstrate that this charge is just and reasonable.

The ISO submitted proposed tariff revisions to implement the virtual award charge in the June 25 Tariff Amendment.¹⁹ In the October 15 Order, the Commission explained the virtual award charge is simply another name for the convergence bidding charge, which the Commission had already “found reasonable” subject to the ISO’s provision and the Commission’s acceptance of “details concerning the level” of the charge.²⁰ The Commission stated that it would defer making a determination on the level of the charge until after the ISO removed an ambiguity created by the use of the phrase “a percentage” in the relevant ISO tariff language.²¹ In the November 15 Compliance Filing, the ISO

¹⁸ Financial Marketers at 5-7.

¹⁹ See Transmittal Letter for June 25 Tariff Amendment at 34-35.

²⁰ October 15 Order at PP 213-14 (citing *California Independent System Operator Corp.*, 130 FERC ¶ 61,122, at P 111 (2010)).

²¹ October 15 Order at P 218. The relevant tariff language is contained in paragraph 9 of part A of schedule 1 of Appendix F of the ISO tariff, which sets forth how the rate for the virtual award charge is calculated.

complied with the Commission's directive to remove the ambiguity by replacing "a percentage" with the specific percentage figure of 9 percent.²²

Contrary to the assertions of Financial Marketers, the ISO has fully demonstrated the justness and reasonableness of the 9 percent level for the virtual award charge. In the November 15 Compliance Filing, the ISO explained that this is the percentage it determined should be used in the calculation of the virtual award charge rate through the 2011 budget and GMC stakeholder process. The ISO also explained that this percentage was presented for stakeholder review and input in a series of public meetings, and provided electronic links to three ISO documents that discussed the 9 percent figure.²³

Although the ISO believes that the discussion and electronic links provided in the November 15 Compliance Filing are sufficient to demonstrate that the proposed 9 percent level is just and reasonable, in order to provide a more readily accessible set of supporting materials in the record of this proceeding, the ISO is attaching to this answer the three documents cited in the November 15 Compliance Filing, as well as the meeting notes for the April 21, 2010, ISO

²² Transmittal Letter for November 15 Compliance Filing at 7. As revised by the November 15 Compliance Filing, the relevant tariff language reads as follows:

The rate in \$/MWh for the Virtual Award Charge will be calculated by dividing the GMC [Grid Management Charge] costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the annual forecasted total virtual supply and virtual demand cleared in the IFM [Integrated Forward Market]. This service category will be allocated ~~a percentage~~ nine (9) percent of the Forward Scheduling Charge and Market Usage Charge – Forward Energy service categories based upon the total annual forecasted cleared supply and demand.

²³ Transmittal Letter for November 15 Compliance Filing at 7 & n.24.

stakeholder meeting that was the subject of one of the documents cited in that compliance filing.²⁴

The attached meeting notes include questions asked by stakeholders at the April 21 meeting and the ISO's responses. In response to the stakeholder question "What have other ISO's rate designs looked like?", the ISO explained that "[a]fter benchmarking, our rates are very similar to other ISO's."²⁵ As part of this process of benchmarking against the convergence bidding practices of other Independent System Operators and Regional Transmission Organizations, the ISO determined that it was reasonable to assume that, in the year that convergence bidding is implemented (2011), the implementation of convergence bidding will cause the ISO to experience an incremental increase of approximately 10 percent in the MW volume of cleared virtual and physical bids as compared with the MW volume of cleared physical bids in the preceding year (2010), which means that the MW volume of cleared virtual and physical bids in 2011 is anticipated to be 110 percent of the MW volume of cleared physical bids in 2010. The ISO derived the 9 percent figure that Financial Marketers protest by dividing the 10 percent incremental increase for 2011 by the 110 percent volume figure for 2011. This derivation of the 9 percent figure is reflected in the attached meeting notes. In response to the stakeholder question "How did you derive the 9%?", the ISO stated: "Assume you have 100% of the costs for physical. Once

²⁴ These four documents are provided in Attachments A, B, C, and D to this answer. The meeting notes are also posted on the ISO's website at <http://www.caiso.com/278f/278fc04011a90.pdf>.

²⁵ Attachment D at page titled "Convergence Bidding Overview," Question #2 and ISO response.

you increment the virtuals will be 10% more. Then what we need to do to recover would be 10% / 110%.”²⁶ Thus, the ISO explained in the stakeholder process exactly how it determined the 9 percent figure.

Financial Marketers’ apparent lack of awareness of how this figure was determined seems to be the result of Financial Marketers’ lack of participation in the stakeholder process in which the 9 percent figure was developed as well as its failure to fully explore the links included in the November 15 Compliance Filing. As indicated in the attached meeting notes, all of the other parties commenting on the compliance filing (as well as numerous other interested stakeholders) took part in that stakeholder process, but Financial Marketers were either absent or silent.²⁷ It is no coincidence that Financial Marketers are also the only parties who argue that the Commission should not accept the 9 percent figure as just and reasonable.

Financial Marketers attempt to excuse their own non-participation in the stakeholder process on the grounds that “only a small segment of convergence bidders currently participate in the stakeholder process because the market is not yet open to them.”²⁸ It is unreasonable for Financial Marketers to sit on the sidelines while decisions are being made in a robust stakeholder process but then to attempt an end run around that process by protesting the decisions to the Commission without any acknowledgement of explanations provided in the

²⁶ *Id.* at page titled “Convergence Bidding Overview,” Question #4 and ISO response.

²⁷ *Id.* at pages 1-2 (listing all of the parties in this proceeding other than Financial Marketers as participants in the April 21, 2010, stakeholder meeting).

²⁸ Financial Marketers at 5.

process. It is also unfair to the other market participants who took the time and effort to participate in the stakeholder process. For the reasons explained above, the Commission should accept as just and reasonable the 9 percent level of the virtual award charge, which the ISO has fully justified and which is not opposed by the numerous affected parties that did participate in the ISO's stakeholder process.

D. The Commission Should Not Require the ISO to Further Modify the Tariff Provisions Regarding the Daily Market Report.

WPTF argues that new proposed Section 6.5.3.2.3 of the ISO tariff should be revised to include more detail regarding the daily market report regarding submitted and cleared physical quantities and Virtual Awards that the ISO will issue on OASIS after the results of the day-ahead market are published. WPTF asserts that the October 15 Order required the ISO to include in Section 6.5.3.2.3 a similar level of detail as is provided in Section 6.5.3.2.2 of the ISO tariff.²⁹

WPTF requests that the ISO make tariff revisions that go beyond the scope of the Commission's compliance directive. In the October 15 Order, the Commission directed the ISO to "include a provision in its tariff describing the information it plans to release, consistent with the other information it plans to publish on OASIS" pursuant to Section 6.5.3.2.2.³⁰ The Commission issued this directive in response to an argument made by Financial Marketers that the ISO "cannot acknowledge on the one hand that tariff revisions are required for [Section 6.5.3.2.2], while at the same time insisting that no tariff filing is

²⁹ WPTF at 1-3.

³⁰ October 15 Order at P 90 & n.56.

necessary to implement daily releases of virtual bid data.”³¹ Thus, the Commission found that it would be inconsistent for the ISO to believe that revisions are required to Section 6.5.3.2.2 but to dispute that new tariff provisions are also required to implement daily releases of virtual bid data. The Commission only found that the types of detail in the tariff on these daily releases must be consistent with other tariff provisions on information release, and did not make any finding that the new tariff provisions contained in Section 6.5.3.2.3 must be in the same format as Section 6.5.3.2.2.

Pursuant to the Commission’s directive to include a provision in the ISO tariff describing the information the ISO plans to release, Section 6.5.3.2.3 states that the ISO will “publish on OASIS a daily market report that includes a summary of information regarding submitted and cleared physical quantities and Virtual Awards.” This description of the daily market report fully satisfies the Commission’s compliance directive and matches the level of detail regarding the daily market report that the ISO explained it would provide in the June 25 Tariff Amendment.³²

The ISO provides additional details regarding a number of information-related provisions of ISO tariff Section 6.5 in the Business Practice Manual

³¹ *Id.* at P 15. Financial Marketers were the only parties who mentioned Section 6.5.3.2.2 in their comments on the June 25 Tariff Amendment, which makes it clear that their comments that were the impetus for the Commission directive quoted above.

³² Transmittal Letter for June 25 Tariff Amendment at 45 (“[T]he ISO will issue a daily market report that includes a summary of information regarding submitted and cleared physical and virtual bids.”).

("BPM") for Market Instruments.³³ Consistent with that approach, the ISO plans to add to the BPM for Market Instruments further detail regarding the daily market report set forth in Section 6.5.3.2.3. The ISO intends to implement those additions to the BPM before the start of virtual bidding on February 1, 2011.³⁴

E. The Commission Should Accept the ISO's Proposal to Clarify Its Tariff Provisions Regarding the Allocation of Net RTM Bid Cost Uplift.

In the November 15 Compliance Filing, the ISO included revisions to Section 11.8.6.6 of the ISO tariff, regarding the allocation of Net Real-Time Market ("RTM") Bid Cost Uplift, which the ISO had committed to make in the August 2 Answer and the Commission accepted in the October 15 Order.³⁵ SWP requests that the ISO clarify in Section 11.8.6.6 that entities that reduce loads or generation resources at the request or direction of the ISO will not be allocated additional costs due to their reduction of those loads or generation resources.³⁶

The ISO agrees that it should address this subject and provides the following clarifications in response to SWP's comments. Additional costs will not be allocated to a load or generation resource pursuant to Section 11.8.6.6 if the day-ahead schedule is tagged and subsequently reduced at the request or

³³ See BPM for Market Instruments at Section 12. The BPM for Market Instruments is available on the ISO's website at <https://bpm.caiso.com/bpm/bpm/version/00000000000110>.

³⁴ The ISO has posted on its website proposed revisions to Section 12.4 of the BPM for Market Instruments that contain further detail regarding the daily market report. See "Document: PRR CB_init_post_v3.doc," available at <https://bpm.caiso.com/bpm/prr/show/PRR000000000341>. The proposed BPM revisions are currently open to review and comment by all stakeholders, including WPTF.

³⁵ See October 15 Order at PP 251-52.

³⁶ CDWR at 1-3.

direction of the ISO.³⁷ However, if the day-ahead schedule is not tagged and is subsequently reduced at the request or direction of the ISO, additional costs will be allocated to the load or generation resource pursuant to Section 11.8.6.6.³⁸ Although these clarifications are consistent with the provisions in the BPM Configuration Guides cited above, the ISO believes it is appropriate also to include them in the tariff. Therefore, the ISO proposes to add the clarifications described above to the tariff in a further compliance filing.

F. The Commission Should Accept the CRR Settlement Rule Subject to One Clarification.

In the October 15 Order, the Commission conditionally accepted the Congestion Revenue Right (“CRR”) settlement rule set forth in Section 11.2.4.6 of the ISO tariff, subject to the requirement that the ISO file tariff language on compliance that clearly defines the threshold percentage value that will be used in assessing the impact that virtual bidding has on CRR revenue.³⁹ To comply with this Commission directive, the ISO proposes to modify Section 11.2.4.6(b) to specify that the threshold percentage is 10 percent of the flow limit for each constraint and to delete tariff language in Section 11.2.4.6(b) providing the ISO

³⁷ See BPM Configuration Guide 6051 at Section 3.6.8, and Section 3.7, Row 5.0. This BPM Configuration Guide is available on the ISO’s website at <https://bpm.caiso.com/bpm/prr/show/PRR00000000335>.

³⁸ See BPM Configuration Guide 6678 at Section 3.5, Row 1, and Section 3.6.8. This BPM Configuration Guide is available on the ISO’s website at <https://bpm.caiso.com/bpm/prr/show/PRR00000000322>.

³⁹ October 15 Order at PP 153, 157.

with the ability to adjust the threshold percentage without making changes to the ISO tariff.⁴⁰

PG&E states that it does not object to the ISO's proposed use of a 10 percent threshold for the flow limit, but asserts that the Commission should require the ISO to report on the effectiveness of the 10 percent threshold and propose any modifications to the threshold level within one year after virtual bidding is implemented.⁴¹ The Commission should not require the ISO to take the steps requested by PG&E. In the October 15 Order, the Commission did not impose any reporting requirement with regard to the CRR settlement rule or direct the ISO to modify the threshold percentage value within any particular timeframe. Moreover, the ISO explained in the November 15 Compliance Filing that it will file a tariff amendment if it determines that a change to the 10 percent threshold percentage is justified in the future.⁴² The ISO's Department of Market Monitoring ("DMM") will monitor the operation of the 10 percent threshold percentage to determine if it should be modified. If the ISO, informed by these DMM activities, decided to pursue a change to the flow limit threshold the ISO will convene a stakeholder process and will file a tariff amendment to modify the threshold percentage as appropriate. Therefore, it is unnecessary for the ISO to provide a report or tariff modifications within a particular timeframe.

⁴⁰ Transmittal Letter for November 15 Compliance Filing at 3-4.

⁴¹ PG&E at 3-4.

⁴² Transmittal Letter for November 15 Compliance Filing at 4.

Powerex argues that the ISO should modify the definition of the term Flow Impact in Appendix A to the ISO tariff, which is used in Section 11.2.4.6, to state that the shift factors used by the ISO in calculating a Flow Impact will be subject to the effectiveness threshold set forth in Section 27.4.3.6 of the ISO tariff.⁴³ The ISO agrees that Powerex's suggested change to the definition of Flow Impact will provide helpful clarity on this matter. Therefore, the ISO proposes to make that tariff change in a further compliance filing.

Powerex requests that the ISO provide further information as to how the CRR settlement rule will interact with the ISO's process for compensating injections in the real-time market. Powerex expresses concern that the process for compensating injections may cause the CRR settlement rule to trigger inappropriately and thereby to subject market participants to increased adjustments of CRR revenue.⁴⁴ This Powerex request for this further information goes beyond the directives in the October 15 Order and therefore goes beyond the scope of the ISO's compliance obligation. Nevertheless, in order to provide greater clarity, the ISO will address this question in this answer. The ISO has determined that, far from inappropriately triggering the CRR settlement rule, the process for compensating injections will actually help prevent the inappropriate triggering of the CRR settlement rule, because the process for compensating injections correctly aligns limits with observed flows. Thus, the ISO's process for

⁴³ Powerex at 6-8. Pursuant to Section 27.4.3.6, the effectiveness threshold is currently set at 2 percent.

⁴⁴ Powerex at 8-9. Powerex only requests that the ISO provide further information. Powerex does not assert that the information needs to be reflected in tariff changes, and the ISO does not believe that any tariff changes are required.

compensating injections in the real-time market makes the modeling of flows more accurate. As a result, the ISO expects that the process for compensating injections will make the CRR settlement rule more effective.

II. Conclusion

For the reasons explained in the November 15 Compliance Filing and in this answer, the Commission should accept the November 15 Compliance Filing without modification or condition except for the clarifications discussed herein.

Respectfully submitted,

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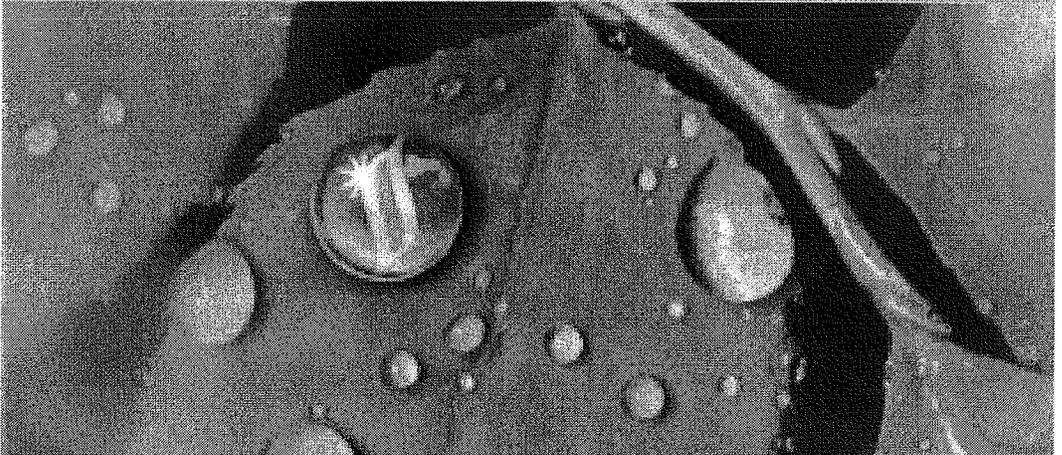
Dated: December 21, 2010

ATTACHMENT A



GMC Stakeholder Process 2011-2012

April 21, 2010
10 am - 2 pm Lake Tahoe Conf Rooms

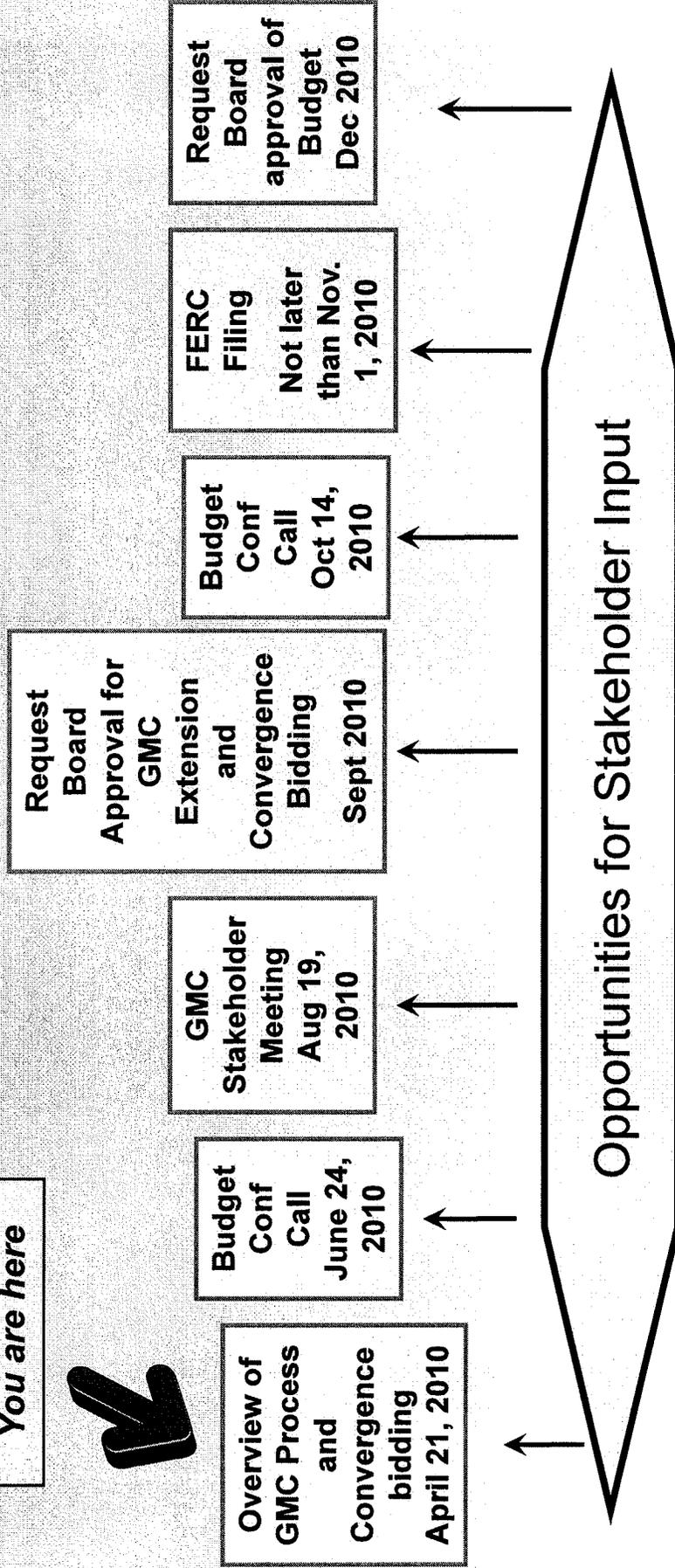


Agenda

- Opening remarks
- Timeline Review
- Status of GMC 2001-2003 Refund
- Review of GMC rate adjustments in 2010
- Status of settlement of 2010 GMC Market Usage Forward Energy (MUFE) structure
- Proposal on structure and rates for convergence bidding for 2011
- Plan for 2011 GMC revenue requirement
- Filing of 2011 rate extension
- Plan for cost of service study for 2012 GMC rates

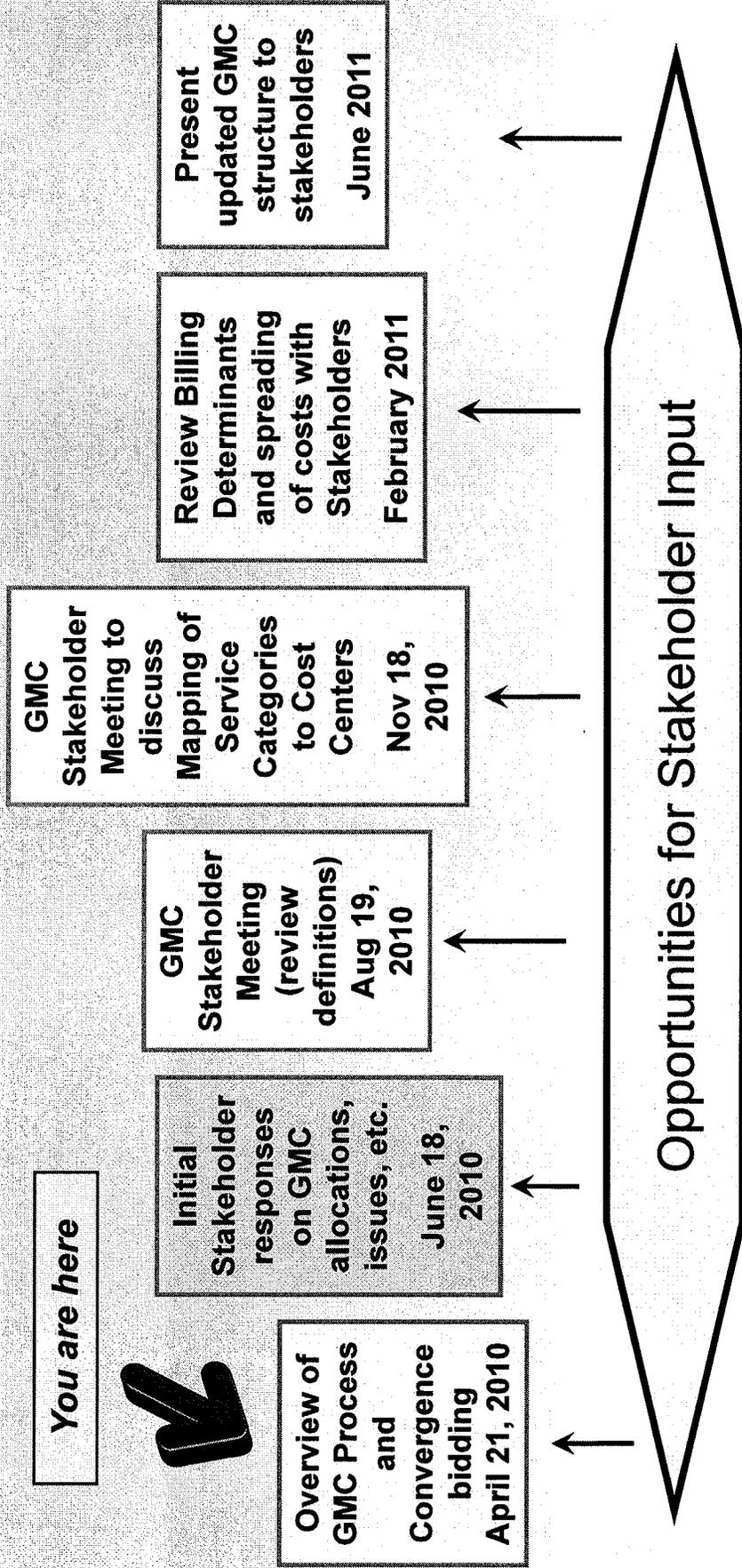
Timeline for 2011 budget, GMC rates and convergence bidding

You are here



Timeline for 2012 GMC cost of service study

You are here



Status of 2001 – 2003 GMC refund

- GMC refund paid out in March 2010
 - Refund for 2001 of \$1.8M plus interest of \$1.2M for all 3 GMC categories
 - Reallocation of \$4.1M of credits for removal of specified behind the meter and standby capacity generation for 2001 to 2003 and elimination of dynamic scheduling for 2001 reliability bucket

April 2010 GMC Rate Adjustments

GMC rate adjustments effective April 1, 2010 due to Lower volumes in export MWhs and number of forward schedules

- Core Reliability Services -Exports rate increased from \$1.1652 to \$1.8291 per MWh
 - Core Reliability Services revised quantity forecast of 4,739,625 MWh is 36.2% lower than budgeted quantity of 7,439,739 MWh
- Forward Scheduling rate increased from \$1.7078 to \$2.5319 per schedule
 - Forward Scheduling revised quantity forecast of 8,768,556 schedules is 32.5% lower than budgeted quantity of 12,999,740 schedules

Status of 2010 GMC MUFE Structure

Proposed 2010 GMC MUFE Offer of Settlement

- Incorporates methodology submitted by the ISO in October 2009
- Rate will be adjusted based on new forecasted volumes
- Eliminates Inter SC Trades (ISTs) from the calculation
- Uses the “greater of” the absolute value of supply or demand scheduled in the forward market as the volume determinant
- Settlement filed with FERC on March 23, 2010
- Rate will go into effect on June 1, 2010 subject to refund unless FERC rules on the Offer of Settlement prior to that date

Convergence Bidding Overview

- Convergence bidding will be a new GMC service category consisting of 2 charge codes
 - One charge code for a per bid segment rate
 - One charge code for a cleared bid rate (per MWh)
- Designed to recover costs that are in the Forward Scheduling and Market Usage Forward Energy service categories
- These rates will be filed as part of the 2011 GMC rate extension
- Anticipate convergence bidding to go live 2/1/2011

Convergence Bidding Bid Segment Rate

- An \$0.005 per-segment fee will be imposed on submitted convergence bids
 - Designed to alleviate bid volume limitations economically
 - Revenues from the fee will be credited against the next year's GMC imposed on cleared convergence bids (gross MWh)
 - Design limits incentives to submit out of the money bid segments without imposing additional "net cost" on convergence bids
 - CAISO will evaluate magnitude on an on-going basis

Convergence Bidding Rate (Based on 2010 Budget and Volumes)

- Assumed 10% incremental cleared MW above physical estimate of 246,000,000 MW
- 9% of Forward Scheduling and MUFE costs allocated to convergence bidding - \$3.9M
- Gross cleared MW rate is \$0.078

Convergence Bidding Rate Table

	Dollars	Volume (MWh)	Rate
2010 Forward Scheduling	\$22,201,462		
2010 MUFE	\$20,438,138		
Total:	\$42,639,590		
9% of Total:	\$3,837,563		
2010 estimated cleared MWh		246,000,000	
10% of estimated cleared Volume		24,600,000	
Gross counting both sides (*2)		49,200,000	
Rate:			\$.078

Plan for 2011 GMC Revenue Requirement and Rate Extension

- Conference calls tentatively scheduled for June 24 and October 14 to discuss revenue requirement
- Targeting revenue requirement of \$197 Million
 - Continuing to stay at or under budget
 - Cash funding Capital Projects costs
- Stakeholder meeting August 19 to discuss rate extension
- Present rate extension at September Board meeting (no October Board meeting this year)
- Present budget at December Board meeting

Cost of Service Study for 2012 GMC Rates: Assumptions and Phases

- Start with existing structure (plus convergence bidding)
- Seek stakeholder input on allocations and other issues
 - Settlements, Metering and Client Relations allocated based on settlement charges
 - 35% of Core Reliability Services going to Energy Transmission Services, both Net Energy and Uninstructed Energy
 - 80%/20% split of Energy Transmission Services between metered load and uninstructed imbalance energy

Cost of Service Study for 2012 GMC Rates

Milestones

- Review definitions of categories and map software to categories
- Map cost centers and debt service to categories
- Review billing determinants and modify if appropriate
- Review impacts using 2010 data
- Propose long term revenue requirement ceiling
- Seek stakeholder input at completion of milestones

Cost of Service Study for 2012 GMC Rates: Next Steps in 2010

ISO reviewing GMC definitions, allocations and cost center mapping with stakeholders:

- June 18
 - Initial stakeholder responses on allocations of Settlements, Metering and Client Relations, Core Reliability Service & Energy Transmission Services, other issues
- August 19
 - Review of definitions with stakeholders
- November 18
 - Review of mapping of cost centers and debt service with stakeholders

Cost of Service Study for 2012 GMC Rates: Tentative Calendar 2011

- February 2011
 - Discuss with stakeholders:
 - GMC categories
 - Billing determinants
 - Review impacts using 2010 data
 - Propose long term revenue requirement ceiling
- June 2011
 - File revised GMC rate structure
- June and October 2011
 - Stakeholder meeting to review 2012 revenue requirement
 - Other meetings as necessary

Cost of Service Study for 2012 GMC Rates: Stakeholder Input Requested

- Please send written comments, suggestions, and questions to GMC@caiso.com by close of business June 18, 2010
 - Process suggestions and improvements
 - Proposed calendar of events
 - SMCR allocation based on settlement charges
 - 35% of Core Reliability Services going to Energy Transmission Services, both Net Energy and Uninstructed Energy
 - 80%/20% split of Energy Transmission Services between metered load and uninstructed imbalance energy
- Billing determinants
- Other issues
- Questions



ATTACHMENT B



California ISO
Your Link to Power

2011 Budget – Stakeholder Call

Michael Epstein
Director of Financial Planning

August 19, 2010

Agenda

TOPIC	PRESENTER
Introduction	Mike Epstein
2011 Revenue Requirement	Mike Epstein
2011 Rate extension	Judi Sanders
2011 Convergence bidding	Charles Snay
2012 Cost of Service Study	Mike Epstein
Calendar and Next Steps	Mike Epstein
Stakeholder Feedback and Discussion	Group

The revenue requirement is unchanged from 2010.

Component (\$ in millions)	2011	2010	change
O&M	\$162.5	\$162.7	\$(0.2)
Expense recovery	(7.6)	(8.1)	0.5
Debt service	43.7	61.0	(17.3)
Out of pocket capital	27.0	15.0	12.0
Revenue credit	(30.5)	(35.5)	5.0
Total	\$195.1	\$195.1	\$0.0
Transmission volume in GWh	240.0	246.0	(6.0)
Pro forma rate in \$ per MWh	\$0.813	\$0.793	\$0.020

2011 GMC Rate Extension

- No change from prior year
- Extend structure to 2011
- Present rate extension at September Board meeting
 - no October Board meeting this year

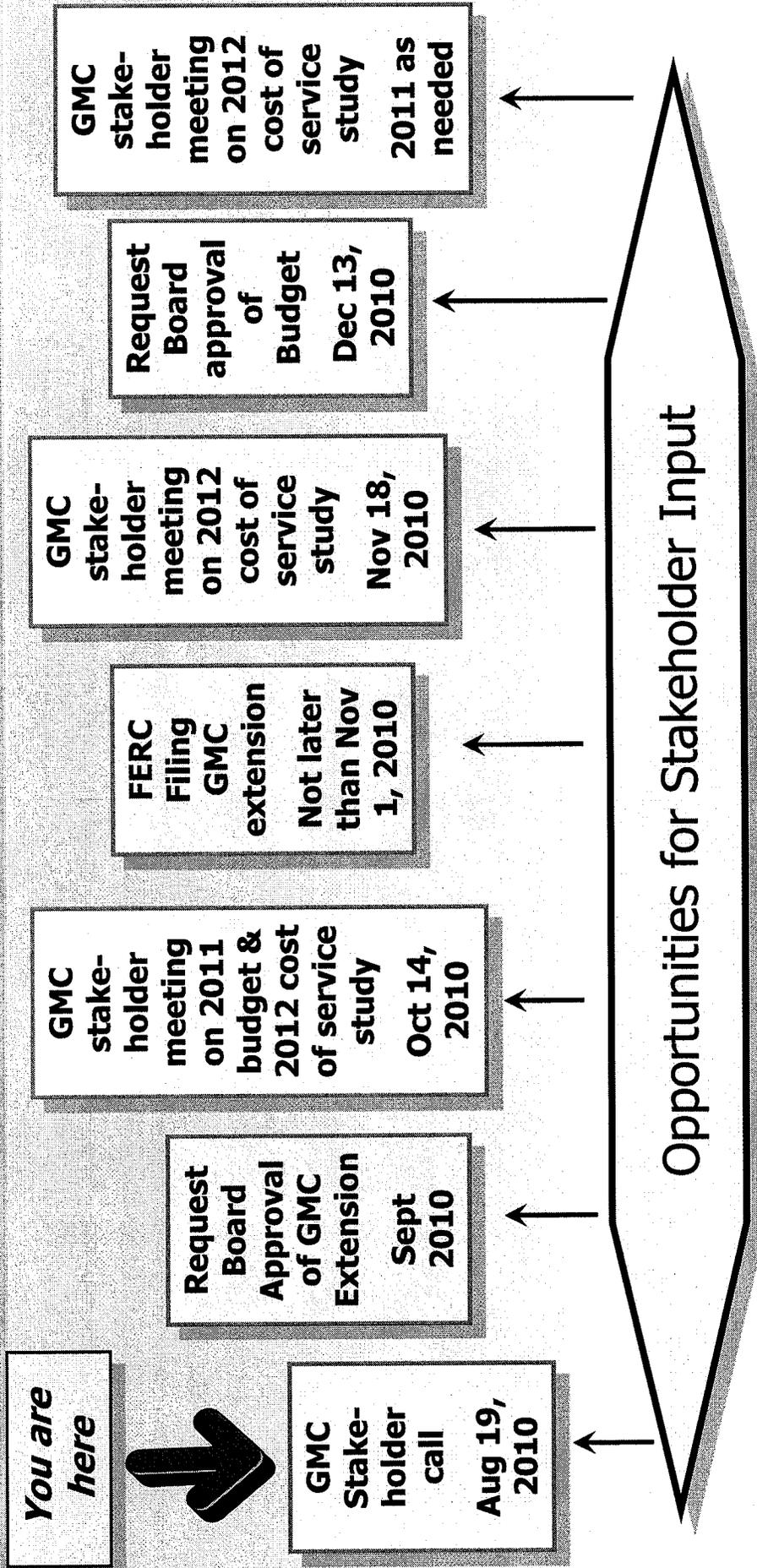
Convergence Bidding Overview

- Convergence bidding will consist of 2 charge codes
 - One charge code for a per bid segment rate \$0.005
 - One charge code for a cleared bid rate (per MWh)
- Designed to recover costs that are in the Forward Scheduling and Market Usage Forward Energy service categories
 - Assumed 10% incremental increase or 44,975,000 MW
 - 9% of Forward Scheduling and MUFE costs allocated to convergence bidding - \$2.9M
- Gross cleared MW rate is \$0.064
- Anticipate convergence bidding to go live 2/1/2011

2012 Cost of Service Study

- Goal is to be simple, predictable and transparent
- Working on proposal and developing impacts to participants
- May be ready to present by October 14, 2010 meeting

Timeline for 2011 budget and GMC rates



Key Calendar Dates and next steps

- Board of Governors meeting –
 - Approval of rate extension and present draft 2011 budgetSept 9-10
 - Post 2011 budget information for stakeholders
 - Stakeholder meeting to review 2011 preliminary budget and review 2012 cost of service study
 - Written Stakeholder comments due to ISO
 - Board of Governors Meeting –
 - Public comments to board on 2011 budgetSept 17
 - Board of Governors Meeting - Approval of 2011 budget
 - Post rates and budget documentation to ISO website
 - Stakeholder meeting to review 2012 cost of service study
- Oct 14
- Oct 21
- Nov 1-2
- Dec 13-14
- Dec 18
- as needed

ATTACHMENT C

California Independent System Operator 2011 Cost Allocation Model Revenue Requirement and Rate Calculations	
<p>This spreadsheet takes the O&M requirement requirement and functionalizes the debt service requirement, capital project funding, expense recovery budget and the Operating and Capital Reserve credit. It sums these, applies the functional association of Settlements, Metering and Client Relations costs and calculates rates applicable for 2011.</p> <p><u>The 2011 Rate Structure includes:</u> <u>80/20 revenue split between ETS-withdrawals (CC4505) and ETS-UE (CC4506)</u> <u>Recovery of excess SMCR revenue based on Functional Association of Charge Types</u> <u>No discount for Forward Scheduling (CC4511) or Inter SC trades (CC4512), but retains discount for Path 15</u> <u>Facilitator Inter SC trades (CC4513)</u> <u>MU-Forward Energy (CC4537) based on cost of service</u> <u>ETS/MU UIE PIRP rate (CC 4546) to be simple sum of ETS-withdrawals (CC4505) and MU-deviations (CC4536) rates</u> <u>Convergence bidding per MWh charge is made up of 9% of MUFE and 9% of FS</u> <u>SMCR rate (CC4575) remains at \$1000</u> <u>Forward Energy bill determinant set to 20% of net of withdrawals and injections</u> <u>CRS/ETS TOR rate (CC 4508) based on cost of service</u></p>	
Sheet Index:	Description
Rev Req Detail	Shows the detailed calculation of revenue requirement as the sum of O&M, Financing Budget, Capital Project Funding, Expense Recovery Budget and the Financial and Capital Operating Reserve
Rev Req Summary	Shows the summary calculation of revenue requirement as the sum of O&M, Financing Budget, Capital Project Funding, Expense Recovery Budget and the Financial and Capital Operating Reserve
As filed Rates	Summarizes revenue requirement calculation, applies functional association of charge types and billing determinants to calculate rates using as filed 2004 GMC method
GMC rate	Summarizes revenue requirement calculation, applies functional association of charge types and billing determinants to calculate rates using as settled 2004 GMC method
Worksheet divider	
Billing determinants	Historical and estimated billing units for 2011
BD Charts	Charts of Historical and forecast billing units
Revenue Forecast	Forecast of GMC revenues
Financing Budget	Functionalization of the debt service costs for bonds
Debt Mapping	Debt Mapping
Expense Recovery Budget	Functionalization of miscellaneous credits and interest
F&C Op Reserve	Functionalization of Operating and Capital Reserve credit
Rates by Charge Code	GMC rates by charge code
Revenue Requirement	Shows the summary calculation of revenue requirement as the sum of O&M, Financing Budget, Capital Project Funding, Expense Recovery Budget and the Financial and Capital Operating Reserve
Comparison-Year to Year	Assesses change in Revenue Requirement from year to year
Last updated:	9/9/2010 10:47

California Independent System Operator
2011 Cost Allocation Model

Detailed Revenue Requirement

		Core Reliability	Energy Transmission Services	CRS/ETS TOR	Forward Scheduling	Market Usage	Market Usage Forward Energy	Settlements, Metering and Client Relations	Total
Operations and Maintenance									
2111	CEO-General	\$ 768,729	\$ 293,971	\$ 8,582	\$ 113,645	\$ 388,819	\$ 116,329	\$ 487,017	\$ 2,177,093
2121	Market Monitoring	\$ 613,153	\$ -	\$ -	\$ 169,695	\$ 1,278,380	\$ 468,455	\$ 208,217	\$ 2,737,900
2122	Market Surveillance Committee (Non-labor costs)	\$ 77,800	\$ -	\$ -	\$ -	\$ 232,500	\$ -	\$ -	\$ 310,000
2211	Planning and Infrastructure Development	\$ 738,797	\$ 648,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,387,542
2221	Regional Transmission-North	\$ 1,484,512	\$ 1,089,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,574,194
2231	Regional Transmission-South	\$ 1,153,403	\$ 959,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,112,676
2241	Grid Assets	\$ 1,350,134	\$ 625,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,975,584
2242	Generator Interconnections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2251	Network Applications	\$ -	\$ 1,132,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,132,521
2311	CFO General	\$ 1,275,556	\$ 492,073	\$ 14,487	\$ 135,472	\$ 365,689	\$ 174,901	\$ 958,521	\$ 3,416,699
2321	Accounting	\$ 584,331	\$ 226,963	\$ 6,625	\$ 64,391	\$ 200,115	\$ 53,124	\$ 366,833	\$ 1,502,382
2331	Financial Planning and Treasury	\$ 478,096	\$ 185,699	\$ 5,418	\$ 52,572	\$ 163,738	\$ 43,466	\$ 692,784	\$ 1,521,871
2341	Human Resources	\$ 2,377,139	\$ 969,697	\$ 27,623	\$ 175,319	\$ 585,251	\$ 348,184	\$ 1,334,650	\$ 6,818,763
2351	Facilities	\$ 3,393,218	\$ 1,384,182	\$ 39,287	\$ 250,257	\$ 835,410	\$ 498,438	\$ 1,905,129	\$ 8,305,922
2361	Procurement and Vendor Management	\$ 488,593	\$ 189,777	\$ 5,540	\$ 53,842	\$ 167,328	\$ 44,420	\$ 308,731	\$ 1,256,231
2371	Enterprise Risk Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2372	Internal Audit	\$ 285,464	\$ 110,878	\$ 3,237	\$ 31,457	\$ 97,763	\$ 25,953	\$ 179,210	\$ 733,961
2373	Information Security	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2374	Physical Security	\$ 1,058,308	\$ 431,711	\$ 12,253	\$ 78,053	\$ 260,555	\$ 155,457	\$ 594,189	\$ 2,590,526
2411	Information Technology-General	\$ 400,400	\$ 91,563	\$ 3,989	\$ 92,121	\$ 126,134	\$ 53,025	\$ 372,599	\$ 1,139,830
2412	Asset Management (Non-Labor costs only)	\$ 3,893,517	\$ 1,176,048	\$ 40,263	\$ 903,099	\$ 1,535,653	\$ 645,053	\$ 3,825,130	\$ 12,018,763
2441	Software Quality Assurance	\$ 305,974	\$ 39,108	\$ 2,847	\$ 128,831	\$ 83,495	\$ 123,162	\$ 616,720	\$ 1,300,138
2451	IT Support & Operations	\$ 4,519,593	\$ 1,215,381	\$ 47,053	\$ 1,178,022	\$ 1,515,466	\$ 284,074	\$ 3,269,833	\$ 12,129,432
2452	System & Database Administration	\$ 822,300	\$ 105,179	\$ 7,658	\$ 346,482	\$ 224,554	\$ 331,237	\$ 1,658,632	\$ 3,496,642
2453	Data Center & Operations	\$ 1,002,311	\$ 456,989	\$ 12,082	\$ 60,807	\$ 352,413	\$ 40,978	\$ 665,500	\$ 2,491,080
2454	Architecture & Systems Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2462	EMS Information Technology	\$ 2,092,648	\$ 54,403	\$ 17,793	\$ -	\$ 29,648	\$ -	\$ 29,648	\$ 2,224,139
2463	Operations Information Technology	\$ 1,303,853	\$ 389,862	\$ 13,605	\$ 567,102	\$ 1,099,984	\$ -	\$ 773,502	\$ 4,147,908
2464	Corporate Systems	\$ 1,628,679	\$ 484,300	\$ 16,184	\$ 57,494	\$ 480,727	\$ 90,166	\$ 2,044,476	\$ 4,701,025
2511	Operations-General	\$ 1,306,928	\$ 464,642	\$ 21,183	\$ 37,338	\$ 426,868	\$ 58,661	\$ 493,929	\$ 2,809,449
2521	Grid Operations	\$ 1,375,314	\$ 483,438	\$ 28,559	\$ -	\$ 119,655	\$ -	\$ -	\$ 2,006,967
2522	Real-Time Operations	\$ 9,551,257	\$ 4,652,060	\$ 187,780	\$ -	\$ 1,270,296	\$ -	\$ -	\$ 16,661,392
2523	Scheduling	\$ 1,303,653	\$ 681,767	\$ 27,301	\$ -	\$ -	\$ -	\$ -	\$ 1,982,621
2524	Outage Management	\$ 2,013,700	\$ 7,862	\$ 89,293	\$ -	\$ 31,471	\$ -	\$ -	\$ 2,142,327
2531	Alhambra Grid Operations	\$ 2,982,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,982,496
2541	Market Services	\$ 41,285	\$ -	\$ -	\$ 38,546	\$ 339,329	\$ 60,569	\$ 287,367	\$ 767,097
2542	Market Operations	\$ 96,497	\$ -	\$ -	\$ 245,635	\$ 1,052,790	\$ 385,968	\$ 96,497	\$ 1,877,386
2543	Billing and Settlements	\$ 441,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,075,628	\$ 3,517,502
2544	Settlement Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2545	Market Information	\$ -	\$ -	\$ -	\$ -	\$ 2,426,030	\$ -	\$ -	\$ 2,426,030
2551	Operations Support	\$ 307,663	\$ 156,230	\$ -	\$ -	\$ 14,033	\$ -	\$ 317,584	\$ 795,510
2552	Operations Data and Compliance	\$ 890,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,242,654	\$ 2,133,275
2553	Operations Procedures and Training	\$ 1,379,342	\$ 802,263	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,181,605
2554	Model & Contract Implementation	\$ 612,157	\$ -	\$ -	\$ -	\$ 151,093	\$ -	\$ 959,407	\$ 1,722,667
2555	Information Engineering & Analysis	\$ 302,820	\$ 1,596,999	\$ -	\$ -	\$ -	\$ -	\$ 1,642,846	\$ 3,442,665
2561	Reliability Coordination	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2611	General Counsel-General	\$ 2,877,641	\$ 1,117,718	\$ 32,628	\$ 317,107	\$ 985,504	\$ 261,617	\$ 1,806,635	\$ 7,398,750
2621	Asst General Counsel-Corporate	\$ 680,382	\$ 264,270	\$ 7,715	\$ 74,976	\$ 233,010	\$ 61,856	\$ 427,132	\$ 1,749,340
2631	Asst General Counsel-Regulatory	\$ 580,335	\$ 225,410	\$ 6,580	\$ 63,951	\$ 198,747	\$ 52,760	\$ 364,324	\$ 1,492,108
2641	Asst General Counsel Tariff & Compliance	\$ 604,115	\$ 234,647	\$ 6,850	\$ 66,572	\$ 206,891	\$ 54,922	\$ 379,253	\$ 1,553,251
2651	Asst Corporate Secretary	\$ 245,842	\$ 95,489	\$ 2,787	\$ 27,091	\$ 84,193	\$ 22,350	\$ 154,336	\$ 632,089
2711	Market Development-Program Mgmt-General	\$ 50,234	\$ 100,462	\$ -	\$ 50,234	\$ 425,126	\$ -	\$ 50,234	\$ 676,292
2721	Market and Product Development	\$ 166,018	\$ 332,014	\$ -	\$ 166,018	\$ 1,404,988	\$ -	\$ 166,018	\$ 2,235,057
2722	Tariff and Regulatory/Policy Development	\$ -	\$ 88,486	\$ -	\$ 176,972	\$ 681,617	\$ -	\$ -	\$ 947,076
2723	Infrastructure Policy & Contracts	\$ 616,742	\$ 604,195	\$ -	\$ -	\$ -	\$ -	\$ 137,048	\$ 1,367,985
2731	Program Office	\$ 2,416,555	\$ 938,626	\$ 27,400	\$ 266,297	\$ 827,596	\$ 219,698	\$ 1,517,073	\$ 6,213,245
2741	MRTU Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2811	External Affairs-General	\$ 131,532	\$ 51,088	\$ 1,490	\$ 14,494	\$ 45,045	\$ 11,963	\$ 765,136	\$ 1,020,749
2821	Communications & Public Relations	\$ 489,331	\$ 190,063	\$ 5,548	\$ 53,923	\$ 167,581	\$ 44,487	\$ 307,194	\$ 1,258,127
2822	Information Products & Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 849,422	\$ 849,422
2831	State/Federal Affairs	\$ 663,199	\$ 218,755	\$ 6,386	\$ 62,063	\$ 192,878	\$ 51,203	\$ 353,567	\$ 1,448,049
2841	Customer Services and Industry Affairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,064,890	\$ 4,064,890
Total Operations and Maintenance		\$ 64,024,341	\$ 26,029,740	\$ 734,937	\$ 6,119,980	\$ 21,308,363	\$ 4,783,476	\$ 39,647,293	\$ 162,548,130
Financing and Capital Project Budgets									
	1998/2000 Bond Financed Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2004 Bond Financed Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2007 Bond Financed Capital	\$ 2,141,982	\$ 620,156	\$ 22,393	\$ 3,210,973	\$ 1,428,900	\$ 3,177,490	\$ 5,487,395	\$ 16,089,290
	2008 Bond Financed Capital	\$ 4,466,883	\$ 1,842,172	\$ 50,911	\$ 2,548,229	\$ 2,332,984	\$ 2,393,708	\$ 6,053,323	\$ 19,688,210
	2009 Bond Financed Capital	\$ 2,011,120	\$ 895,446	\$ 24,082	\$ 1,232,704	\$ 1,292,195	\$ 699,244	\$ 1,776,459	\$ 7,931,250
	Cash Funded Capital	\$ 6,846,366	\$ 3,048,327	\$ 81,982	\$ 4,196,441	\$ 4,398,961	\$ 2,380,405	\$ 6,047,519	\$ 27,000,000

**California Independent System Operator
2011 Cost Allocation Model**

Detailed Revenue Requirement

	Core Reliability	Energy Transmission Services	CRS/ETS TOR	Forward Scheduling	Market Usage	Market Usage Forward Energy	Settlements, Metering and Client Relations	Total
Total Financing and Capital Project Budgets	\$ 15,466,351	\$ 6,406,102	\$ 179,368	\$ 11,188,347	\$ 9,453,040	\$ 8,650,847	\$ 19,364,695	\$ 70,708,750
Revenue Requirement before application of credits (debits)	\$ 79,490,692	\$ 32,435,841	\$ 914,304	\$ 17,308,327	\$ 30,761,403	\$ 13,434,323	\$ 58,911,989	\$ 233,256,880
	34.1%	13.9%	0.4%	7.4%	13.2%	5.8%	25.3%	100.0%
Credits								
Expense Recovery Budget	\$ (4,807,952)	\$ (939,638)	\$ (10,191)	\$ (192,927)	\$ (342,882)	\$ (149,746)	\$ (1,156,663)	\$ (7,900,000)
Operating and Capital Reserves	\$ (6,520,332)	\$ (7,495,798)	\$ (114,386)	\$ (2,565,508)	\$ (7,549,806)	\$ (1,694,842)	\$ (4,638,281)	\$ (30,568,955)
Total Credits	\$ (11,328,284)	\$ (8,435,436)	\$ (124,577)	\$ (2,748,436)	\$ (7,892,688)	\$ (1,844,588)	\$ (5,794,944)	\$ (38,168,965)
Total Revenue Requirement	\$ 68,162,408	\$ 24,000,405	\$ 789,727	\$ 14,559,891	\$ 22,868,715	\$ 11,589,735	\$ 53,117,044	\$ 196,087,926
Percent of Total	34.9%	12.3%	0.4%	7.5%	11.7%	5.9%	27.2%	100.0%
	9/9/2010 10:47							
Notes								
	1. Translation of 2011 cost centers to the 2007/2008 cost centers shown here is developed in "Appendix B 2011 O&M Functionalization".							

California Independent System Operator 2011 Cost Allocation Model									
	Summary of Revenue Requirement and Rates (Assuming previous pre-MRTU rate structure and prior to GMC settlement adjustments)					Settlements, Metering and Client Relations			
	Core Reliability	Energy Transmission - Net Energy	Energy Transmission - Deviations	Forward Scheduling	Market Usage	Market Usage	Settlements, Metering and Client Relations	Total	
Revenue Requirement (as filed)	\$ 68,162,408	\$ 19,832,106	\$ 4,958,026	\$ 14,559,891	\$ 34,458,450	\$ 53,117,044	\$ 195,087,926		
	34.9%	10.2%	2.5%	7.5%	17.7%	27.2%			
Functional Association of SMCR	\$ -	\$ 27,027,992	\$ 6,756,998	\$ 359,076	\$ 17,100,978	\$ (51,245,044)	\$ -		
Percent of SMCR	0.0%	52.7%	13.2%	0.7%	33.4%				
Adjusted Revenue Requirement	\$ 68,162,408	\$ 46,860,097	\$ 11,715,024	\$ 14,918,968	\$ 51,559,428	\$ 1,872,000	\$ 195,087,926		
	34.9%	24.0%	6.0%	7.6%	26.4%	1.0%	100.0%		
Billing Determinants	543,154	228,945,222	9,132,519	9,003,837	402,260,239	1,872			
Units	MW-months	MWh	MWh	Schedules	MWh	customer-months			
Rate	\$ 125,494	\$ 0.205	\$ 1.283	\$ 1.657	\$ 0.128	\$ 1,000.00			
Notes									
1. The as-filed October 2003 rate structure and rates form the basis for the rate structure and rates under the subsequent GMC Settlement.									
This information is used in the subsequent calculation of GMC rates under the next worksheet "GMC Rate"									
9/9/2010 10:47									

California Independent System Operator
2011 Cost Allocation Model

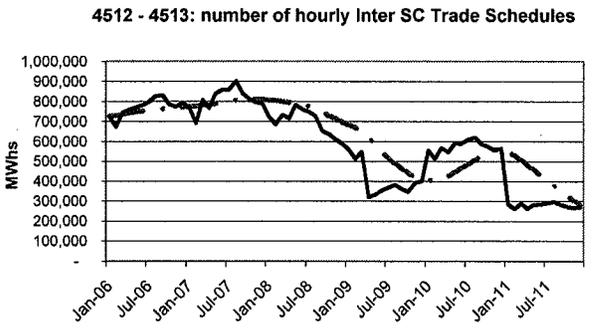
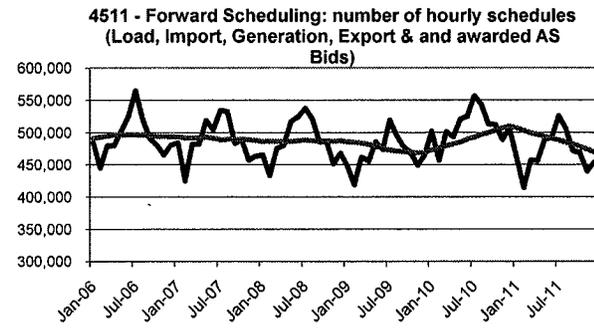
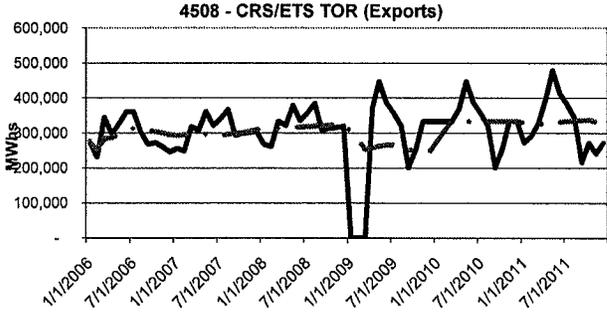
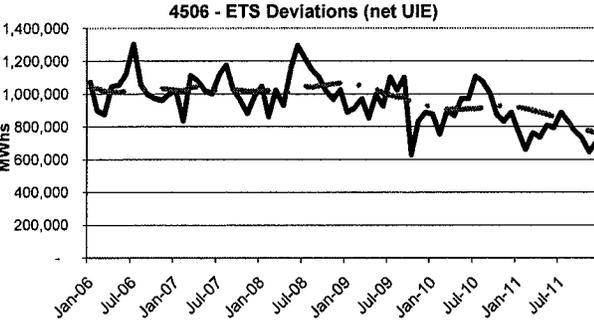
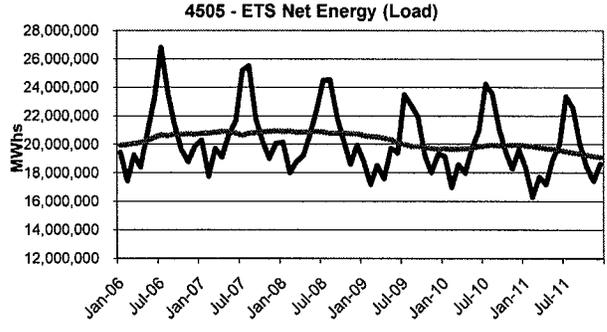
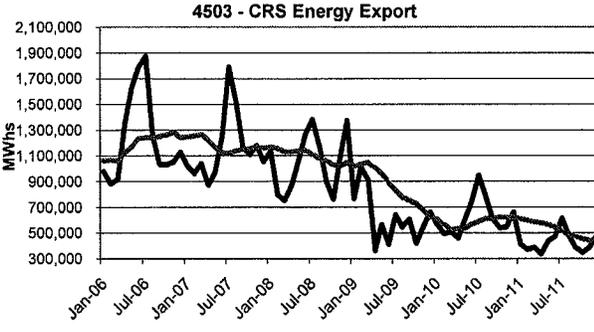
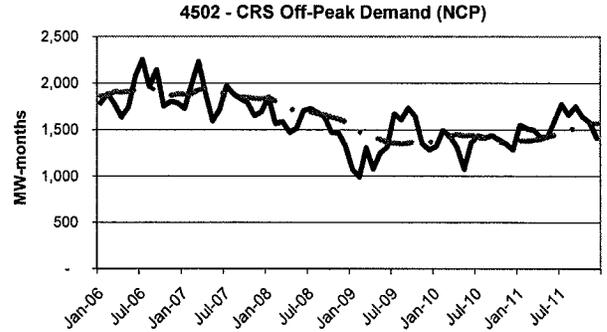
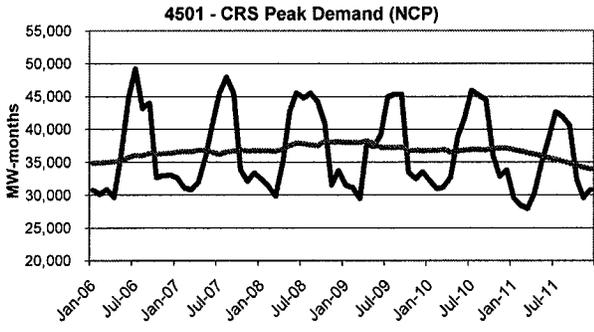
Development of 2011 GMC Rates (with application of Settlement related cost reallocations)

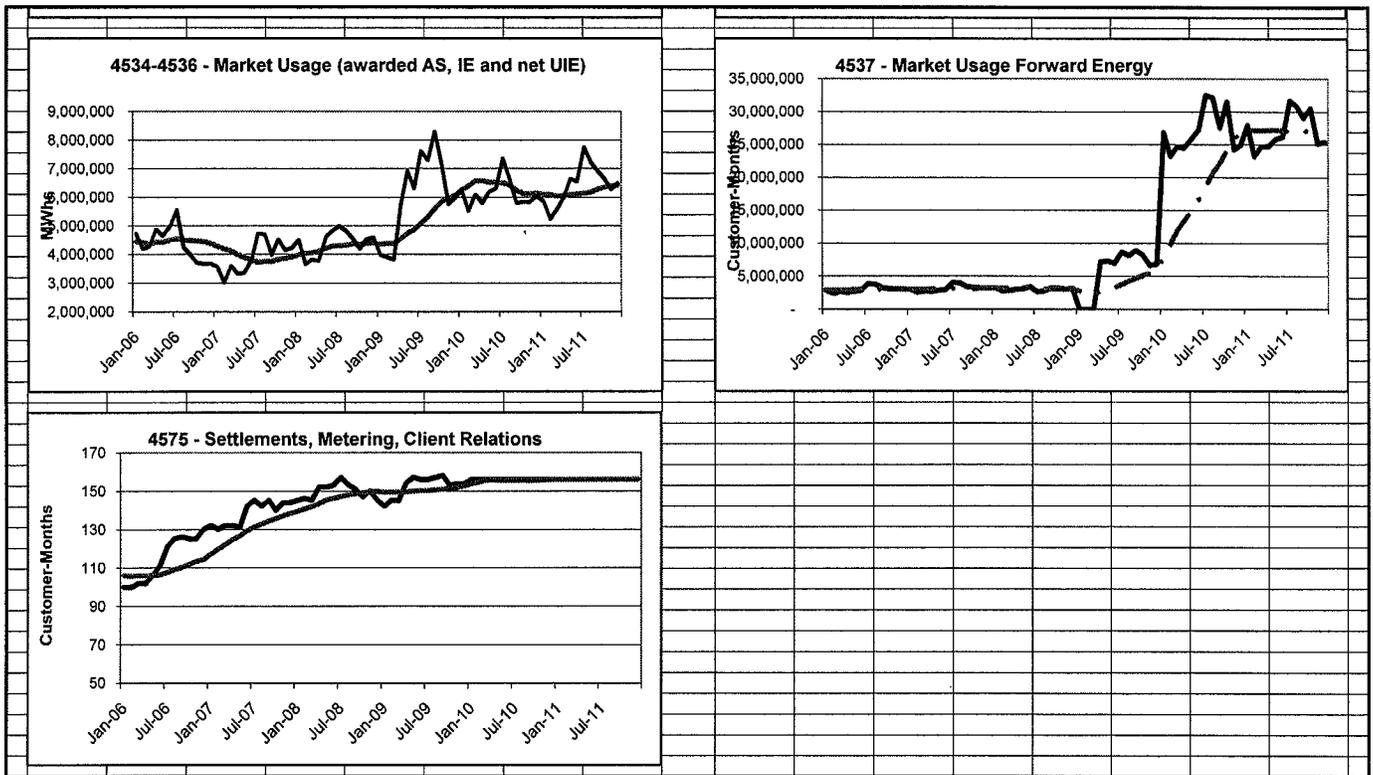
	CRS - Peak	CRS - Off Peak	CRS Export Rate	EIS-NE	EIS-LJE	CRS/ETS TOR	FS	MU	MUFE	SMCR	CB	Total
Revenue Requirement	\$ 68,162,408	\$ -	\$ -	\$ 19,042,379	\$ 4,958,026	\$ 785,727	\$ 14,559,891	\$ 22,668,715	\$ 11,569,735	\$ 53,117,044	\$ -	\$ 195,087,926
Reassigned SMCR	\$ -	\$ -	\$ -	\$ 26,912,056	\$ 6,756,998	\$ 115,936	\$ 359,076	\$ 11,349,245	\$ 5,751,733	\$ (51,245,044)	\$ -	\$ -
Reassigned CB	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,342,707)	\$ -	\$ (1,560,232)	\$ -	\$ 2,903,439	\$ -
Adjusted Revenue Requirement	\$ 68,162,408	\$ -	\$ -	\$ 45,954,435	\$ 11,715,024	\$ 905,663	\$ 13,576,261	\$ 34,217,960	\$ 15,760,736	\$ 1,872,000	\$ 2,903,439	\$ 195,087,926
Reassignment of revenues per 2004 GMC Settlement	\$ (23,856,843)	\$ -	\$ -	\$ 23,856,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FS discount (35%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FS discount (20%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CRS spill to off peak and export	\$ (8,949,760)	\$ 1,046,967	\$ 8,902,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FS spill to inter SC trade	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Settlement reassignments	\$ (33,806,623)	\$ 1,046,967	\$ 8,902,813	\$ 23,856,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0
Revenue Requirement	\$ 34,355,785	\$ 1,046,967	\$ 8,902,813	\$ 69,811,277	\$ 11,715,024	\$ 905,663	\$ 13,576,261	\$ 34,217,960	\$ 15,760,736	\$ 1,872,000	\$ 2,903,439	\$ 195,087,926
Billing units	407,354	18,809	5,087,792	228,945,222	9,132,519	3,899,961	9,003,837	77,075,396	325,186,844	1,872	44,975,274	
	MW-months	MW-months	MW-months	MW-months	MW-months	MW-months	Schedules	MW-months	MW-months	Customer months	MW-months	
Estimated 2011 Rates	\$ 84,3390	\$ 55,6640	\$ 1,7498	\$ 0,3049	\$ 1,2928	\$ 0,2322	\$ 1,5078	\$ 0,4440	\$ 0,0485	\$ 1,000	\$ 0,0646	
Total Settlement Reassignments and Reassigned SMCR (Used in Operating & Capital Reserve Calculation)	\$ (33,806,623)	\$ 1,046,967	\$ 8,902,813	\$ 50,768,898	\$ 6,756,998	\$ 115,936	\$ 359,076	\$ 11,349,245	\$ 5,751,733	\$ (51,245,044)	\$ -	\$ -

California Independent System Operator 2011 Cost Allocation Model									
Development of 2011 GMC Rates (with application of Settlement related cost reallocation)									
Development of Peak/Off Peak CRS Rates			CRS Peak		CRS off peak				
	Load (MWh)	Export (MWh)	Load	Export (MWh)	Load	Export			
NCP	543,154	407,354	83,369	18,809	33,622				
Escalation									
Subtotal	543,154	407,354	83,369	18,809	33,622				
Less Discount @65%		0							Application of targeted CRS discount
Escalated Total	543,154	407,354	83,369	18,809	33,622				
Revenue collected	\$ 44,305,565	\$ 33,228,223	\$ 6,800,488	\$ 1,534,242	\$ 2,742,611				
Off Peak discount @			\$ 1,127,562	\$ 230,767	\$ (487,275)	\$ (871,053)			Application of off peak CRS discount
Revenue after off peak discount	\$ 44,305,565	\$ 34,355,785	\$ 7,031,255	\$ 1,046,967	\$ 1,871,558				
Remaining revenue req	\$ 44,305,565	\$ 34,355,785	\$ 7,031,255	\$ 1,046,967	\$ 1,871,558				
Remaining NCP		407,354	83,369	18,809	33,622				
CRS NCP load rate	\$	\$ 84,339	\$	\$ 55,664	\$ 34,000%				
CRS off peak discount									
Development of CRS Volumetric Export Rate									
	Total (MWh)	Load (MWh)	Export (MWh)						
Billing Units	228,945,222	221,505,483	7,439,739						
Escalation									
Subtotal	228,945,222	221,505,483	7,439,739						
Less Discounted volume @65%									
Escalated Total	228,945,222	221,505,483	7,439,739						
Export revenue (from above)			\$ 8,902,613	CRS demand revenue requirement, sum of peak and off peak CRS					
Remaining revenue req			\$ 8,902,613						
CRS volumetric export rate before revenue adjustment			\$ 1,1967						
Notes:									
1. Calculations in highlight above are show development of rates agreed to under GMC Settlement.									
2. Adjustments are made to the billing determinant forecast to implement the discounts or accommodations agreed to in the Settlement									

Worksheets on Billing Determinants, Revenue Forecast, Financing Budget, Capital Project Funding, Expense Recovery Budget, Operating and Capital Reserve and Revenue Requirement follow

**California Independent System Operator
2011 Cost Allocation Model
Billing Determinant Charts**





Billing Determinants

Jan-07	40,703	1,710	226,453	21,624,759	1,000,386	324,106	504,902	855,908	3,643	1,732,372	1,036,613	1,004,500	3,017,502	142
Feb-07	45,462	1,989	1,790,212	28,156,839	1,114,123	340,658	534,720	855,678	3,675	2,094,921	1,153,476	1,153,476	4,070,675	145
Mar-07	47,865	1,875	1,926,053	25,497,393	1,176,120	386,953	635,405	893,422	3,708	2,244,924	1,209,583	1,209,583	3,964,078	142
Apr-07	45,602	1,834	1,159,783	21,873,338	1,023,418	293,502	489,502	836,665	4,062	1,640,364	986,192	1,050,688	3,384,082	145
May-07	33,316	1,768	1,105,478	20,202,893	960,280	259,252	489,483	809,354	4,382	1,751,634	1,029,010	1,029,010	3,321,373	140
Jun-07	32,096	1,648	1,178,418	19,018,843	981,139	301,471	457,387	795,820	3,937	1,891,102	1,045,636	884,921	3,278,363	144
Jul-07	33,344	1,691	1,052,006	20,088,832	982,344	305,003	463,644	786,814	2,654	1,951,848	1,278,304	986,787	3,265,431	144
Aug-07	32,352	1,648	1,133,105	20,123,790	967,533	267,073	466,340	723,016	3,818	2,095,995	1,347,485	1,079,685	3,247,285	145
Sep-07	31,337	1,563	795,364	18,009,590	800,579	261,076	433,243	692,922	3,493	1,769,101	983,284	893,468	2,839,372	146
Oct-07	31,947	1,587	752,244	18,771,583	823,139	333,675	475,303	730,308	3,458	1,852,452	986,586	994,654	2,867,404	152
Nov-07	34,787	1,471	863,639	19,169,393	930,502	480,209	480,209	712,308	3,343	1,902,305	922,763	957,049	3,049,267	152
Dec-07	42,633	1,705	1,057,679	20,594,603	1,147,585	516,518	516,518	780,572	2,330	1,886,511	1,547,423	1,335,701	3,144,145	152
Jan-08	44,745	1,723	1,360,297	24,497,872	1,220,336	357,148	437,393	758,166	1,872	1,933,788	1,483,692	1,258,657	2,698,027	157
Feb-08	45,453	1,683	1,177,095	21,937,213	1,145,277	384,665	521,966	726,473	2,096	2,247,061	1,483,692	1,258,657	2,698,027	157
Mar-08	41,065	1,470	763,720	20,229,707	1,011,238	307,710	485,674	650,920	2,171	1,922,920	1,355,487	1,127,013	3,249,331	151
Apr-08	31,551	1,467	1,085,141	18,608,182	946,265	316,085	468,986	634,521	2,171	1,794,483	1,703,770	1,072,093	3,183,137	147
May-08	33,724	1,525	1,374,376	19,938,544	1,025,071	468,245	468,245	689,374	4,109	2,040,467	1,454,702	1,092,280	3,099,830	150
Jun-08	31,472	1,073	768,135	18,818,738	888,753	447,788	559,428	635,75	3,575	1,742,698	1,159,261	947,950	3,133,503	145
Jul-08	31,048	993	1,011,552	17,168,113	911,478	418,932	519,205	552	2,502	1,845,193	968,175	863,083	2,681,977	145
Aug-08	29,479	1,006	912,193	18,518,139	969,179	368,713	462,084	546,037	2,502	2,191,132	2,085,327	963,929	7,208,864	154
Sep-08	37,799	1,078	360,396	17,588,677	852,929	447,381	485,665	520,248	-	2,485,897	3,426,665	895,591	7,311,904	157
Oct-08	37,343	1,251	562,006	19,691,548	995,501	477,381	489,023	339,139	-	2,417,995	2,996,588	925,525	6,891,820	156
Nov-08	39,101	1,312	410,122	19,378,640	925,825	356,715	473,709	353,868	-	2,838,629	3,996,214	1,011,855	6,844,166	156
Dec-08	44,910	1,672	642,749	23,479,681	1,101,855	519,247	569,498	383,754	-	2,891,952	3,378,163	1,022,737	8,213,294	157
Jan-09	45,279	1,729	606,419	21,950,708	1,022,737	321,397	495,212	362,310	-	3,135,227	3,370,991	1,099,549	8,906,990	156
Feb-09	33,455	1,638	416,687	19,211,670	626,248	254,435	468,157	347,831	-	2,211,572	2,706,894	838,261	6,976,397	154
Mar-09	32,608	1,349	546,769	18,022,055	833,604	448,752	393,249	401,459	-	2,351,340	2,694,134	906,343	8,969,976	154
Apr-09	33,469	1,287	661,828	19,302,030	886,755	333,651	465,416	556,393	-	2,494,244	2,729,320	966,868	26,819,977	156
May-09	32,178	1,319	563,980	19,108,831	874,823	333,651	465,416	556,393	-	2,253,925	2,442,562	809,397	23,216,737	156
Jun-09	30,921	1,427	491,043	16,989,451	755,517	333,651	466,863	512,419	-	2,440,600	2,723,562	913,975	24,691,068	156
Jul-09	31,160	1,423	505,302	18,594,423	895,792	333,651	501,214	568,485	-	2,305,209	2,562,295	926,019	24,473,929	156
Aug-09	38,796	1,077	437,128	17,971,957	866,701	452,948	546,654	581,452	-	2,491,465	2,698,971	994,450	25,890,822	156
Sep-09	38,796	1,077	600,483	19,643,923	972,301	447,331	570,441	591,107	-	2,615,014	2,706,321	981,446	27,233,733	156
Oct-09	41,642	1,357	947,124	24,202,883	1,105,533	595,944	598,944	610,316	-	3,004,552	3,263,751	1,085,016	32,463,729	156
Nov-09	45,881	1,435	782,727	23,552,010	1,075,529	321,397	543,306	619,478	-	2,904,632	2,717,108	1,021,458	32,100,696	156
Dec-09	44,484	1,437	603,573	21,156,434	1,004,704	321,397	513,990	597,528	-	2,646,333	2,719,108	924,671	27,478,355	156
Jan-10	36,144	1,391	539,061	19,489,747	870,337	254,435	488,679	554,415	-	2,421,891	2,706,894	892,628	31,516,231	156
Feb-10	32,833	1,349	546,769	18,292,386	833,604	333,651	466,626	565,991	-	2,279,919	2,456,515	735,999	24,256,089	156
Mar-10	33,804	1,287	681,828	19,591,560	868,755	333,651	506,227	287,169	-	2,421,891	2,706,894	892,628	31,516,231	156
Apr-10	29,513	1,551	411,417	18,373,365	770,988	272,676	460,227	287,169	-	2,969,088	2,084,726	903,193	24,825,068	156
May-10	28,435	1,514	389,477	16,291,742	660,472	290,287	414,723	262,526	-	2,794,426	2,030,097	749,659	24,798,431	156
Jun-10	30,925	1,495	383,130	17,889,335	761,169	326,287	457,198	290,907	-	2,773,170	2,456,515	735,999	24,798,431	156
Jul-10	34,753	1,424	434,979	18,941,343	804,301	412,766	489,333	294,853	-	3,051,126	2,783,569	801,667	25,804,968	156
Aug-10	38,602	1,595	473,227	19,937,322	794,301	412,766	489,333	294,853	-	3,128,027	2,639,979	783,104	26,168,397	156
Sep-10	42,611	1,772	612,723	23,351,825	886,402	381,655	526,068	293,261	-	3,584,951	3,214,220	825,551	31,647,930	156
Oct-10	41,977	1,657	480,587	22,553,860	832,074	343,990	505,563	299,721	-	3,551,876	2,586,785	758,351	29,022,655	156
Nov-10	40,531	1,751	392,317	20,117,623	770,155	215,441	471,170	283,437	-	3,259,963	2,646,860	727,125	30,499,270	156
Dec-10	32,426	1,656	346,254	19,432,921	731,688	271,315	468,354	273,424	-	3,118,690	2,807,560	642,287	25,164,716	156
Jan-11	29,578	1,579	384,418	17,437,056	649,432	240,666	438,938	268,618	-	3,345,676	2,449,095	698,813	25,415,453	156
Feb-11	30,798	1,413	474,999	18,516,232	706,451	271,606	453,918	272,357	-	3,345,676	2,449,095	698,813	25,415,453	156

Revenue Forecast

California Independent System Operator
2011 Cost Allocation Model
2011 Revenue Requirement Forecast by Month

Date	Core Reliability Services Peak		Core Reliability Services Off Peak		Core Reliability Services Energy Export		Energy Transmission Services: Energy Control Area		Energy Transmission Services: Deviations		CRSIETS TOR		Forward Scheduling		Inter-SC Trades		Market Usage		Market Usage Forward Energy		Settlements, Metering & Client Relations		Convergence Bidding		
	NCP by Mo	NCP by Mo	MWh	MWh	MWh	MWh	Monthly Net UE	Monthly Net UE	CRSIETS TOR	Total Sch Count	Total Sch Count	Total Sch Count	Market Usage	Market Usage	Market Usage	Market Usage	Market Usage	Market Usage	Market Usage	Market Usage	Cust Mo	MWh	MWh	MWh	MWh
Jan-11	29,513	1,551	411,417	18,373,365	772,156	272,676	460,227	287,169	5,655,176	27,923,281	156	5,655,176	27,923,281	156	5,655,176	27,923,281	156	5,655,176	27,923,281	156	156	3,507,050	-	3,507,050	-
Feb-11	28,435	1,514	369,477	16,291,742	660,711	290,287	414,723	262,826	5,236,665	23,179,875	156	5,236,665	23,179,875	156	5,236,665	23,179,875	156	5,236,665	23,179,875	156	156	3,742,308	156	3,742,308	156
Mar-11	27,925	1,495	383,130	17,689,335	761,756	326,287	457,198	290,902	5,566,768	24,734,746	156	5,566,768	24,734,746	156	5,566,768	24,734,746	156	5,566,768	24,734,746	156	156	3,761,944	156	3,761,944	156
Apr-11	30,325	1,424	334,664	17,203,618	741,450	394,571	456,267	264,787	5,971,131	24,796,431	156	5,971,131	24,796,431	156	5,971,131	24,796,431	156	5,971,131	24,796,431	156	156	3,904,231	156	3,904,231	156
May-11	34,733	1,423	434,979	18,941,343	817,026	474,702	489,333	284,853	6,646,161	25,804,968	156	6,646,161	25,804,968	156	6,646,161	25,804,968	156	6,646,161	25,804,968	156	156	3,959,212	156	3,959,212	156
Jun-11	38,602	1,695	473,227	19,937,222	796,807	412,765	491,643	287,685	6,555,316	26,163,387	156	6,555,316	26,163,387	156	6,555,316	26,163,387	156	6,555,316	26,163,387	156	156	4,788,257	156	4,788,257	156
Jul-11	42,611	1,772	612,723	23,351,925	886,092	381,655	526,068	293,261	7,738,815	31,647,930	156	7,738,815	31,647,930	156	7,738,815	31,647,930	156	7,738,815	31,647,930	156	156	4,664,075	156	4,664,075	156
Aug-11	41,877	1,667	480,587	22,553,860	833,871	343,930	490,721	283,837	6,900,309	29,022,655	156	6,900,309	29,022,655	156	6,900,309	29,022,655	156	6,900,309	29,022,655	156	156	4,351,059	156	4,351,059	156
Sep-11	40,531	1,751	382,317	20,117,623	771,571	215,441	471,170	263,837	6,835,359	30,499,770	156	6,835,359	30,499,770	156	6,835,359	30,499,770	156	6,835,359	30,499,770	156	156	4,614,467	156	4,614,467	156
Oct-11	32,426	1,636	346,254	18,432,921	733,079	271,316	468,354	273,424	6,269,028	26,164,718	156	6,269,028	26,164,718	156	6,269,028	26,164,718	156	6,269,028	26,164,718	156	156	3,807,362	156	3,807,362	156
Nov-11	29,578	1,579	384,418	17,437,036	646,992	240,466	439,938	268,616	6,454,440	25,415,453	156	6,454,440	25,415,453	156	6,454,440	25,415,453	156	6,454,440	25,415,453	156	156	3,845,298	156	3,845,298	156
Dec-11	30,798	1,413	474,599	18,615,232	707,208	271,806	453,915	272,367	6,454,440	25,415,453	156	6,454,440	25,415,453	156	6,454,440	25,415,453	156	6,454,440	25,415,453	156	156	4,497,524	156	4,497,524	156
Total	407,354	18,809	5,087,792	228,946,222	9,132,619	3,899,961	5,634,400	3,899,961	77,073,396	325,186,344	1,872	77,073,396	325,186,344	1,872	77,073,396	325,186,344	1,872	77,073,396	325,186,344	1,872	1,872	2,903,439	1,872	2,903,439	1,872

Forecasted Monthly Revenue													
	Core Reliability Services Peak	Core Reliability Services Off Peak	Core Reliability Services Energy Export	Energy Transmission Services: Energy Control Area	Energy Transmission Services: Deviations	CRSIETS TOR	Forward Scheduling	Inter-SC Trades	Market Usage	Market Usage Forward Energy	Settlements, Metering & Client Relations	Convergence Bidding	Total
Jan-11	\$ 2,489,075	\$ 86,311	\$ 719,913	\$ 5,602,511	\$ 990,508	\$ 63,322	\$ 693,944	\$ 433,002	\$ 2,600,930	\$ 1,355,067	\$ 156,000	\$ -	\$ 15,190,482
Feb-11	\$ 2,398,194	\$ 84,252	\$ 646,525	\$ 4,967,771	\$ 847,648	\$ 67,412	\$ 625,332	\$ 396,298	\$ 2,324,996	\$ 1,124,878	\$ 156,000	\$ 226,403	\$ 13,865,507
Mar-11	\$ 2,355,124	\$ 83,211	\$ 670,416	\$ 5,393,833	\$ 977,167	\$ 75,771	\$ 689,377	\$ 438,631	\$ 2,472,343	\$ 1,200,333	\$ 156,000	\$ 241,590	\$ 14,753,896
Apr-11	\$ 2,557,564	\$ 79,204	\$ 585,607	\$ 5,245,625	\$ 951,118	\$ 91,629	\$ 667,973	\$ 399,254	\$ 2,660,979	\$ 1,203,424	\$ 156,000	\$ 242,212	\$ 16,482,957
May-11	\$ 3,293,365	\$ 79,204	\$ 761,143	\$ 5,775,702	\$ 1,048,064	\$ 111,166	\$ 737,832	\$ 429,511	\$ 2,960,669	\$ 1,262,269	\$ 156,000	\$ 252,043	\$ 16,482,957
Jun-11	\$ 3,265,660	\$ 86,762	\$ 828,070	\$ 6,079,401	\$ 1,024,310	\$ 95,864	\$ 741,314	\$ 433,780	\$ 2,910,337	\$ 1,269,904	\$ 156,000	\$ 255,692	\$ 17,138,985
Jul-11	\$ 3,593,783	\$ 98,632	\$ 1,072,166	\$ 7,120,571	\$ 1,193,228	\$ 88,629	\$ 793,221	\$ 442,188	\$ 3,435,770	\$ 1,535,817	\$ 156,000	\$ 309,112	\$ 19,785,126
Aug-11	\$ 3,418,304	\$ 92,252	\$ 840,950	\$ 6,877,251	\$ 1,069,674	\$ 79,883	\$ 762,304	\$ 451,928	\$ 3,196,261	\$ 1,496,986	\$ 156,000	\$ 301,096	\$ 18,855,438
Sep-11	\$ 2,734,760	\$ 97,495	\$ 668,994	\$ 6,134,380	\$ 989,885	\$ 50,031	\$ 710,445	\$ 427,978	\$ 3,063,602	\$ 1,408,418	\$ 156,000	\$ 283,471	\$ 17,408,901
Oct-11	\$ 2,494,602	\$ 91,087	\$ 605,889	\$ 5,620,671	\$ 940,351	\$ 63,005	\$ 706,199	\$ 412,276	\$ 2,945,873	\$ 1,480,075	\$ 156,000	\$ 297,893	\$ 16,054,100
Nov-11	\$ 2,597,480	\$ 87,879	\$ 672,670	\$ 5,317,000	\$ 829,849	\$ 55,842	\$ 663,352	\$ 405,027	\$ 2,783,235	\$ 1,221,193	\$ 156,000	\$ 245,789	\$ 14,932,544
Dec-11	\$ 2,597,480	\$ 78,631	\$ 830,471	\$ 5,676,262	\$ 907,193	\$ 63,120	\$ 684,426	\$ 410,668	\$ 2,863,265	\$ 1,233,367	\$ 156,000	\$ 248,238	\$ 15,769,121
Total GMC	\$ 34,355,785	\$ 1,046,967	\$ 8,902,813	\$ 69,811,277	\$ 11,715,024	\$ 905,663	\$ 8,495,720	\$ 5,080,541	\$ 34,211,960	\$ 15,780,736	\$ 1,872,000	\$ 2,903,439	\$ 195,087,926
Other revenue													
Total collector	\$ 34,355,785	\$ 1,046,967	\$ 8,902,813	\$ 69,811,277	\$ 11,715,024	\$ 905,663	\$ 8,495,720	\$ 5,080,541	\$ 34,211,960	\$ 15,780,736	\$ 1,872,000	\$ 2,903,439	\$ 195,087,926
Rate	\$ 84,3390	\$ 55,6640	\$ 1,7498	\$ 0,3049	\$ 1,2828	\$ 0,2322	\$ 1,5078	\$ 1,5078	\$ 0,4440	\$ 0,0485	\$ 1,000	\$ 0,0646	

Notes:
Revenues are not known until approximately three weeks after the trade month ends. Forecast revenues will be subject to later adjustments.

California Independent System Operator 2011 Cost Allocation Model									
	Core Reliability	Energy Transmission Services	CRS/ETS TOR	Forward Scheduling	Market Usage	Market Usage Forward Energy	Settlements, Metering and Client Relations	Total	
1998-2000 Bonds	29.9%	8.6%	0.3%	11.9%	16.6%	1.2%	31.5%	100.0%	
2004 Bonds	16.1%	5.2%	0.2%	17.7%	10.9%	14.1%	35.7%	100.0%	
2007 Bonds	13.3%	3.9%	0.1%	20.0%	8.9%	19.7%	34.1%	100.0%	
2008 Bonds	22.7%	9.4%	0.3%	12.9%	11.8%	12.2%	30.7%	100.0%	
2009 Bonds	40.9%	16.7%	0.5%	3.0%	10.1%	6.0%	22.9%	100.0%	
2010 Cash Financed	25.4%	11.3%	0.3%	15.5%	16.3%	8.8%	22.4%	100.0%	
1998-2000 Bonds Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2004 Bond Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2007 Bond Debt Service	\$ 2,141,982	\$ 620,156	\$ 22,393	\$ 3,210,973	\$ 1,428,900	\$ 3,177,490	\$ 5,487,395	\$ 16,089,290	
2008 Bond Debt Service	\$ 4,466,883	\$ 1,842,172	\$ 50,911	\$ 2,548,229	\$ 2,332,984	\$ 2,393,708	\$ 6,053,323	\$ 19,688,210	
2009 Bond Debt Service	\$ 2,011,120	\$ 895,446	\$ 24,082	\$ 1,232,704	\$ 1,292,195	\$ 699,244	\$ 1,776,459	\$ 7,931,250	
2010 Cash Financed	\$ 6,846,366	\$ 3,048,327	\$ 81,982	\$ 4,196,441	\$ 4,398,961	\$ 2,380,405	\$ 6,047,519	\$ 27,000,000	
Capital and Debt Service	\$ 15,466,351	\$ 6,406,102	\$ 179,368	\$ 11,188,347	\$ 9,453,040	\$ 8,650,847	\$ 19,364,695	\$ 70,708,750	
	21.9%	9.1%	0.3%	15.8%	13.4%	12.2%	27.4%	100%	

Notes:

See "Debt Mapping worksheet" to determine mapping of debt service costs related to the 2008 bond offering that refinanced previous debt and provided new money for 2008-2011 capital expenditures.

California Independent System Operator 2011 Cost Allocation Model									
	Principal	Interest	Total Debt Service	Percent of Total					
2008 Bonds, Total Debt Service for 2011	31,412,500	4,365,000	35,777,500	100%					
(Budgeted at 125% of debt service)									
Comprised of: (see allocation below)									
Refinancing 2000 Bonds	-	-	-	0%					
2004 Bond Offering	14,126,331	1,962,959	16,089,290	45%					
2008 Bond Offering (new money portion)	17,286,169	2,402,041	19,688,210	55%					
2009 Bonds, Total Debt Service for 2011	4,318,750	3,512,500	7,831,250						
(Budgeted at 125% of debt service)									
Notes:									
In June 2008, the ISO issued new bonds to provide funding for capital expenditures and to refinance/retire all previously outstanding debt. As a result, the 2010 revenue requirement will contain debt service related to only the new bonds, but in this cost allocation model, amounts must be attributed to "old" and "new" money. It therefore becomes necessary to allocate the annual debt service payments to "new" and "old" money so that cost allocations can be made to the GMC service categories based on ISO system allocations.									
	2008	2009	2010	2011	2012	2013	2014	Total	
Year debt service is collected in GMC									
Year debt service is due	31,000,000	39,100,000	42,250,000	25,130,000	36,025,000	23,465,000		196,970,000	
Principal Payments of Bonds issued in June 2008 for new money and to refinance existing debt									
2008 Bonds	28,900,000	46,200,000	19,000,000	15,300,000	20,200,000			75,100,000	
2007 Bonds								60,000,000	
Schedule of Principal Payments from previously outstanding bonds									
2004 Bonds	28,900,000	51,700,000	19,000,000	15,300,000	20,200,000			135,100,000	
2007 Bonds									
Total previous bonds									
Ratio of each series to total previously outstanding bonds									
2004 Bonds	89%	11%	0%	0%	0%	0%			
2007 Bonds	11%	89%	100%	100%	100%	100%			
Allocation is by year, with old money portion the lessor of previous old money amount, or total new debt service									
New Money Portion	2,100,000	39,100,000	23,250,000	9,830,000	15,825,000	23,465,000		74,470,000	
Old Money Portion	28,900,000	7%	19,000,000	15,300,000	20,200,000			122,500,000	
Ratios: New Money Portion	7%	0%	55%	39%	44%	100%		38%	
Old Money Portion	93%	100%	45%	61%	56%	0%		62%	
									Ratio of Total Old Debt to Total June Issuance
									69%

California Independent System Operator 2011 Cost Allocation Model									
Summary of Revenue Requirement Calculation									
Revenue Requirement	Core Reliability	Energy Transmission Services	CRS/ETS TOR	Forward Scheduling	Market Usage	Market Usage Forward Energy	Settlements, Metering and Client Relations	Total	
Operations and Maintenance	\$ 64,024,341	\$26,029,740	\$ 734,937	\$ 6,119,980	\$21,308,363	\$ 4,783,476	\$ 39,547,283	\$ 162,548,130	
Financing Budget-2000 debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Financing Budget-2004 debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Financing Budget-2007 debt	\$ 2,141,982	\$ 620,156	\$ 22,393	\$ 3,210,973	\$ 1,428,900	\$ 3,177,490	\$ 5,487,395	\$ 16,089,290	
Financing Budget-2008 debt	\$ 4,466,883	\$ 1,842,172	\$ 50,911	\$ 2,548,229	\$ 2,332,984	\$ 2,393,708	\$ 6,053,323	\$ 19,688,210	
Financing Budget-2009 debt	\$ 2,011,120	\$ 895,446	\$ 24,082	\$ 1,232,704	\$ 1,292,195	\$ 699,244	\$ 1,776,459	\$ 7,931,250	
Financing Budget-cash funded	\$ 6,846,366	\$ 3,048,327	\$ 81,982	\$ 4,196,441	\$ 4,398,961	\$ 2,380,405	\$ 6,047,519	\$ 27,000,000	
Revenue Requirement before application of other credits	\$ 79,490,692	\$32,435,841	\$ 914,304	\$17,308,327	\$30,761,403	\$ 13,434,323	\$ 58,911,989	\$ 233,256,880	
Percent of Total	34%	14%	0%	7%	13%	6%	25%	100%	
Other Credits									
Expense Recovery Budget	\$ (4,807,952)	\$ (939,638)	\$ (10,191)	\$ (192,927)	\$ (342,882)	\$ (149,746)	\$ (1,156,663)	\$ (7,600,000)	
Operating and Capital Reserves	\$ (6,520,332)	\$ (7,495,798)	\$ (114,386)	\$ (2,555,508)	\$ (7,549,806)	\$ (1,694,842)	\$ (4,638,281)	\$ (30,568,955)	
Total Other Credits	\$ (11,328,284)	\$ (8,435,436)	\$ (124,576)	\$ (2,748,436)	\$ (7,892,688)	\$ (1,844,588)	\$ (5,794,944)	\$ (38,168,955)	
Total Revenue Requirement	\$ 68,162,408	\$24,000,405	\$ 789,727	\$14,559,891	\$22,868,715	\$ 11,589,735	\$ 53,117,044	\$ 195,087,926	
Percent of Total	35%	12%	0%	7%	12%	6%	27%	100%	

California Independent System Operator 2011 Cost Allocation Model									
Summary of Revenue Requirement Calculation: Current Year									
Revenue Requirement	Core Reliability	Energy Transmission Services	CRS/ETS TOR	Forward Scheduling	Market Usage	Market Usage Forward Energy	Settlements, Metering and Client Relations	Total	
Operations and Maintenance	\$ 64,024,341	\$ 26,029,740	\$ 734,937	\$ 6,119,980	\$ 21,308,363	\$ 4,783,476	\$ 39,547,293	\$ 162,548,130	
Financing Budget-2000 debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Financing Budget-2004 debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Financing Budget-2007 debt	\$ 2,141,962	\$ 620,156	\$ 22,393	\$ 3,210,973	\$ 1,428,900	\$ 3,171,490	\$ 5,487,395	\$ 16,089,290	
Financing Budget-2008 debt	\$ 4,466,883	\$ 1,842,172	\$ 50,911	\$ 2,548,229	\$ 2,332,984	\$ 2,393,708	\$ 6,053,323	\$ 19,688,210	
Financing Budget-2009 debt	\$ 2,071,120	\$ 895,446	\$ 24,082	\$ 1,232,704	\$ 1,292,195	\$ 699,244	\$ 1,776,459	\$ 7,931,250	
Financing Budget-cash funded	\$ 6,846,366	\$ 3,048,327	\$ 81,982	\$ 4,196,441	\$ 4,398,961	\$ 2,380,405	\$ 6,047,519	\$ 27,000,000	
Revenue Requirement before application of other credits	\$ 79,490,692	\$ 32,435,841	\$ 914,304	\$ 17,308,327	\$ 30,761,403	\$ 13,434,323	\$ 58,911,989	\$ 233,256,880	100%
Percent of Total	34%	14%	0%	7%	13%	6%	25%		
Other Credits									
Expense Recovery Budget	\$ (4,807,952)	\$ (939,638)	\$ (10,191)	\$ (192,927)	\$ (342,882)	\$ (149,746)	\$ (1,156,663)	\$ (7,600,000)	
Operating and Capital Reserves	\$ (6,520,332)	\$ (7,495,798)	\$ (114,386)	\$ (2,555,508)	\$ (7,549,806)	\$ (1,694,842)	\$ (4,638,281)	\$ (30,568,955)	
Total Other Credits	\$ (11,328,284)	\$ (8,435,436)	\$ (124,578)	\$ (2,748,436)	\$ (7,892,688)	\$ (1,844,588)	\$ (5,794,944)	\$ (38,168,955)	
	13%	61%	34%	-219%	-64%	-65%	84%		
Total Revenue Requirement	\$ 68,162,408	\$ 24,000,405	\$ 789,727	\$ 14,559,891	\$ 22,868,715	\$ 11,589,735	\$ 53,117,044	\$ 195,087,926	
Percent of Total	35%	12%	0%	7%	12%	6%	27%	100%	

California Independent System Operator 2011 Cost Allocation Model									
Summary of Revenue Requirement Calculation: Prior Year									
	Core Reliability	Energy Transmission Services	CRS/ETS TOR	Forward Scheduling	Market Usage	Market Usage Forward Energy	Settlements, Metering and Client Relations	Total	
Revenue Requirement									
Operations and Maintenance	\$ 63,845,241	\$ 26,288,245	\$ 724,380	\$ 6,431,708	\$ 21,162,404	\$ 5,017,729	\$ 39,226,102	\$ 162,655,809	
Financing Budget-2000 debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Financing Budget-2004 debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Financing Budget-2007 debt	\$ 3,657,475	\$ 1,060,935	\$ 38,229	\$ 5,470,544	\$ 2,437,926	\$ 5,404,979	\$ 9,350,620	\$ 27,420,710	
Financing Budget-2008 debt	\$ 7,684,021	\$ 3,186,465	\$ 87,409	\$ 4,331,950	\$ 4,013,024	\$ 3,954,338	\$ 10,297,082	\$ 33,554,290	
Financing Budget-2009 debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Financing Budget-cash funded	\$ 3,252,665	\$ 869,989	\$ 29,199	\$ 3,252,781	\$ 2,597,866	\$ 801,747	\$ 4,155,754	\$ 15,000,000	
Revenue Requirement before application of other credits	\$ 78,479,402	\$ 31,405,634	\$ 879,217	\$ 19,486,984	\$ 30,211,220	\$ 15,178,793	\$ 63,029,559	\$ 238,670,809	
Percent of Total	33%	13%	0%	8%	13%	6%	26%	100%	
Other Credits									
Expense Recovery Budget	\$ (4,499,752)	\$ (1,076,764)	\$ (13,914)	\$ (306,180)	\$ (474,679)	\$ (238,489)	\$ (1,490,322)	\$ (8,100,000)	
Operating and Capital Reserves	\$ (5,524,617)	\$ (4,176,370)	\$ (79,032)	\$ 2,614,143	\$ (21,580,124)	\$ (5,091,959)	\$ (1,651,988)	\$ (35,489,947)	
Total Other Credits	\$ (10,024,368)	\$ (5,253,134)	\$ (92,846)	\$ 2,307,963	\$ (22,054,803)	\$ (5,330,449)	\$ (3,142,310)	\$ (43,589,947)	
Total Revenue Requirement	\$ 68,455,033	\$ 26,152,500	\$ 786,371	\$ 21,794,947	\$ 8,156,417	\$ 9,848,344	\$ 59,887,249	\$ 195,080,862	
Percent of Total	35%	13%	0%	11%	4%	5%	31%	100%	

California Independent System Operator 2011 Cost Allocation Model									
	Core Reliability	Energy Transmission Services	CRS/ETS TOR	Forward Scheduling	Market Usage	Market Usage Forward Energy	Market Usage Metering and Client Relations	Settlements	Total
Overall change in revenue requirement	\$ (292,625)	\$ (2,152,095)	\$ 3,356	\$ (7,235,055)	\$ 14,712,298	\$ 1,741,390	\$ (6,770,205)	\$	\$ 7,064
Consisting of:									
O&M Budget Change	\$ 179,100	\$ (259,505)	\$ 10,557	\$ (311,729)	\$ 145,959	\$ (234,252)	\$ 321,191	\$	\$ (147,878)
Debt Service and Capital	\$ 832,191	\$ 1,288,713	\$ 24,530	\$ (1,866,929)	\$ 404,224	\$ (1,510,218)	\$ (4,438,762)	\$	\$ (5,266,250)
Expense Recovery / Operating & Capital Reserve	\$ (1,303,916)	\$ (3,182,302)	\$ (31,732)	\$ (5,056,398)	\$ 14,162,115	\$ 3,485,860	\$ (2,552,635)	\$	\$ 5,420,992
Percentage of change due to:									
Total	-0.4%	-8.2%	0.4%	-33.2%	180.4%	17.7%	-11.3%		0.00%
O&M Budget Change	0.3%	-1.0%	1.3%	-1.4%	1.8%	-2.4%	0.5%		-0.08%
Debt Service and Capital	1%	5%	3%	-9%	5%	-15%	-7%		-2.70%
Expense Recovery / Operating & Capital Reserve	-2%	-12%	-4%	-23%	174%	35%	-4%		2.78%
Percentages calculated as Dollar amount change divided by 2010 Revenue Requirement by GMC Service Category.									

ATTACHMENT D



2011 - 2012 GMC Stakeholder Process
ISO Folsom Facility, Building 101A
April 21, 2010
10:00 a.m. - 4:00 p.m.
Meeting Notes

Attendees:

Name	Organization	Name	Organization
Sean Neal	MID	Jan Cogdill	CAISO
David Cohen	TANC	Judith Sanders	CAISO
Lisa Yoho	Citigroup Energy	Charles Snay	CAISO
Kolby Kettler	Citigroup Energy	Ryan Seghesio	CAISO
Burt Hansen	SCE	Christina Ermandes	CAISO
Steve Greenleaf	JP Morgan	Tom Cuccia	CAISO
Brian Theaker	Dynegy	Don Tretheway	CAISO
		Dennis Estrada	CAISO
		Michael Epstein	CAISO
		Chhanna Prak	CAISO
		Stephanie O'Guinn	CAISO
Via Telephone		Via Telephone	
Robert Bonner	ConocoPhillips	Lisa McGee	Mirant
Bob Caracristi	NCPA	Jim McLellan	Morgan Stanley
Jon Chadbourne	Arclight Energy	Margaret Miller	CAISO
Jackie DeRosa	Customized Energy	Zahra Nazarali	TransAlta
Caroline Emmert	ACES Power Marketing	Sharon Oleksak	Portland General Electric
Saeed Farrokhpay	FEC	John Perry	TID
Thomas Flynn	SCE	Leslie Pompel	BPA
Carl Funke	SDG&E	Uma Ramanathan	CAISO
Steven Greenlee	CAISO	Abigail Seto	PG&E
Steve Hess	Edison Mission	Masoud Shafa	WAPA

Gifford Jung	Powerex		Tony Stapleton	COP
Natalie Karas	Duncan Weinberg		Virginia Thompson	EDF Trading
Jessica Kastarian	SMUD		Melie Vincent	APX
Maury Kruth	FERC		Michelle Volk	BPA
Nancy Le	City of Anaheim		Ellen Wolfe	Resero Consulting
Sue Mara	RTO Advisors		Kathleen Wright	CDWR
Rajani Mardella	CAISO		Ali Yazdi	Morgan Stanley

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

Michael Epstein, Director of Financial Planning, opened the meeting with a brief introduction of the purpose of the meeting and a perspective of the Grid Management Charge (GMC) rate structure.

Following Mr. Epstein were:

Charles Shay, Lead Financial Analyst & Donald Tretheway, Sr Market and Product Developer

Stakeholders were given an opportunity to ask questions and provide comments and suggestions. Questions and comments received during the workshop are summarized in the following tables.

Opening Remarks

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	Will there be any budget data for 2011 during the August GMC Stakeholder meeting or will we have to wait until October?	TANC	M. Epstein	If the data is available, we will provide that to you. Preliminary data will be provided at the August meeting.
2	Will the CAISO be holding a firm line on the Revenue Requirement cap?	TANC	M. Epstein	We anticipate holding the same dollar amount for a straight forward rate extension.
3	Will the rates and cost allocates be included in the Convergence Bidding tariff filing or the GMC filing in September?	Dynergy	M. Epstein	The rates will be in the budget and the structure will be in the tariff filing.
4.	How can the CAISO complete the FERC filing in November if there won't be board approval until December?	TANC	M. Epstein	These are two separate processes. We will file on November 1 st and then we will go to the board in December for approval of the rates and the budget.
5.	Will the FERC filing on November 1 st have the rate structure and the rate for 2011?	TANC	M. Epstein	No. This will have the revenue cap and the structure. It will also have the determinants, but no dollars. Once the budget is approved, then we can allocate dollars for each of the components.
6.	Will the structure of the Convergence Bidding billing determinants be in the GMC filings?	MID	C. Snay	We will present how the GMC structure works for Convergence Bidding and where the dollars are coming from.
7.	What is the contingency plan consider the worst case scenario in that the CAISO exceeds the \$197 million cap?	TANC	M. Epstein	We will not exceed the cap. If so, a 205 filing is the only other option.

Cost of Service Study Review

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	It has been a few years since there has been a full 23-13 filing and statements by FERC. In this type of filing, will you provide the Revenue Requirement for the forecasted test year? If you are going to be thinking about making a filing in June 2011, are you committing yourself to a formula change and rate redesign during that period?	TANC	J. Sanders	These are issues we have yet to explore. We will take these comments under review.
2	We are interested in the 2012 test year analysis for the cost of service. We would like to look back, analyze and provide input as to how the process is working and how we envision this to be.	MID	M. Epstein	We appreciate this comment and want to address any concerns you may have.

2001-2003 GMC Refund

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1.	What do you mean by elimination of dynamic scheduling?	MID	M. Epstein	Billing for 2001 and serving for load. Part of the FERC order was to eliminate that.
2.	In regards to billing to SC's and invoicing for credits: were the credits broken up by bucket?	MID	M. Epstein	To the best of our knowledge, it was broken up by charge type. MID has received all of this data to validate.

April 2010 Rate Adjustment

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1.	Will volumes come back after MUFE?	Dynegy	C. Snay	Probably, but it may take several months for the increase.
2.	What caused the 36.3% reductions in exports?	TANC	C. Snay	There is no real evidence as to what caused this decrease, but the costs are increasing so much that we may continue to see a decline.
3.	Is the \$1.82/MW rate assuming that you are going to see a further decrease in exports?	TANC	C. Snay	No. It's calculated based on the Revenue Requirement and the revised revenue adjusted forecast. This is the rate considering that everything stays the same from April onward.
4	Why does the CAISO feel the need to make a first quarter rate adjustment?	TANC	C. Snay	Before Payment Acceleration, we did not have the visibility. We had to wait until June for data. Now we can have a better vision of the data and this is the first time we have made a first quarter rate adjustment.

Status of Market Usage Forward Energy Charge

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1.	Can you please tell us what the settlement MUFE rate is?	TANC	J. Sanders	The rate would be based on the same volume; close to \$0.06/Mw.
2.	Is there a potential for a true-up or rate adjustment?	TANC	J. Sanders	Only if FERC does not approve the charge before June 1 st .
			C. Snay	The rate will be different then it is now.

Convergence Bidding Overview

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	Do other ISO's also do a revenue credit in the following year?	TANC	D. Tretheway	The revenue credit is very similar to what other ISO's do today.
2	What have other ISO's rate designs looked like?	MID	D. Tretheway	All are of a per cleared MW basis; MISO, PJM ISO NE all follow this. After benchmarking, our rates are very similar to other ISO's.
3	Nodal bids?	SCE	D. Tretheway	There will be 10 bid segments. If you put a full bid in, the charge will be \$0.05 per bid segment.
4.	How did you derive the 9%?	TANC	D. Tretheway	Assume you have 100% of the costs for physical. Once you increment, the virtuals will be 10% more. Then what we need to do to recover would be 10%/110%.
5.	Why not just allocate 10% if the above is the assumption?	TANC	D. Tretheway	We are looking at a way to develop a forecasted rate as to how we would be calculating this going forward. What percentage is virtual and what percentage is physical. We could agree that we should do 10%, but based upon the other ISO's establishing the rate first, this is a straightforward methodology
6.	If the costs of Convergence Bidding are now going to be recovered in a unique way, is this going to be part of the cost of service discussion in 2011?	Dynergy	C. Snay	Yes, that is correct.

7.	Does the bid segment recover the 9%	MID	D. Tretheway	Not in the current year. In the following year we would credit from the previous year. The primary reason for per bid segment charge is to discourage Market Participants from fishing bids on all nodes.
8.	Is this a one-time thing in 2012?	SCE	C. Snay	In 2012 we will have to see how the cost of service study goes. We may make some small modifications. Some kind of charge will be in place.
9.	The \$0.08 charge reminds us of the MUFE charge. Why are we looking at a gross MW cleared but at MUFE we are looking at the greater of?	Citigroup Energy	C. Snay	An existing structure is in place for netting. This is a transition to prevent major cost shifts to a few market participants. We will pursue a gross charge for Convergence Bidding.
10.	Are all of the software costs for Convergence Bidding in the revenue requirement?	TANC	J. Cogdill	They are in the 2010 rate and are coming through bond funds.

GMC Revenue Requirement

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	For Convergence Bidding, is the CAISO contemplating a whitepaper describing all of the costs?	MID	M. Epstein	No. The costs are presented on the slide.
2	Could stakeholders request billing impact analysis for Convergence Bidding and how it will apply to them in 2011?	MID	C. Snay	We do not have data for Convergence Bidding yet.
4.	Will the half cent charge be credited in the following year but not the gross clearing charge?	TANC	M. Epstein	The clearing charge is just a recovery of costs.
5.	Since it is collected based on a specific charge code, will the tariff state which bucket the credit will apply to?	TANC	D. Tretheway	This is already in the tariff.

2012 Cost of Service Study

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	Is the ISO willing to have a subset of internal meeting for stakeholders to participate in?	TANC	M. Epstein	Our initial thoughts were to develop an internal proposal for June 18 th and have further discussion later on. We will have a white paper in the August timeframe but are open to taking your suggestion under review.
2	Is the ISO planning on using the Excel model?	TANC	M. Epstein	We are planning on using the model with some updates.
3	Is the internal team thinking about the new cost allocations? Have you been in contact with other ISO to see their approaches and strategies?	TANC	C. Snay	We have not done this, but we will look into it. We first want to determine what the definitions are and they will look to the allocations after that. Also, the internal team is looking at a lot of other options such as Activity Based Costing (ABC).
4.	Can you please explain the SMCR allocation based on the settlement charge?	SCE	M. Epstein	The SMCR has been allocated to different buckets and then based on that. This is the existing structure and is not anything new. Things will be changing in 2014 since all of the bonds will be paid off; costs will go away and the debt service will be paid off.
5.	Looking at other ISO's, I think that the update to the whitepaper should be focused on what their customer charge (GMC) would be.	TANC	C. Snay	We will be looking at this.
6.	Is this the case that there is a time recording system? Has this been implemented?	SCE	C. Snay	We now have ABC. We currently have 10 cost codes at a high level.

Additional Comments

#	Comment/Question/Suggestion	Stakeholder	CAISO Respondent	ISO's Initial Response/Views
1	Can you please elaborate on what the long term proposal is for the revenue ceiling?	TANC	M. Epstein	We do not have a long term forecast at this point in time. This is somewhere above the \$200 million mark, but we do not have an exact amount.
2	To what extent do you want to discuss a longer term revenue cap? I guess we would need to have some type of multi-year, big picture dollars for staffing to evaluate this?	TANC	M. Epstein	We will give you numbers to see where we are coming from. At the end of the process we will want to talk about the longer term visions and new mapping.
3	It appears that in developing the billing determinants that you have not taken price elasticity into consideration. Now that you have ten years of data, do you think you should be more sophisticated?	TANC	M. Epstein	If we subtract the ten years of old market data, we will only have one year of new market data by the middle of 2011 and we will only have eighteen months of data for 2012

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the above-referenced proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C. this 21st day of December, 2010.

/s/ Bradley R. Miliauskas
Bradley R. Miliauskas