

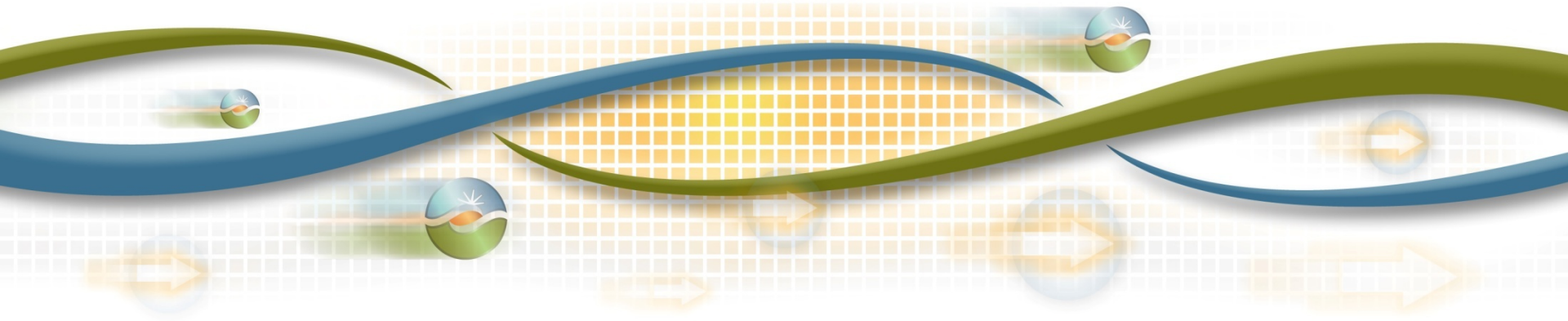


California ISO
Shaping a Renewed Future

Decision on 2013 Budget

Ryan Seghesio
Chief Financial Officer and Treasurer

Board of Governors
General Session
December 13-14, 2012



The budget development timeline extends from June through December.

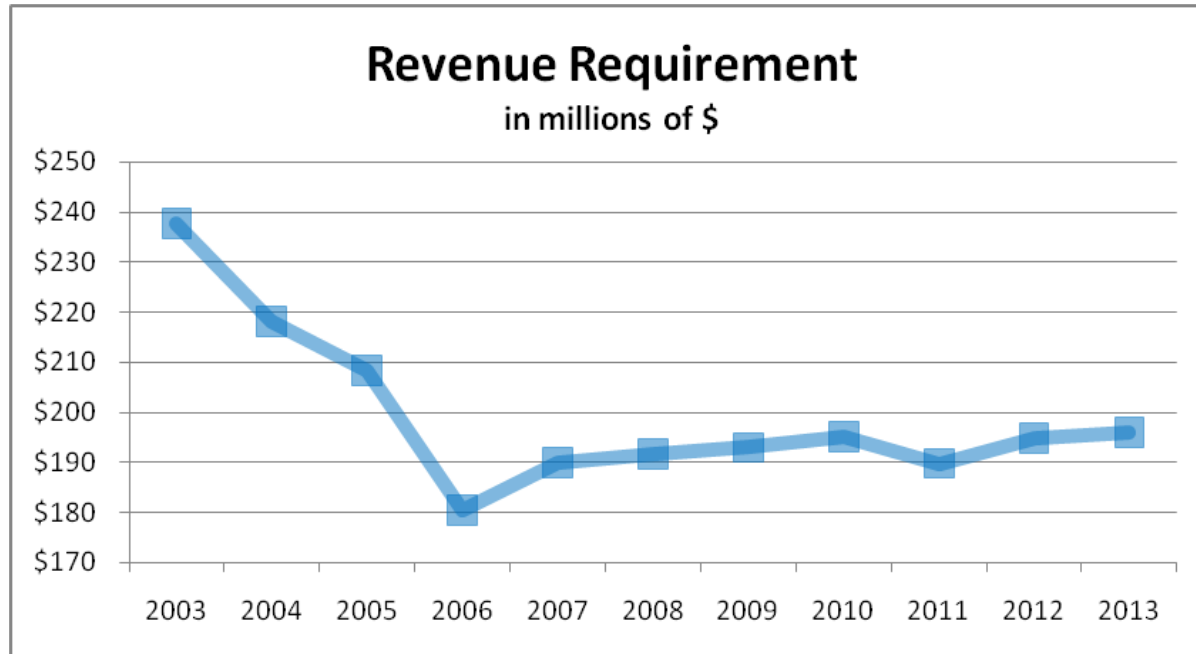
Previous Events	Date
Introduction of budget process to stakeholders	June 2012
Internal budgeting process	June – December
Board review of preliminary budget (Executive Session)	September 2012
Preliminary budget posted to public website	September 2012
Stakeholder budget workshop	October 2012

Upcoming Events	Date
Board decision on budget (General Session)	December 2012
Posting of grid management charge rates	December 2012

The proposed budget exhibits fiscal discipline while providing for the ISO's long-term viability.

- Absorbs increased labor costs
- Allows for an increase in cash funded capital
- Allows for the continued delivery of more market functionality

Management proposes the revenue requirement to increase to \$196 million.



- Nearly 18% lower than its peak in 2003
- Only a 3.2% increase over the last seven years
- \$3M under the \$199M FERC approved rate cap

The proposed revenue requirement is up modestly to fund capital expenditures.

Revenue Requirement Component (\$ in millions)	2012 Budget	2013 Proposed Budget	\$ Change
Operations & Maintenance budget	\$163.0	\$162.9	\$(0.1)
Miscellaneous revenue	(8.4)	(7.9)	0.5
Debt service (including 25% reserve)	46.3	42.5	(3.8)
Cash funded capital	17.0	24.0	7.0
Revenue credit	(23.1)	(25.5)	(2.4)
Total Revenue Requirement	\$194.8	\$196.0	\$1.2
Transmission volume in TWh	242.4	244.8	2.4
Pro-forma bundled GMC in \$ per MWh	\$0.80	\$0.80	(NM)

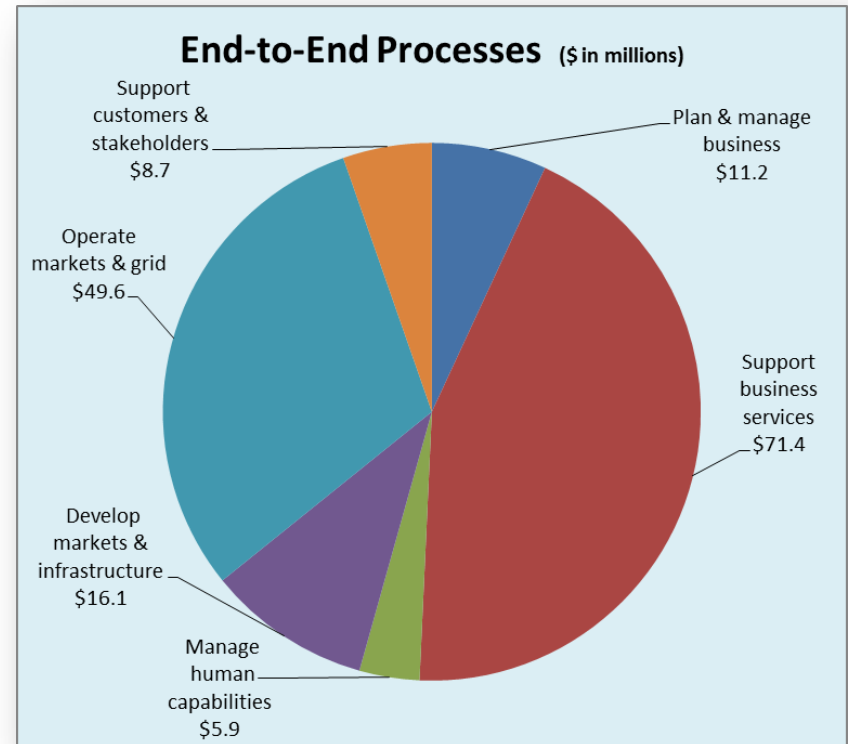
The proposed O&M budget decreases by \$0.1 million, to \$162.9 million.

O&M Budget by Resource (\$ in millions)

	2012 Budget	2013 Proposed Budget	\$ Change
Salaries and benefits	\$113.5	\$115.0	\$1.4
Facility operating costs and equipment leases	8.1	4.0	(4.1)
Telecommunication and maintenance costs	15.2	15.6	0.4
Consultants and contract staff	10.8	11.9	1.0
Outsourced and other contracts and professional fees	8.5	9.4	1.0
Training, travel, and other costs	7.0	7.1	0.2
Totals <i>(Detail may not sum to totals due to rounding)</i>	\$163.0	\$162.9	\$(0.1)

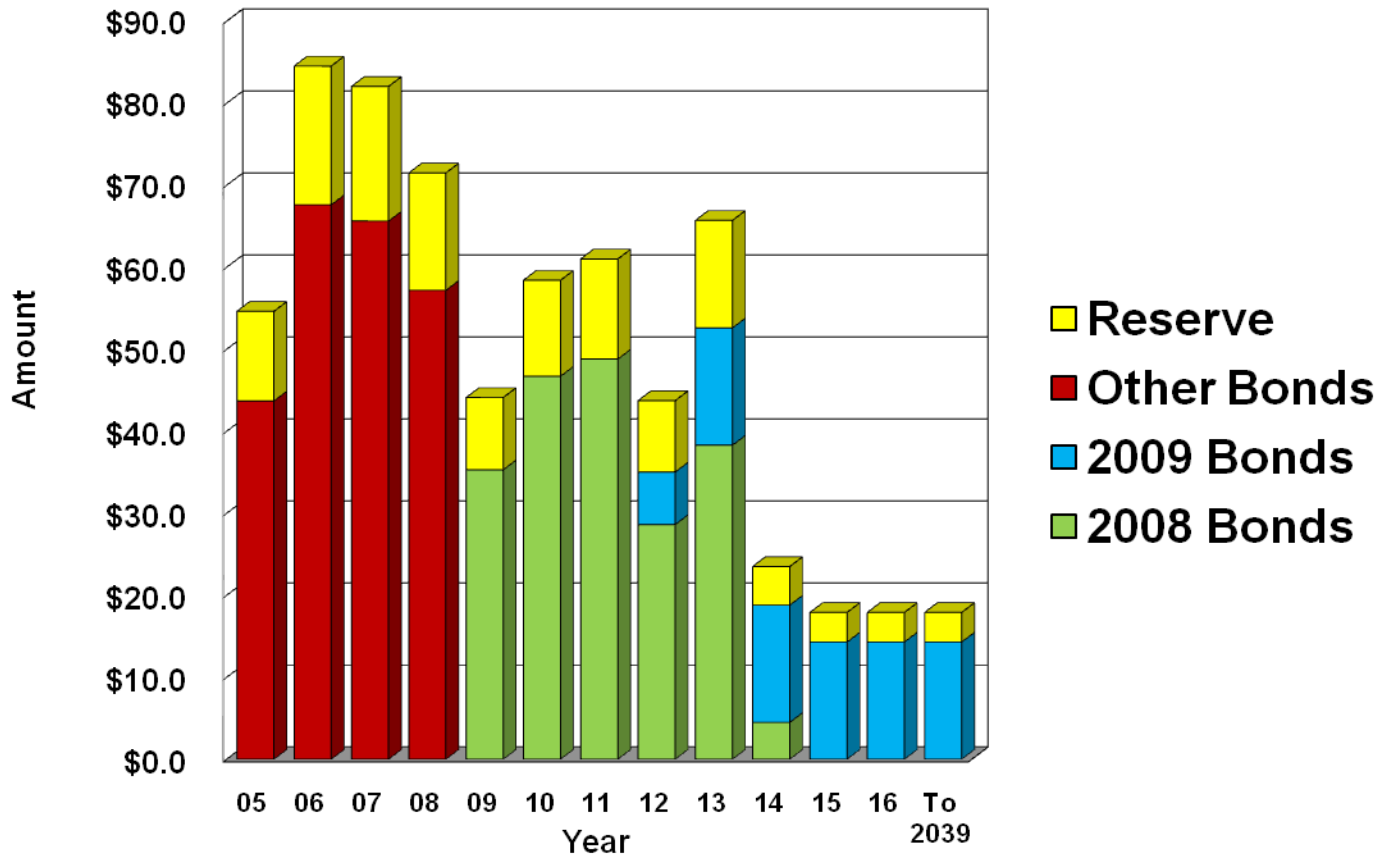
We have implemented, and are leveraging, an activity based costing structure for further transparency.

- Activity based costing (ABC) commenced third quarter of 2009
- Six summary activities were identified at the first level
- Level II activities are now fully implemented
- ABC will provide further insight into resource utilization



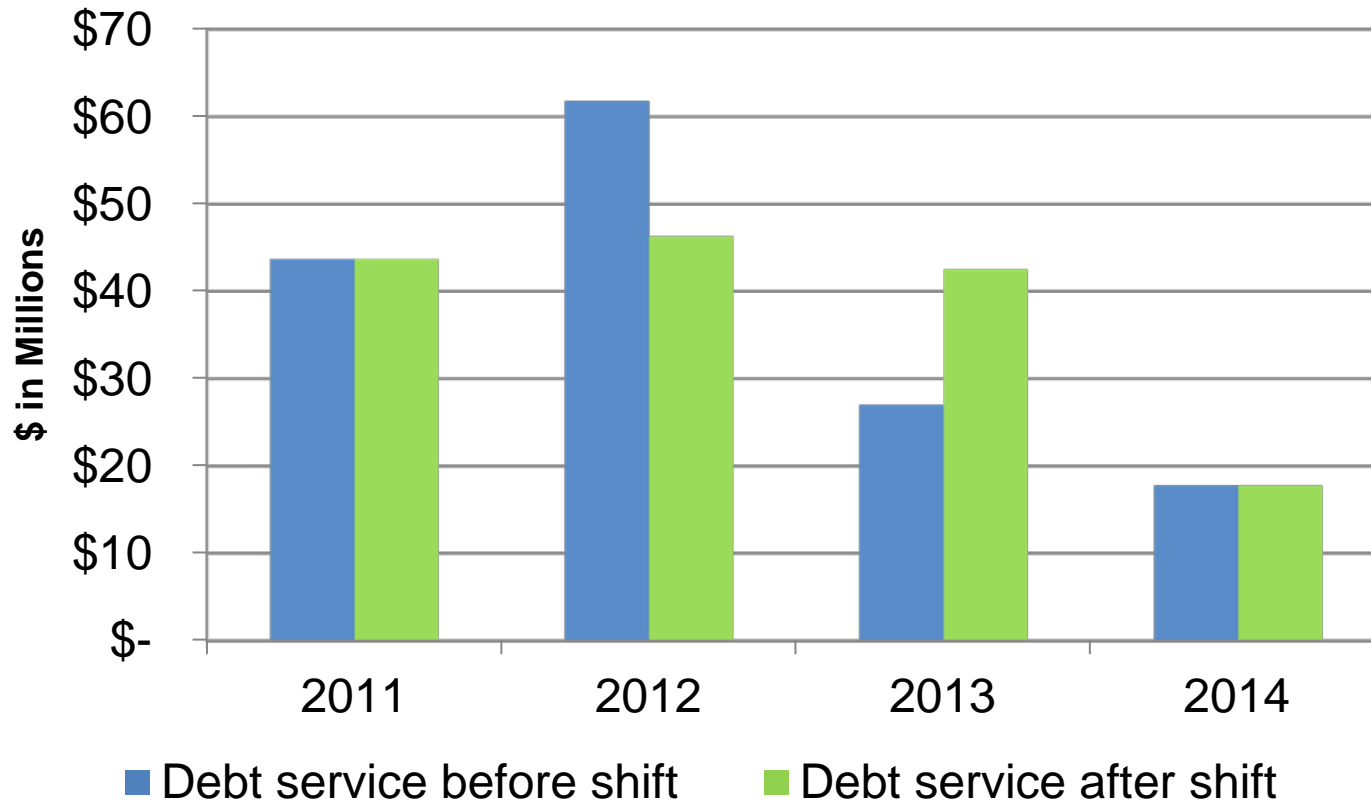
Debt service collections will decrease by \$3.8 million.

Net Debt Service with 25% Reserve (\$ in millions)



Note: Collections for 2013 debt service were split between 2012 & 2013 revenue requirement.

Debt service collection adjustment in 2012 shifted \$16M of debt service collections to 2013 budget.



Capital/project budget continues to be funded through the revenue requirement.

- Proposed revenue requirement contains a \$24 million cash funded capital component
- Total project approvals are targeted at \$19.5M for further market enhancements and regular capital
- Detailed draft of capital project list contained within the budget document

The proposed grid management charge rates are listed below.

Charge / Fee name	2012 rate	2013 rate	Change	Billing Units
Market Services	\$0.0851	\$0.0931	\$0.0080	MWh
System Operations	\$0.2845	\$0.2872	\$0.0027	MWh
CRR Services	\$0.0170	\$0.0135	\$(0.0035)	MWh
Bid segment fee	\$0.005	\$0.005	-	Bid segment
Inter-SC trade fee	\$1.00	\$1.00	-	Inter-SC Trade
CRR auction bid fee	\$1.00	\$1.00	-	Awarded CRR
TOR charges fee	\$0.27	\$0.27	-	MWh on TORs
Monthly SC-ID fee	\$1,000	\$1,000	-	Per month

CRR = Congestion Revenue Rights; SC = Scheduling Coordinator ; TOR = Transmission Ownership Rights