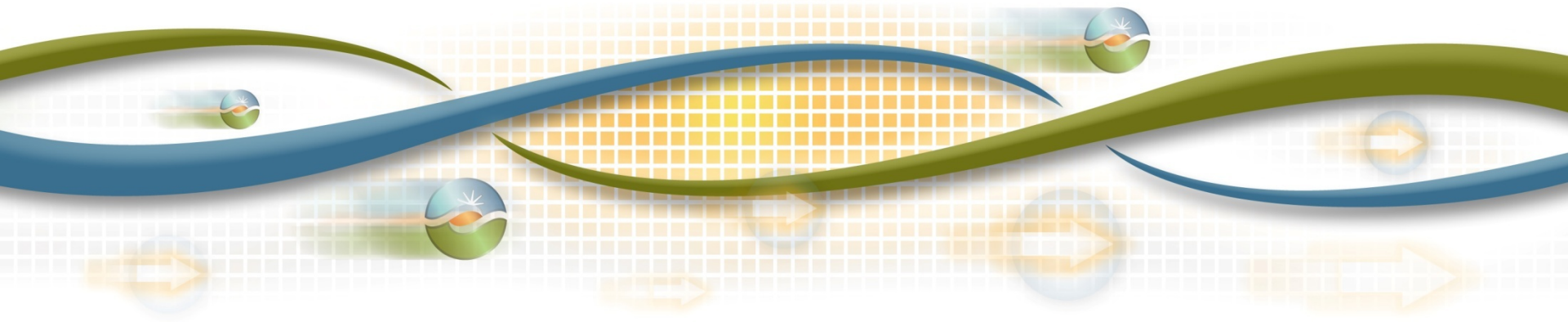


# 2015 Budget Initial Stakeholder Meeting

June 17, 2014

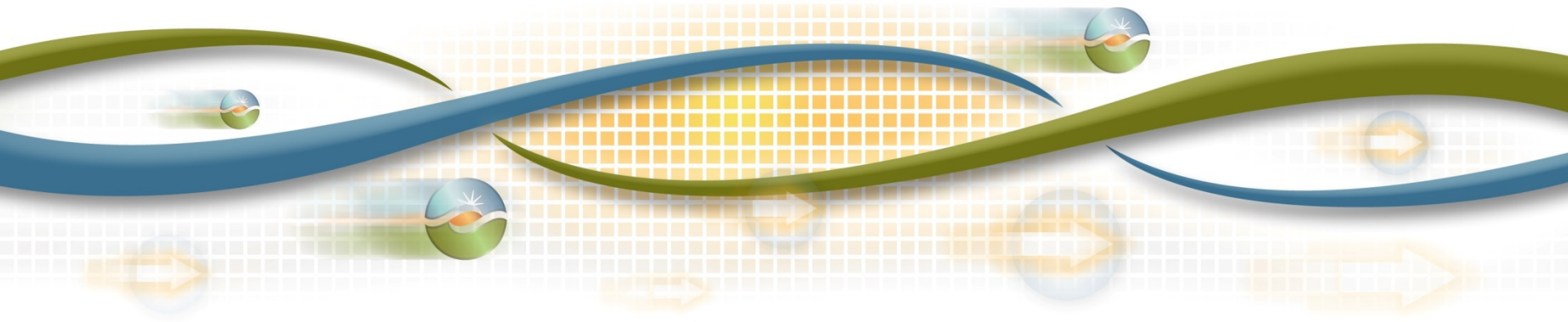


# Agenda

TOPIC	PRESENTER
Introduction & budget principles	Ryan Seghesio
2015 Budget process & GMC rate outlook	Michael Epstein
Managing employee compensation	Rebecca Regan
2014 - 2015 Project release plans	Janet Morris
2013 & 2014 Project summaries	Jan Cogdill
2013 & 2014 Q1 Financial summary	Denise Walsh
2015 Budget calendar & next steps	April Gordon
Stakeholder feedback & discussion	Group

# Budget Principles

Ryan Seghesio  
CFO and Treasurer

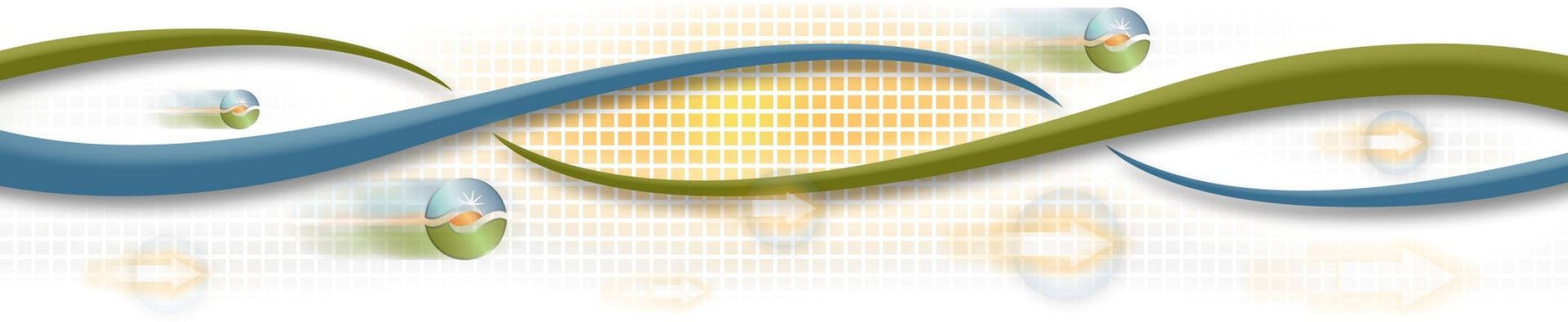


# 2015 Budget Principles

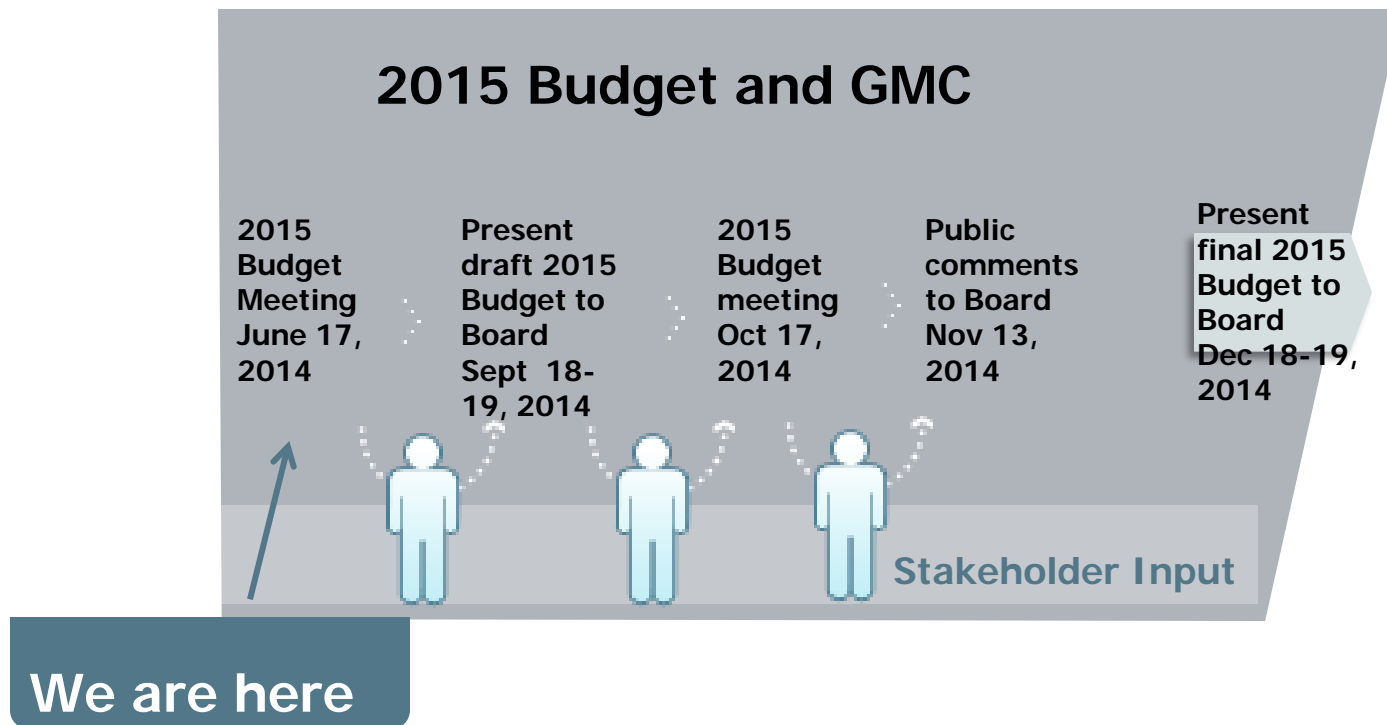
- Provide transparency of the budget process
- Enhance stakeholder understanding of the budget
- Gather stakeholder input to the budget
- Maintain fiscal discipline
- Accommodate relevant strategic plan initiatives
- Deliver a revenue requirement under cap

# Budget Process and Rate Outlook

Michael Epstein  
Director, Financial Planning

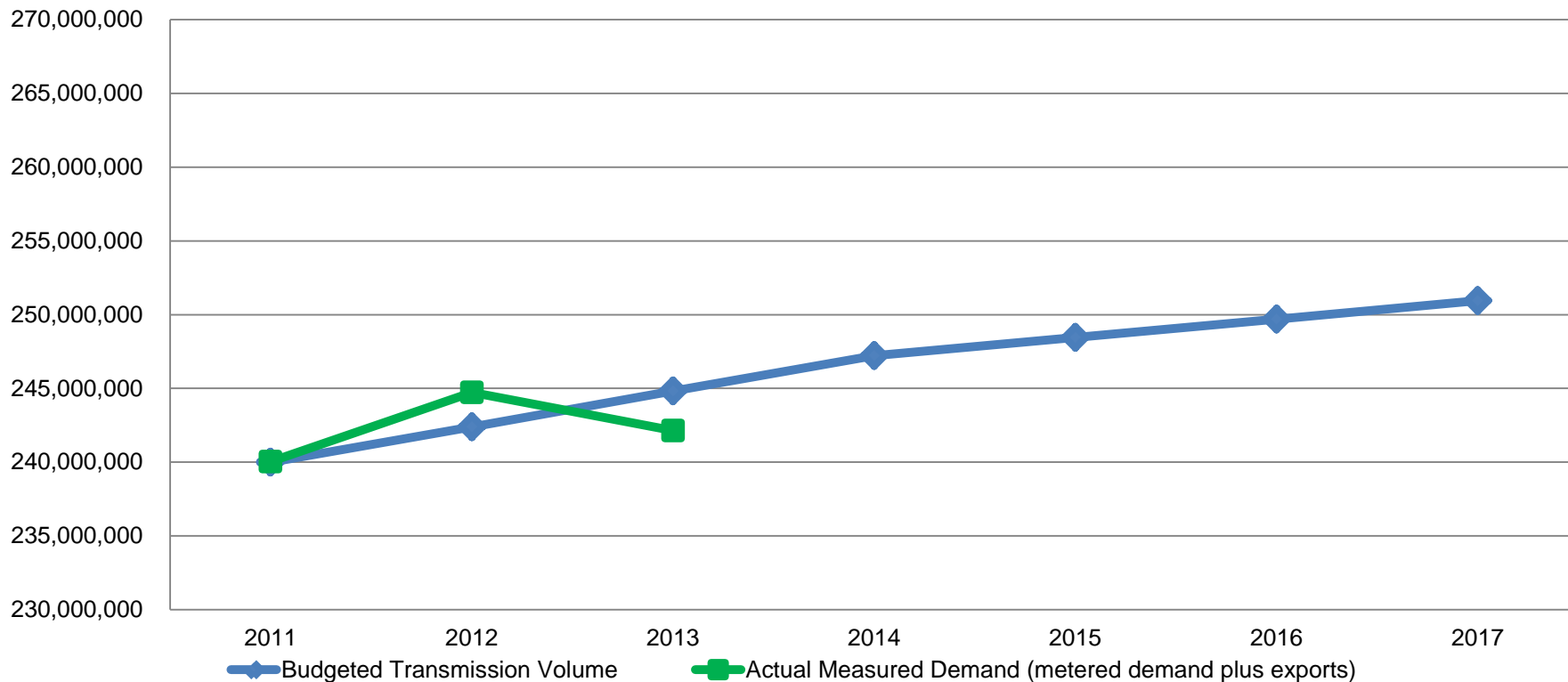


# Timeline for 2015 Budget and GMC Rates



# GMC Outlook– Transmission Volume

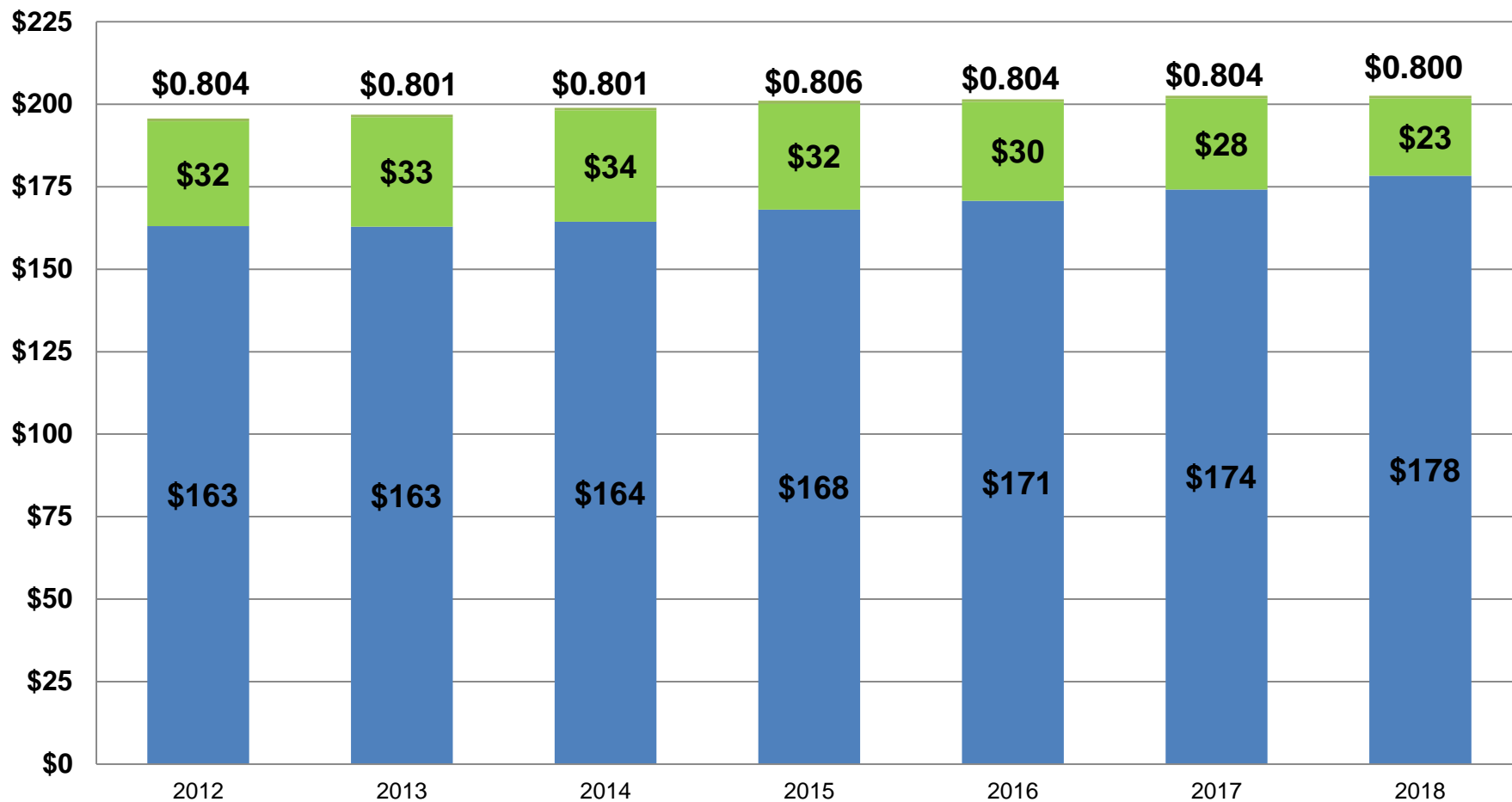
**Budgeted vs Actual Load in MWhs  
2011 through 2017**





# GMC Outlook– Revenue Requirement

Revenue Requirement (in millions of \$)  
Actual through 2014 and Projected through 2018

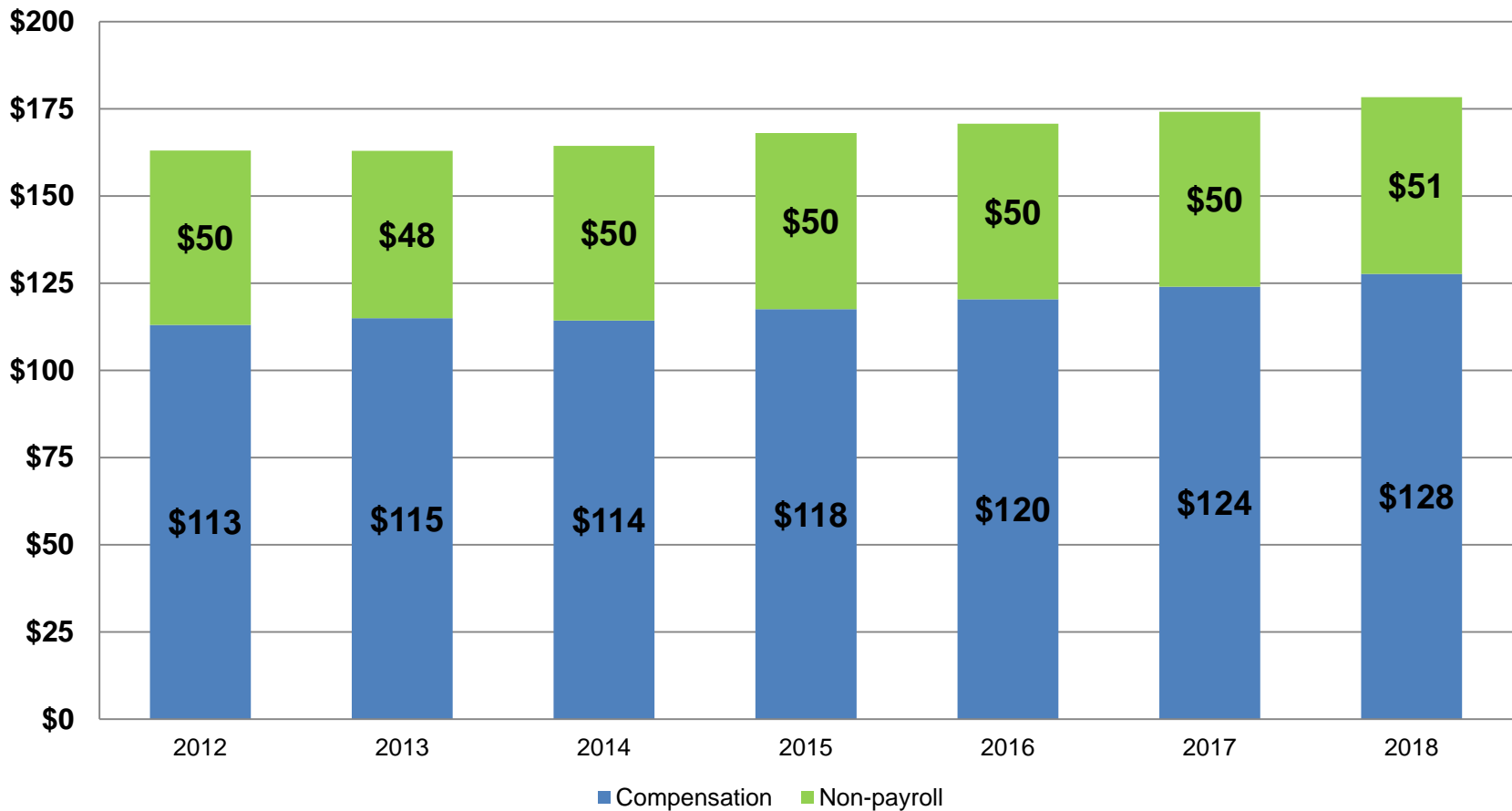


■ O&M Budget ■ Debt service, cash funded capital, operating reserve credit & other income ■ Pro-Forma Bundled GMC in \$ / MWh



# GMC Outlook– O&M Budget

**Components of O&M (\$ in millions)**  
**Actual through 2014 and projected through 2018**



# GMC Outlook – Rate Changes

## Adjustments effective June 1, 2014

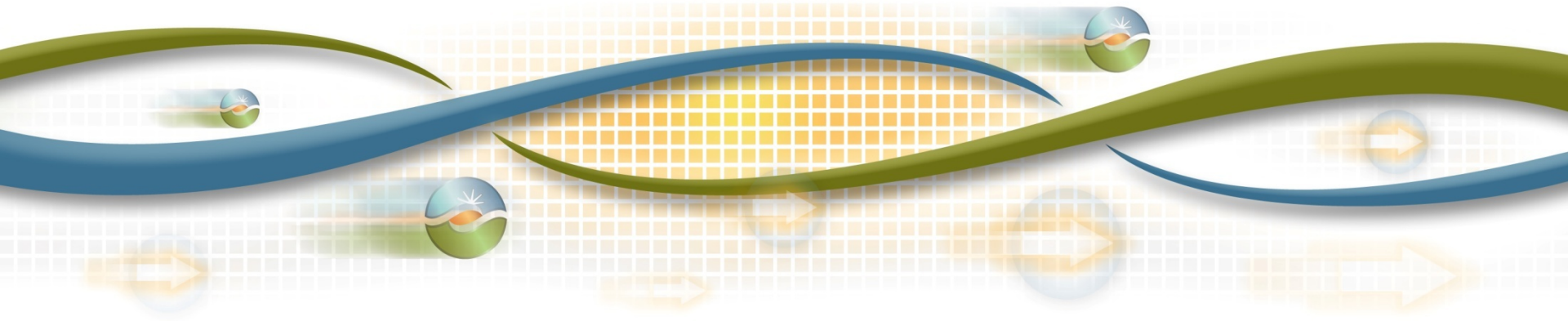
- Market Services – no change
- System Operations – no change
- Congestion Revenue Rights (CRR) Services
  - Rate decreased from \$0.0112 to \$0.0073 or \$0.0039
  - Projected revenue \$10.3M or \$3.0M higher than budgeted revenue of \$7.3M
  - Due to more activity than projected

## GMC rate outlook remainder of year

- Market Services – running near \$1M threshold
- System Operations – running at 70% of 2% threshold
- CRR Services – adjusted June 1, 2014

# Managing Employee Compensation

Rebecca Regan  
Executive Director, Human Resources

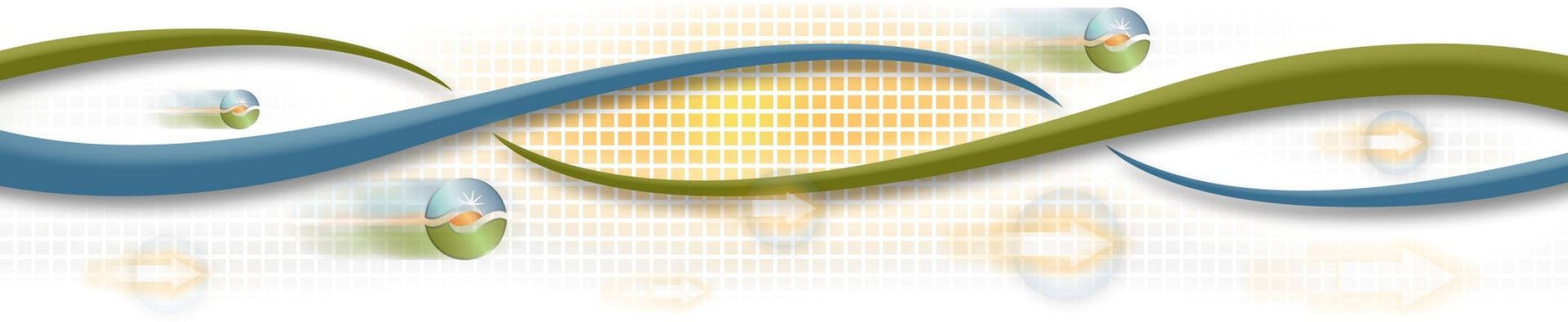


# Managing employee compensation reflects ISO people strategy to attract, train, motivate and retain top talent.

- **Competitive Pay**
  - Market pay practices
  - Bi-annual salary surveys covering 100% of ISO positions
- **Strong Performance Management Program**
  - Individual performance plans
  - Stretch objectives
  - Ongoing feedback, coaching and support
- **Pay for Performance Philosophy**
  - Year-end evaluation of performance results against objectives
  - Differentiation of merit dollars based on performance
  - High Performance Goals aligned to meet annual Corporate objectives
- **3% Budgeted Merit**
  - Optimal utilization of available merit dollars
  - Not all employees receive pay increases

# 2014 - 2015 Project Release Plans

Janet Morris  
Director, Program Office



# Release planning information is updated and discussed regularly throughout the year.

Release planning page:

<http://www.caiso.com/informed/Pages/ReleasePlanning/Default.aspx>

- Master Stakeholder Engagement Plan:  
<http://www.caiso.com/Documents/MasterStakeholderEngagementPlan.pdf>
  - Policy and implementation initiatives
  - Updated on the first of each month
  - Multi-year time horizon
- Market Performance and Planning Forum
  - Every eight weeks
  - Technical and release plan updates
- Release Users Group
  - Bi-weekly updates to release plan
  - Interactive review of project impact assessment and milestones
- Technical Users Group – Technology Roadmap  
[http://www.caiso.com/Documents/ExternalTechnologyRoadmap\\_TUGWebConferenceJune5\\_2012.pdf](http://www.caiso.com/Documents/ExternalTechnologyRoadmap_TUGWebConferenceJune5_2012.pdf)

# The 2015 Release Plan includes several approved policy initiatives and other high priority projects.

- **Spring 2015 – Maintenance Release**
  - No major functional changes
  - Enhancements or other changes required for summer operations
  - Minor design changes resulting from the Fall 2014 release
  - Other system maintenance as needed
  - Circular Scheduling
  - Many to Many Substitution/App Consolidation
  - Convergence Bidding at the Interties



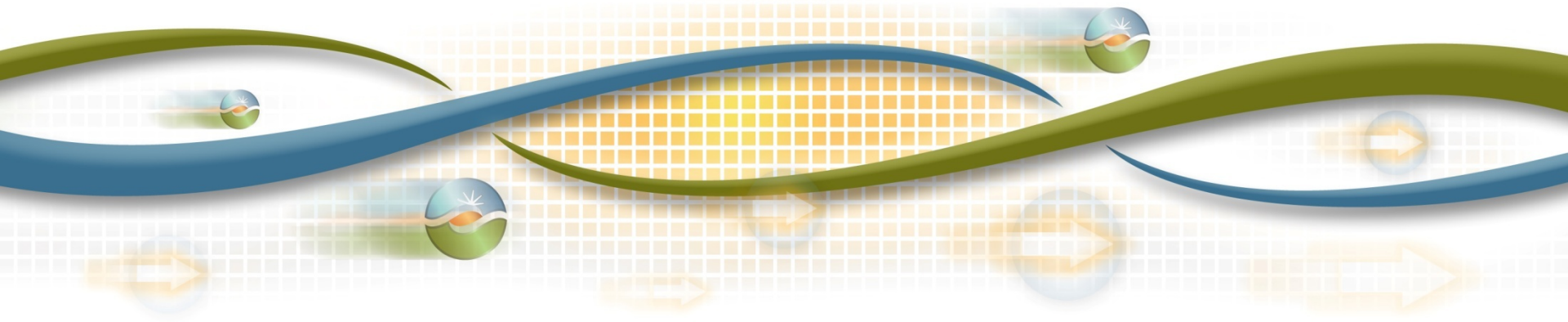
# The 2015 Release Plan Continued

- **Fall 2015 – Functional Release**
  - Energy Imbalance Market (EIM) NV Energy
  - BAL-003 Compliance (Frequency Response)
  - Subset of Hours
  - RIMS functional enhancements
  - OMAR replacement project
  - ADS User Interface Replacement and Web Service Standardization
  - Expanding Metering and Telemetry Options
  - Reliability Services Initiative - tentative based on policy phase
  - Flexible Ramping Product – tentative based on policy phase
- **Subject to further release planning:**
  - Commitment Costs Enhancements

# Project Summaries

Jan Cogdill

Lead Financial Planning



# Summary of Projects 2013-2014

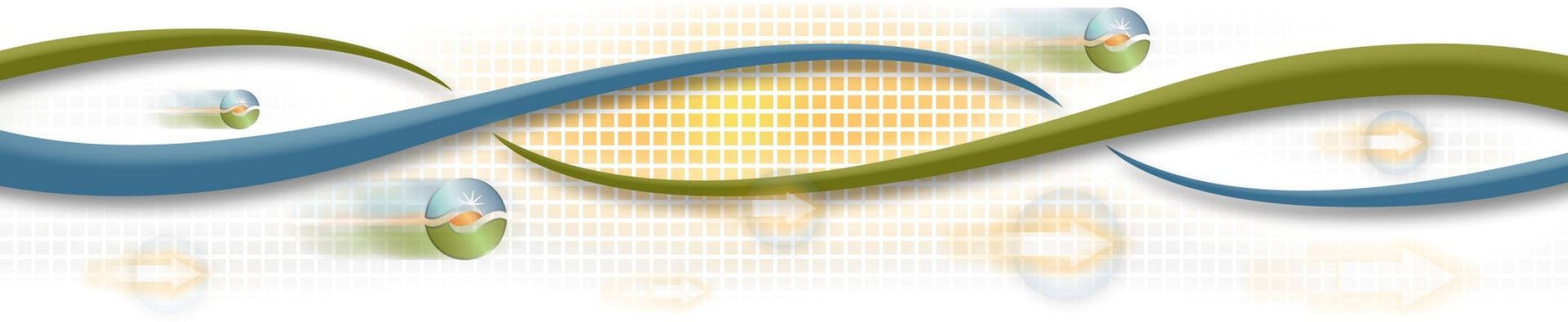
- Projects completed from May 2013 to March 2014
  - 22 Capital projects completed
    - actual costs \$10.2M vs. budget of \$10.6M
  - 19 Requirements & other projects
    - actual costs \$748K vs. budget of \$894K
- Active projects as of March 31, 2014
  - 28 Capital Projects
    - budgeted costs \$26.5M, YTD spent \$9.8M
  - 24 Requirements & other projects:
    - budgeted costs \$7.1M, YTD spent \$2.6M
  - FERC and PAC EIM implementation
    - budgeted costs \$3.6M, YTD spent \$12K

# The 2014 and 2015 capital and projects budget

- 2014 project budget
  - Approved at \$24.0M
- 2015 budget
  - Targeted at \$18.0M
  - Excess of 60 proposed projects will be prioritized to meet final budget limit
- EIM implementation budget for Nevada of \$1.1M

# 2013 & 2014 Q1 Financial Summary

Denise Walsh  
Controller

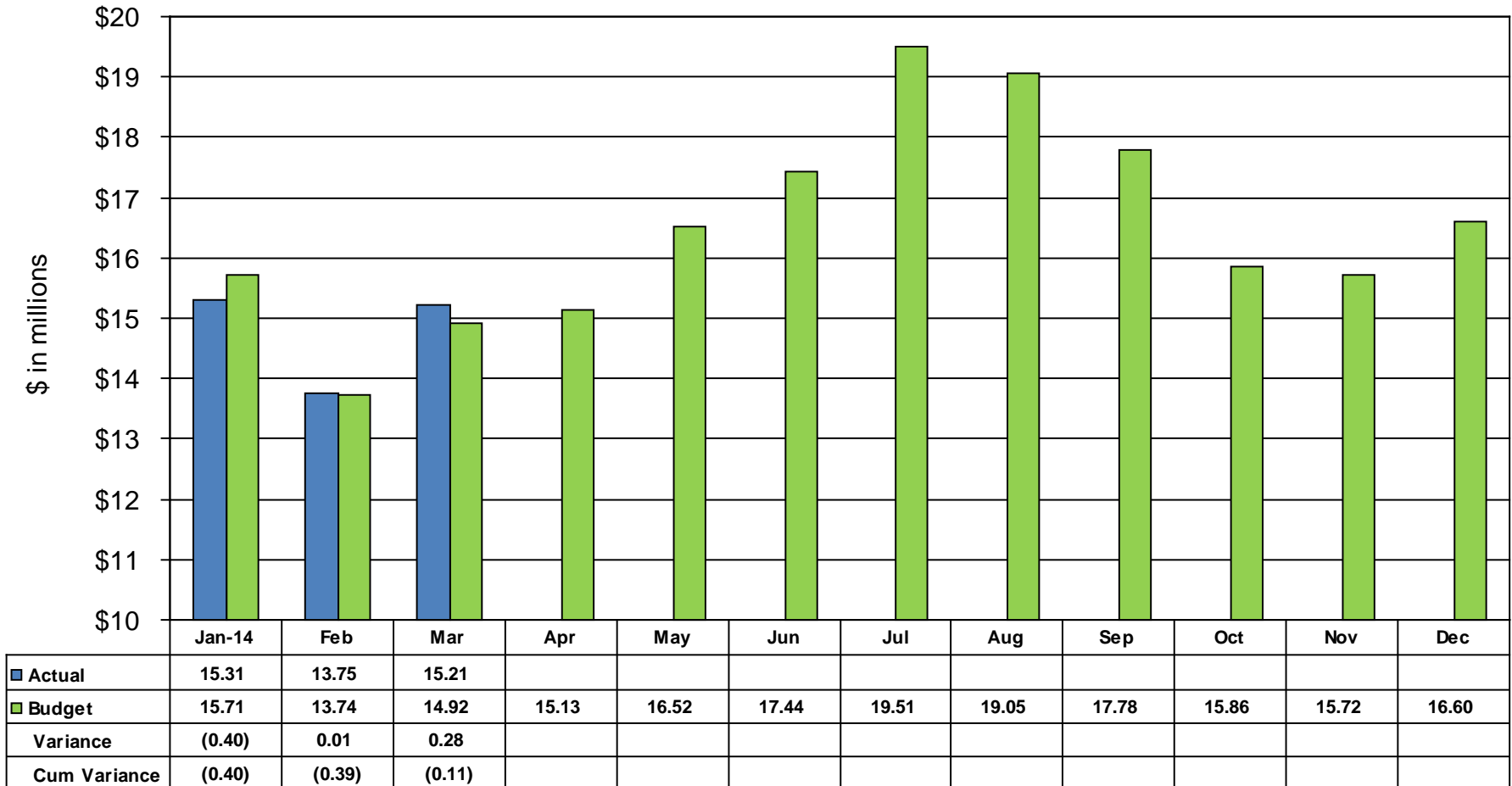


# 2013 Highlights

Key components of the 2013 actual to budget results:

- Operating revenues = \$200.2 million vs. \$202.1 million
  - Lower miscellaneous revenues
- Operating expenses = \$160.7 million vs. \$162.9 million
  - Lower personnel expenses and outside legal costs offset by higher consulting and contracting services
- Capital Expenditures = \$7.8 million vs. \$18.3 million (approved)
  - Original budget was \$19.5 million

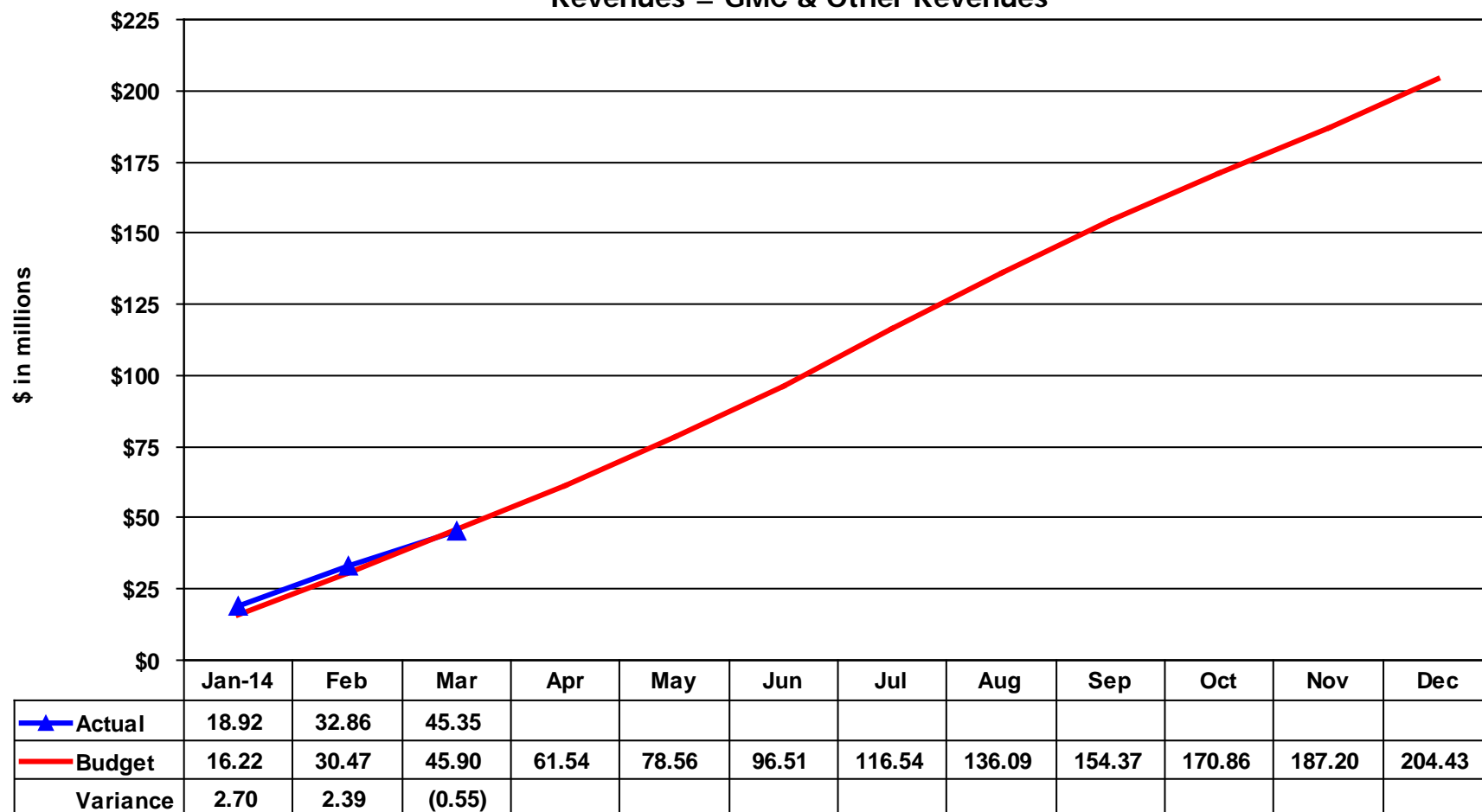
# Q1 2014 Monthly GMC Revenues



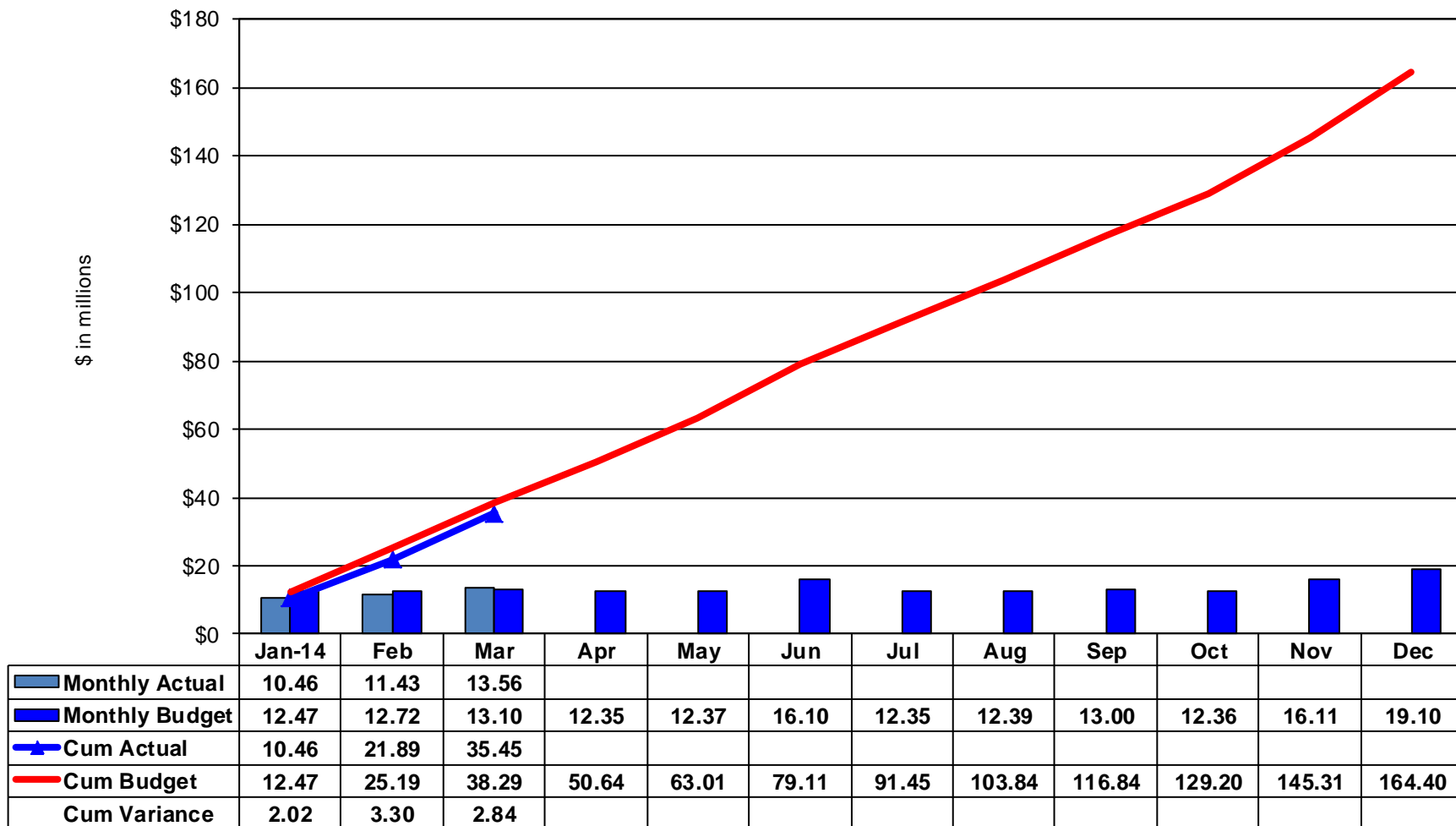


# Q1 2014 Cumulative Operating Revenues

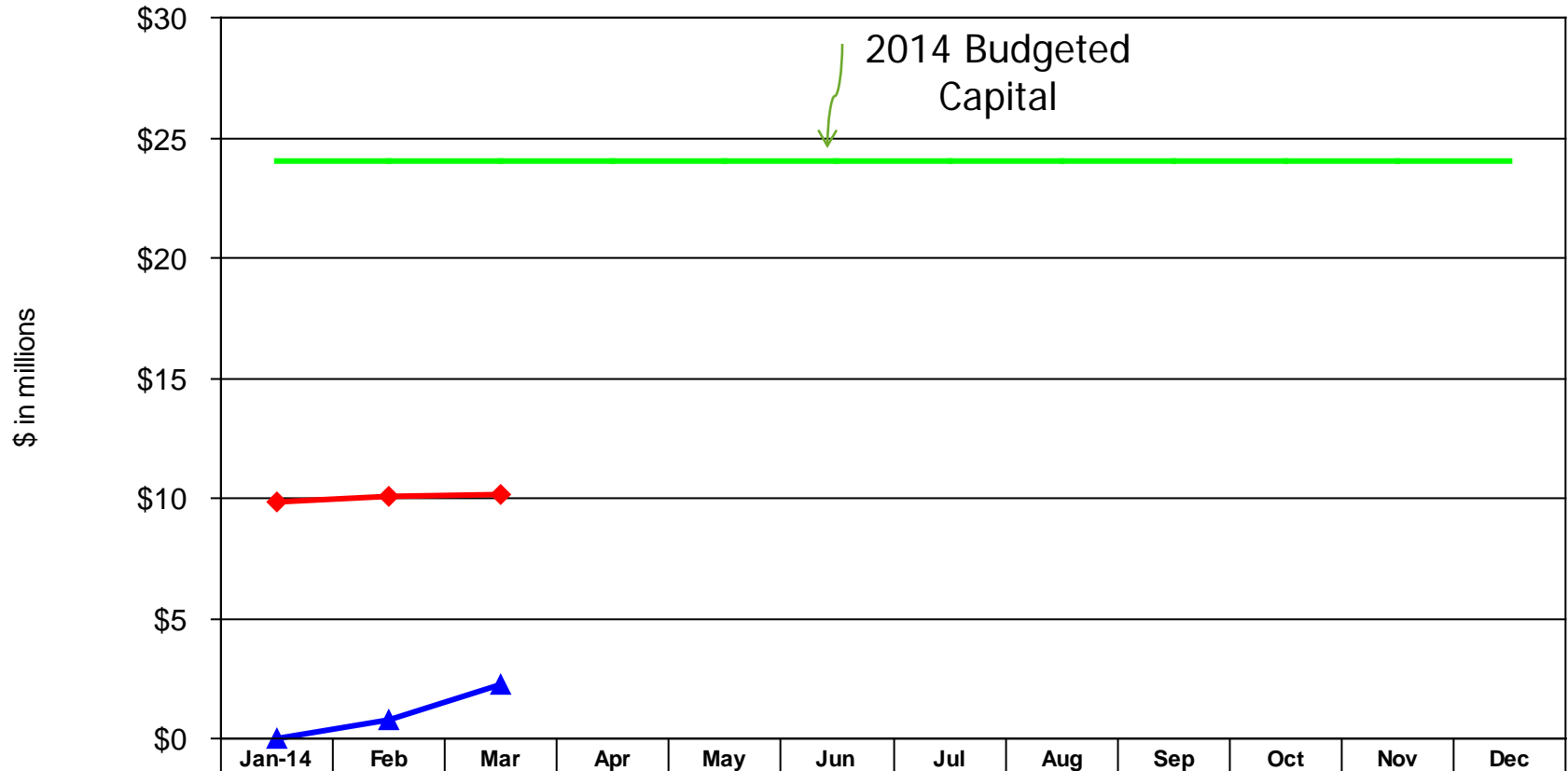
Revenues = GMC & Other Revenues



# Q1 2014 Operating and Maintenance Expenses



# 2014 Cumulative Capital Expenditures

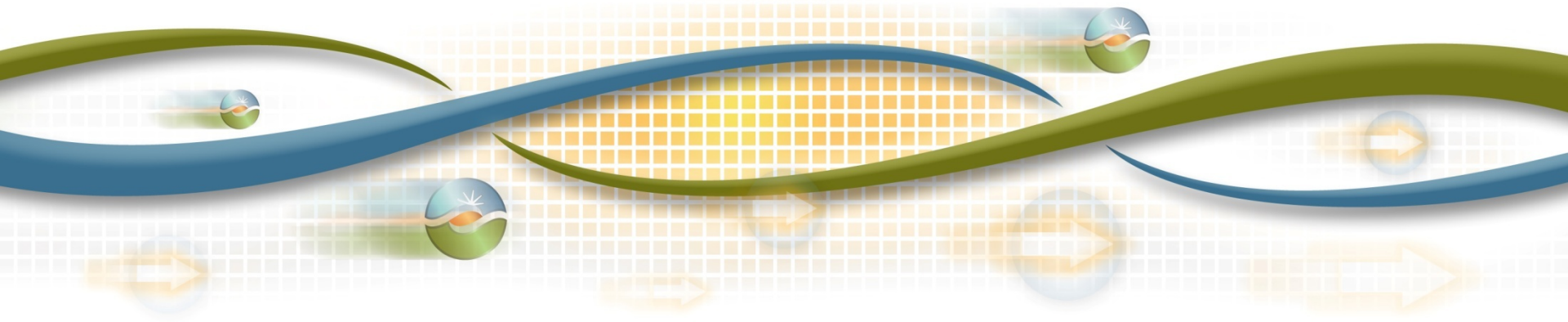


	Jan-14	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cumulative Expenditures	0.00	0.78	2.22									
Budgeted capital	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Approved projects	9.86	10.11	10.16									

# Budget Calendar & Next Steps

April Gordon

Lead Financial Analyst



# Key calendar dates and next steps

- Stakeholder comments due June 24
  - Send to [gmc@caiso.com](mailto:gmc@caiso.com)
- Internal budget process June - Sept
- Board of Governors meeting Sept 18 -19
  - Present preliminary 2015 budget
- Post 2015 budget information for stakeholders Sept 26
- Stakeholder meeting to review preliminary budget Oct 17
- Written Stakeholder comments due to ISO Oct 24
- Board of Governors meeting Nov 13-14
  - Public comments to board on 2015 budget
- Board of Governors meeting - approval of 2015 budget Dec 18-19
- Post rates and budget documentation to ISO website Dec 26