



California ISO

2019 Budget and Grid Management Charge Initial Stakeholder Meeting

July 24, 2018

Agenda

Topic:

Welcome and Introductions

2019 Budget Process & GMC Rate Outlook

Managing Employee Compensation

Project Release Plans

Project Summaries

Financial Summaries

2019 Budget Calendar & Next Steps

Stakeholder Feedback & Discussion

Presenter:

Kristina Osborne

April Gordon

Doreen Fender

Brett Bruderer

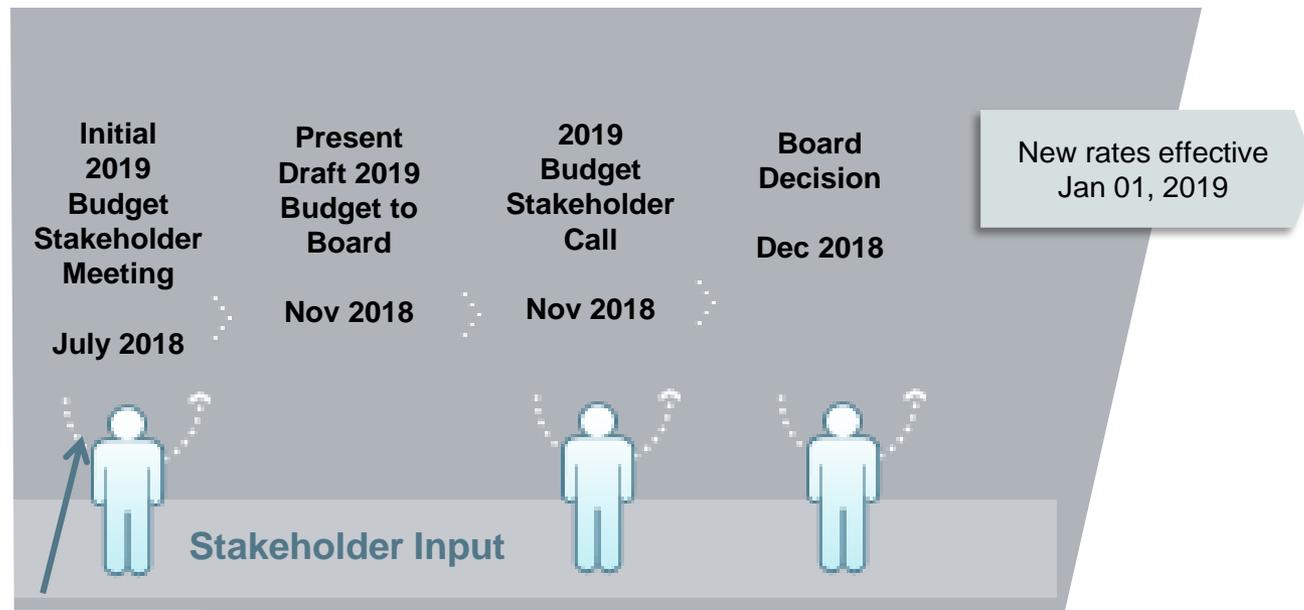
Jan Cogdill

Denise Walsh

April Gordon

Group

2019 Budget and GMC Rates Timeline



We are here

Budget Process and Rate Outlook

April Gordon

Director, Financial Planning and Procurement

Principles and Hot Topics

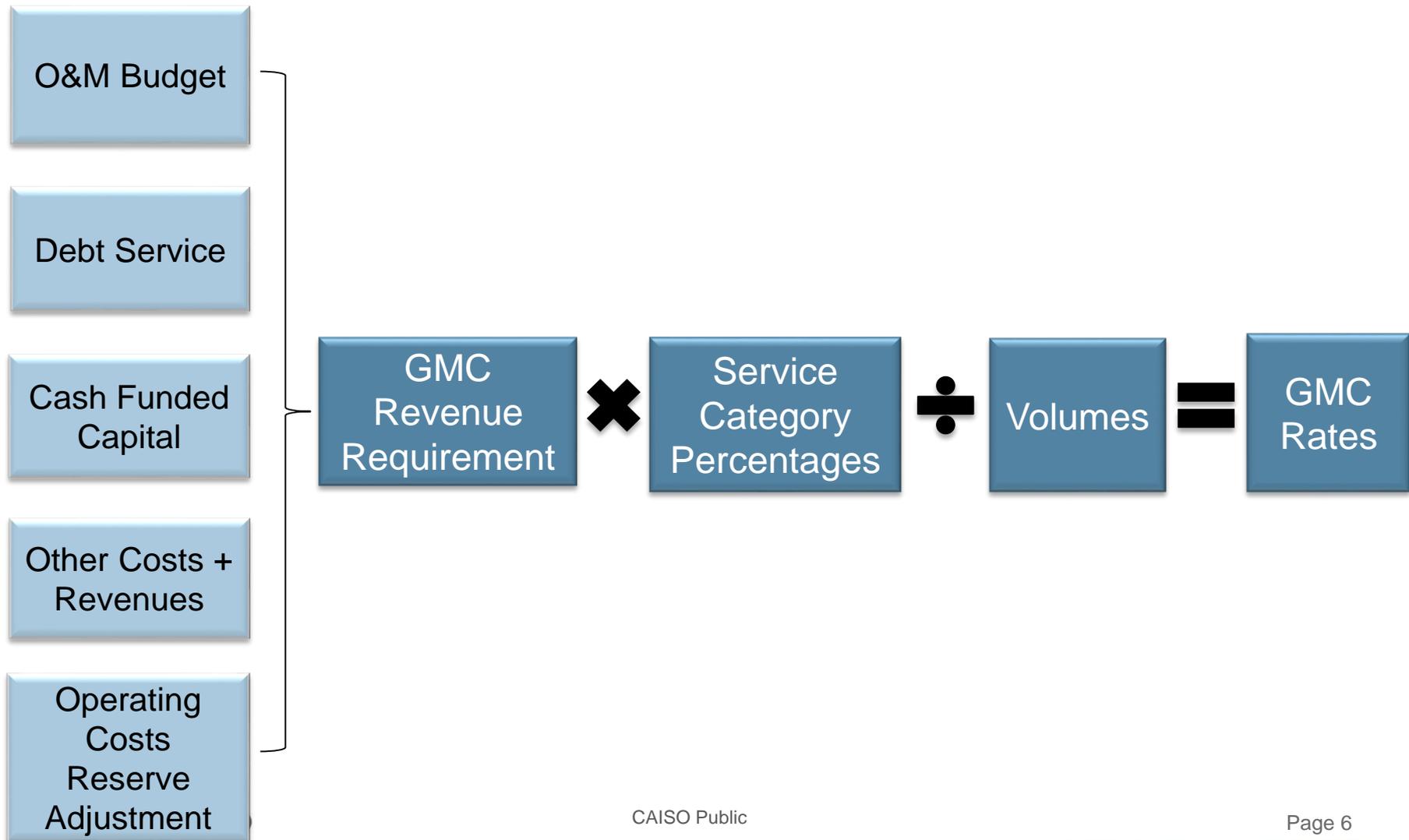
Principles

- Provide transparency into the budget process
- Enhance stakeholder understanding of the components of the revenue requirement
- Deliver a GMC revenue requirement under the \$202 million cap

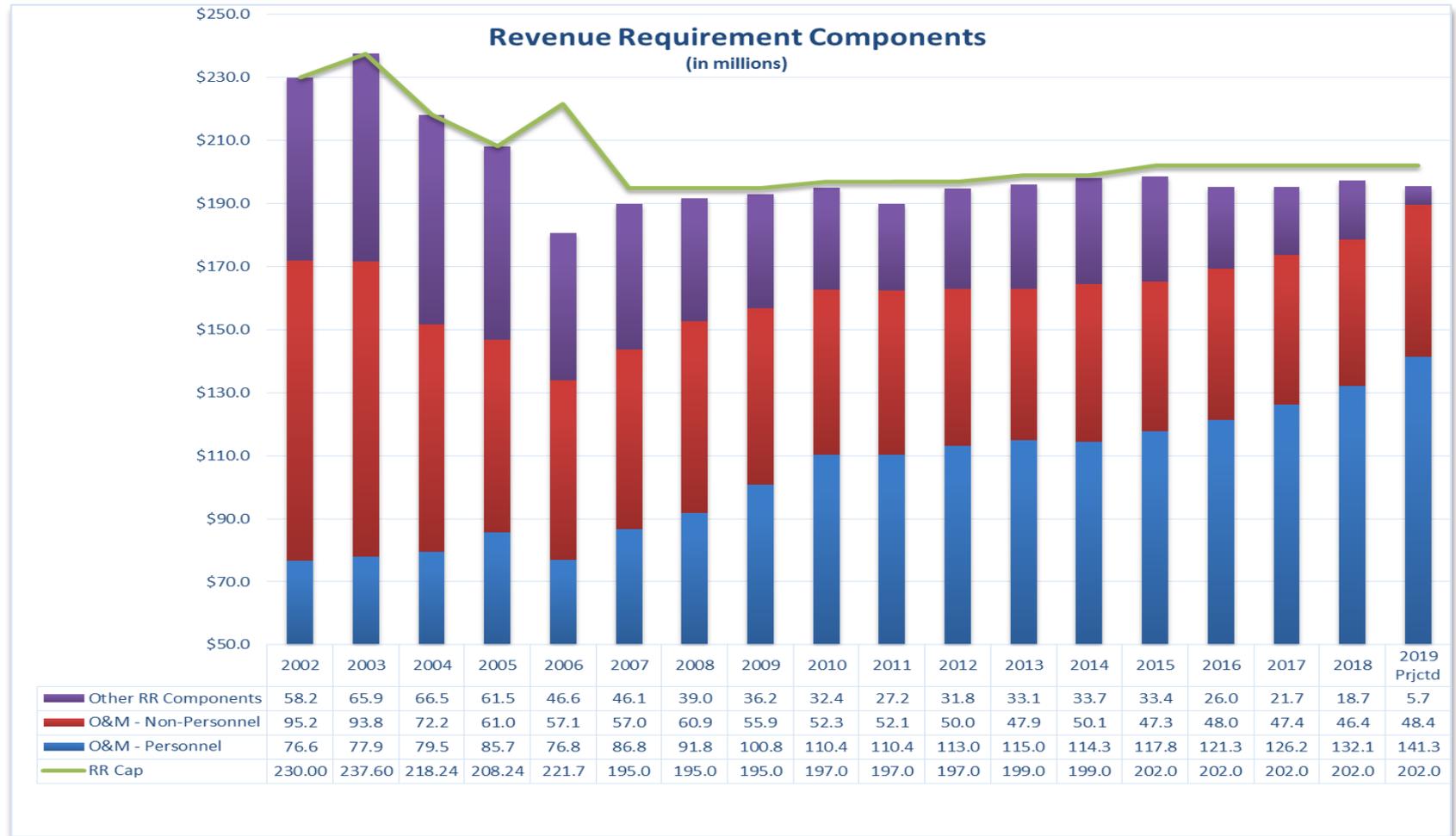
Hot Topics

- Launch Reliability Coordinator Services
- Summer 2018 GMC rate increase

GMC Revenue Requirement Components



Annual revenue requirement projected to remain under \$202M cap



Managing Employee Compensation

Doreen Fender

Manager, Compensation and Systems

Managing employee compensation reflects ISO philosophy to attract, train, motivate and retain top talent.

- **Competitive Pay**
 - Market pay practices
 - Bi-annual salary surveys covering 100% of ISO positions
- **Pay for Performance Philosophy**
 - High Performance Goals aligned to meet annual Corporate objectives
 - Year-end evaluation of performance results against objectives
 - Differentiation of merit dollars based on performance
- **Strong Performance Management Program**
 - Individual performance plans
 - Stretch objectives
 - Ongoing feedback, coaching and support
- **3.25% Budgeted Merit**
 - Optimal utilization of available merit dollars
 - Not all employees receive pay increases

Budget Release Plans

Brett Bruderer

Manager, Program Lifecycle and Project Processes

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

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

- **Stakeholder Initiative Milestones**

- <http://www.caiso.com/Documents/StakeholderInitiativeMilestones.xlsx>
- 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**

- Monthly discussion forum of technical topics
- Brainstorm and evaluate solutions for technology and process based problems

Release Plan – 2019

Independent 2019

- Automated Dispatch System (ADS) User Interface (UI) Replacement
- Black Start and System Restoration Phase 2
- FERC 844: Uplift Cost and Transparency
- Reliability Coordination Services Implementation

Spring 2019

- EIM 2019 Balancing Authority of Northern California (BANC) / SMUD

Release Plan – 2019

Fall 2019 – tentative, subject to impact assessment

- Contingency Modeling Enhancements -Transmissions
- Commitment Costs and Default Energy Bid Enhancements (CCDEBE)
- Flexible Resource Adequacy Criteria and Must-offer Obligation (FRACMOO) Phase 2
- Energy Storage and Distributed Energy Resources (ESDER) Phase 3
- Review of RMR and CPM
- Excess Behind the Meter Production
- Intertie Deviation Settlement
- EIM Enhancements 2019
- Storage as a Transmission Facility
- Day-Ahead Market Enhancements
- Clarification of Tariff Rules Regarding Following DOT

Release Plan – 2020 and beyond

Spring 2020

- Energy Imbalance Market (EIM) 2020 Salt River Project
- Energy Imbalance Market (EIM) 2020 Seattle City Light
- Energy Imbalance Market (EIM) 2020 Los Angeles Dept. of Water and Power

TBD –tentative, subject to impact assessment

- Review of Transmission Access Charge (TAC) Billing Structure

Project Summaries

Jan Cogdill

Lead Financial Planning

Capital and Project Budgets

- **2018 Budget**
 - Approved at \$18M

- **2019 Budget**
 - Targeted at \$20M
 - At least 63 proposed projects will be prioritized to meet final budget limit

Summary of Completed and Active Projects

- **Projects completed from July 2017 to June 2018**
 - **22 Capital Projects**
 - Budgeted costs \$13.0M, actual costs \$12.4M
 - **23 Requirements & Other Projects**
 - Budgeted costs \$1.8M, actual costs \$1.5M
- **Active projects as of June 30, 2018**
 - **31 Capital Projects (includes EMS)**
 - Budgeted costs \$37.3M, PTD spent \$13.4M
 - **25 Requirements & Other Projects**
 - Budgeted costs \$7.2M, PTD spent \$4.1M

EIM Implementations

Current implementations being funded by the following entities:

- Idaho Power Company
- Powerex
- BANC / SMUD
- LADWP
- Salt River Project
- Seattle City Light



Financial Summaries

Denise Walsh
Controller

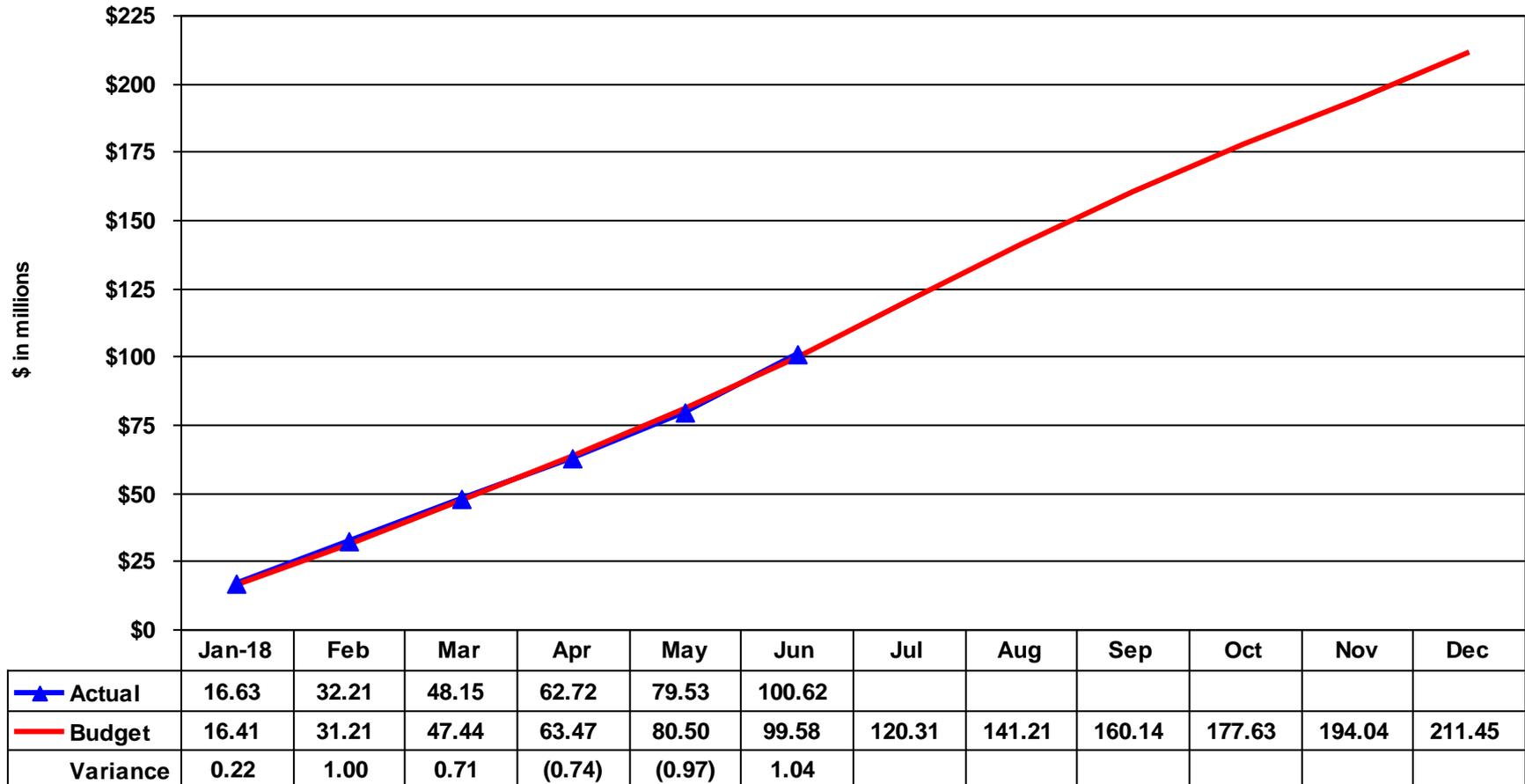
2017 Highlights

Key components of the audited 2017 financials:

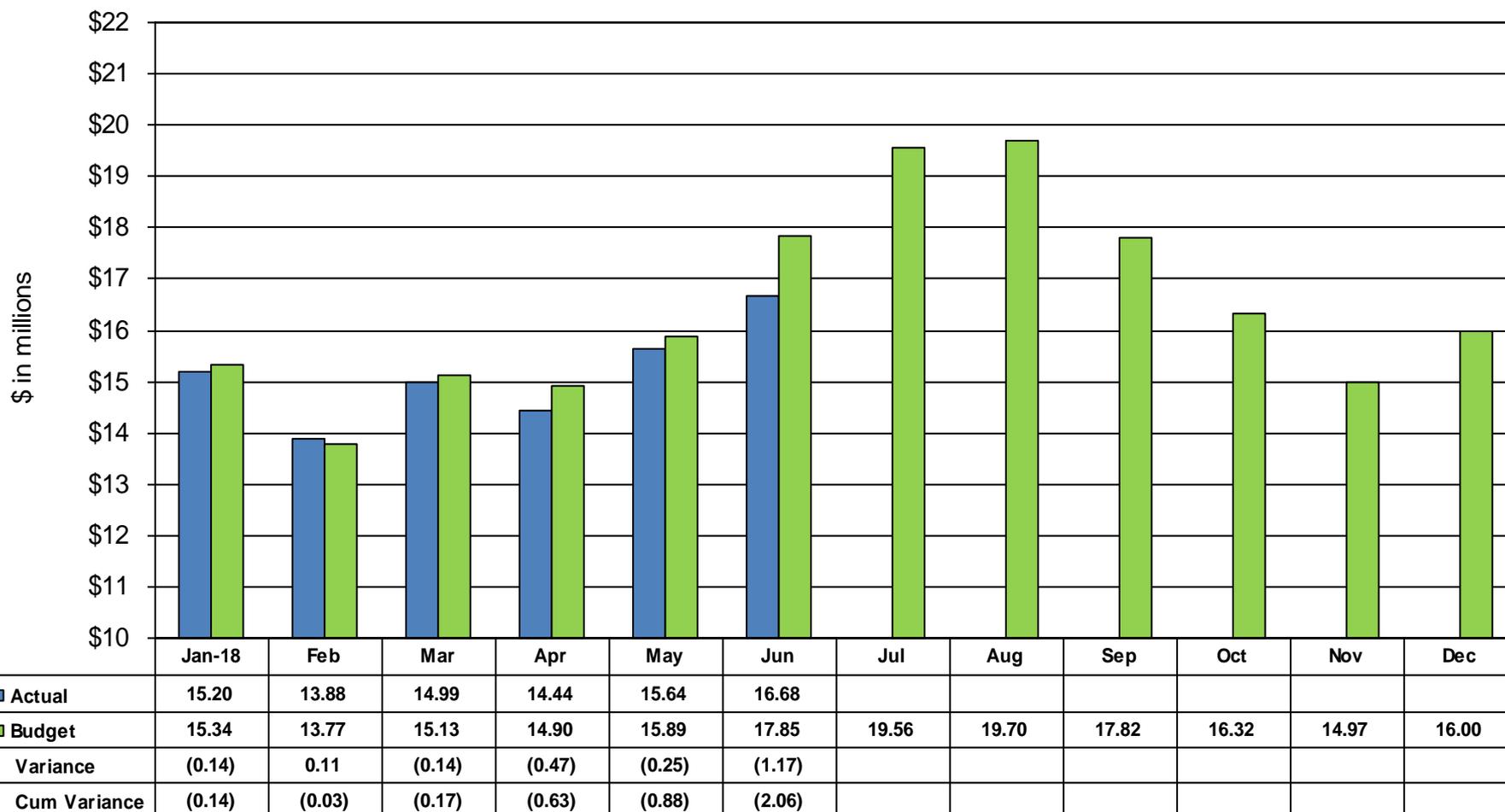
- **Operating revenues**
 - Finished the year over budget
 - Higher GMC revenues as well as higher miscellaneous revenues (EIM admin charge and forecasting fees)
- **Operating expenses**
 - Finished the year under budget
 - Lower outside legal, audit, salaries, and consultant fees

Q2 2018 Cumulative Operating Revenues

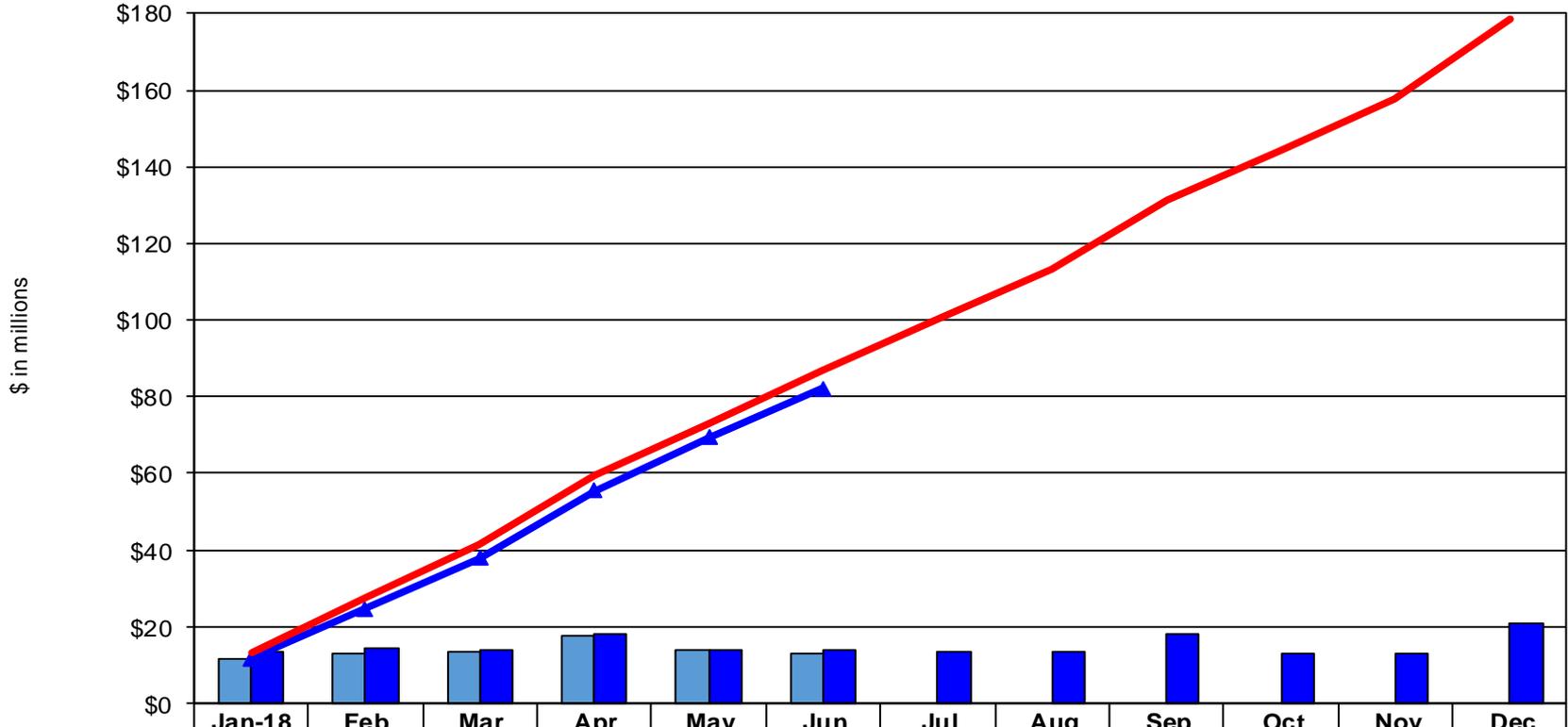
Revenues = GMC & Other Revenues



Q2 2018 Monthly GMC Revenues

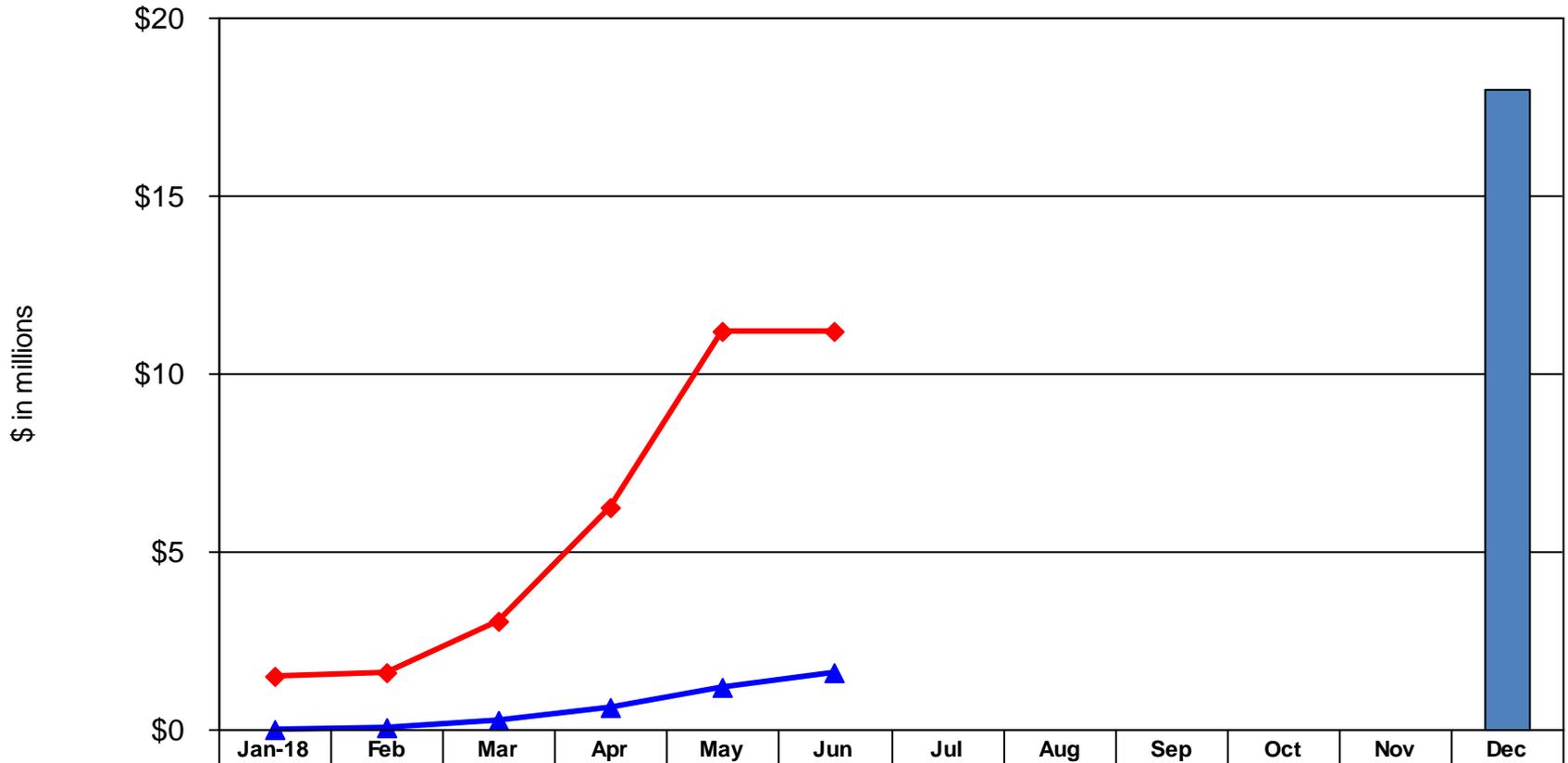


Q2 2018 Operating and Maintenance Expenses (O&M)



| | Jan-18 | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------|--------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|
| Monthly Actual | 11.64 | 13.07 | 13.18 | 17.59 | 13.78 | 12.88 | | | | | | |
| Monthly Budget | 13.37 | 14.29 | 14.00 | 17.83 | 13.62 | 13.73 | 13.23 | 13.19 | 18.20 | 13.08 | 13.08 | 20.92 |
| Cum Actual | 11.64 | 24.70 | 37.88 | 55.48 | 69.26 | 82.13 | | | | | | |
| Cum Budget | 13.37 | 27.65 | 41.65 | 59.48 | 73.11 | 86.83 | 100.06 | 113.25 | 131.45 | 144.52 | 157.60 | 178.51 |
| Cum Variance | 1.73 | 2.95 | 3.77 | 4.01 | 3.85 | 4.70 | | | | | | |

Q2 2018 Cumulative Capital Expenditures



| | | | | | | | | | | | | |
|---------------------------|------|------|------|------|-------|-------|--|--|--|--|--|-------|
| ■ Budgeted capital | | | | | | | | | | | | 18.00 |
| ▲ Cumulative Expenditures | 0.00 | 0.03 | 0.28 | 0.61 | 1.18 | 1.60 | | | | | | |
| ◆ Approved projects | 1.48 | 1.59 | 3.03 | 6.25 | 11.17 | 11.17 | | | | | | |

Budget Calendar and Next Steps

Key Calendar Dates* and Next Steps

| Milestone: | Date: |
|---|------------------|
| Stakeholder comments due; send to initiativecomments@caiso.com | July 31 |
| ISO responses to stakeholder comments posted | August 7 |
| Internal budget process | July – Sept |
| Post preliminary 2019 budget information | October 26 |
| Stakeholder call to discuss preliminary budget | November 13 |
| Board of Governors meeting (executive session) <ul style="list-style-type: none"> • Present preliminary 2019 budget | November 14 |
| Stakeholder comments due; send to initiativecomments@caiso.com | November 20 |
| Board of Governors meeting <ul style="list-style-type: none"> • Public comments to board on 2019 budget • Request approval of 2019 budget | December 12 - 13 |
| Post rates and budget documentation | December 21 |