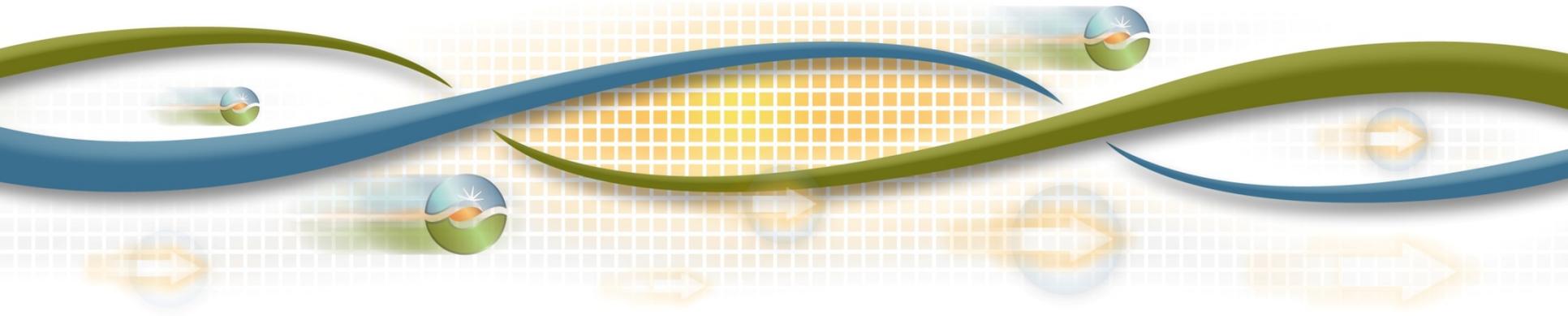
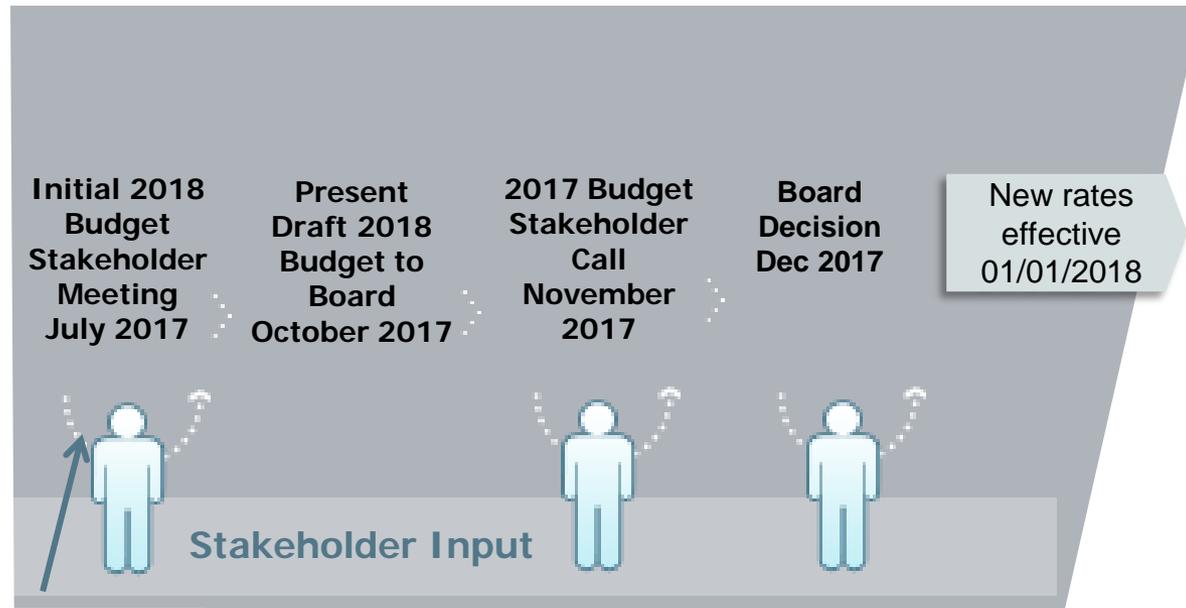


# 2018 Budget and Grid Management Charge Initial Stakeholder Meeting

July 25, 2017



# 2018 Budget and GMC Rates Timeline



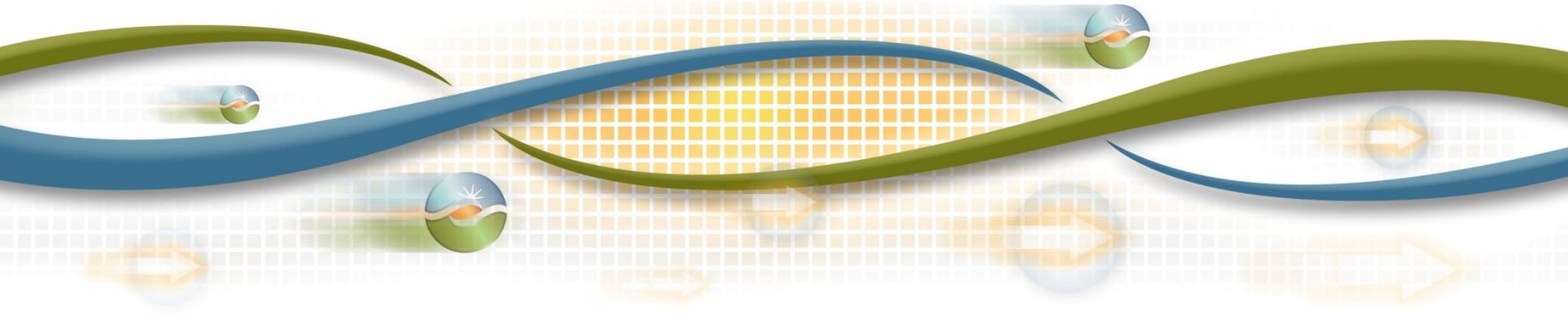
**We are here**

# Agenda

<b>Topic</b>	<b>Presenter(s)</b>
2018 Budget Process & GMC Rate Outlook	Ryan Seghesio
Managing Employee Compensation	Jodi Ziemathis
Project Release Plans	Janet Morris
Project Summaries	Jan Cogdill
Financial Summaries	Dennis Estrada
2018 Budget Calendar & Next Steps	April Gordon
Stakeholder Feedback & Discussion	Group

# Budget Process and Rate Outlook

Ryan Seghesio  
CFO and Treasurer



# New GMC percentages effective in 2018

## Principles

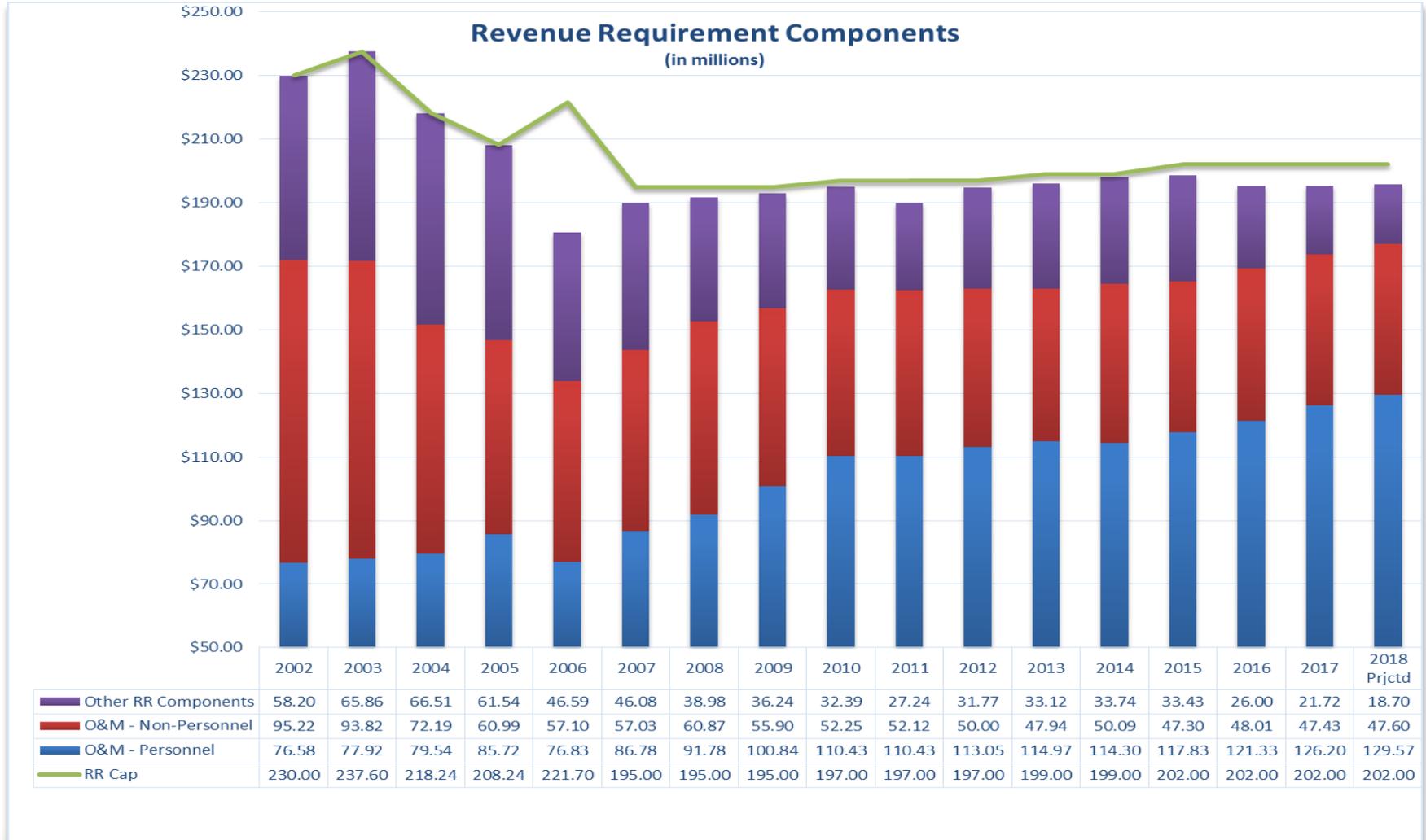
- Provide transparency into the budget process
- Enhance stakeholder understanding of the budget
- Deliver a revenue requirement under the \$202 million cap

## Highlights

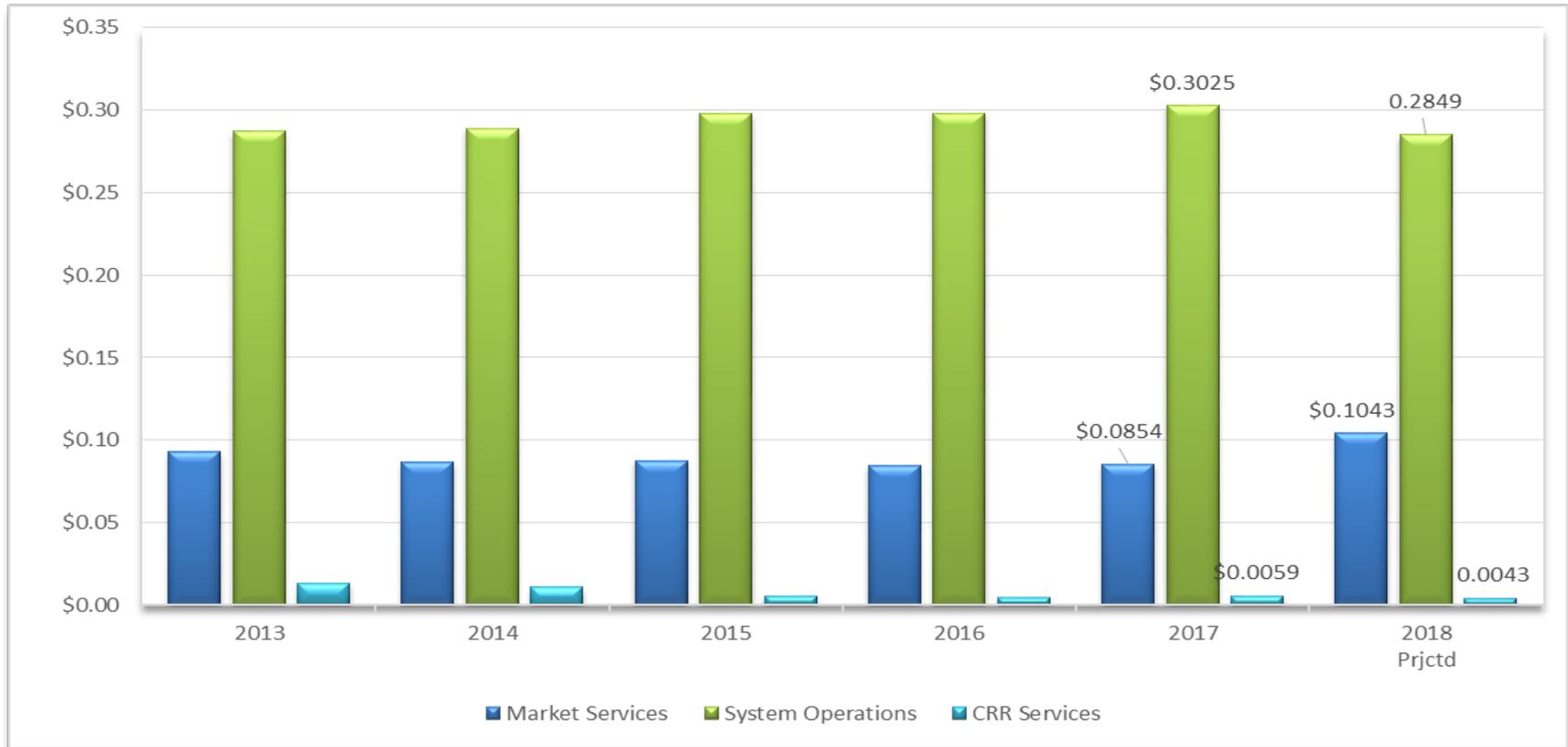
- New GMC percentages

GMC	Old Percentages	New Percentages	Increase / (Decrease) in Percentages
Market Services	27%	32%	5%
System Operations	70%	66%	-4%
CRR Services	3%	2%	-1%

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



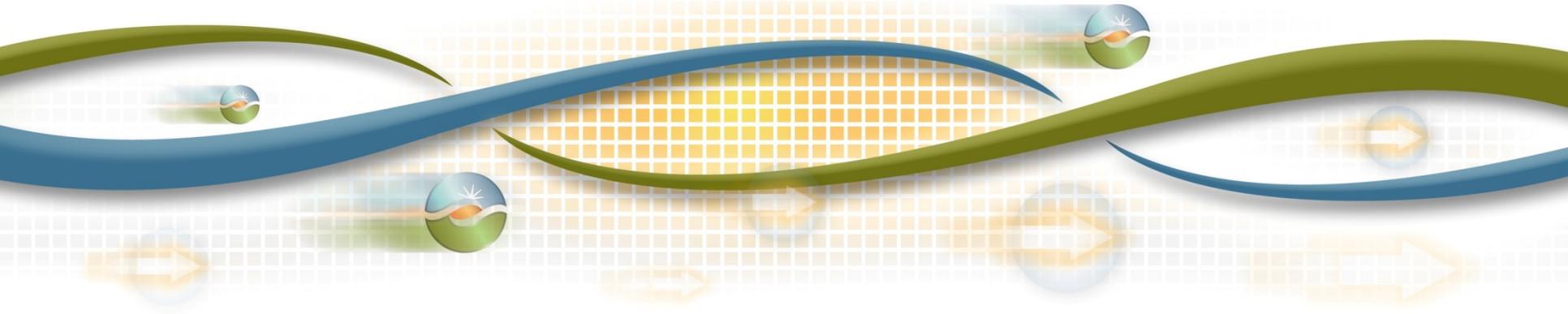
# Grid management charge rates projected to remain stable



# Managing Employee Compensation

Jodi Ziemathis

Executive Director, Human Resources

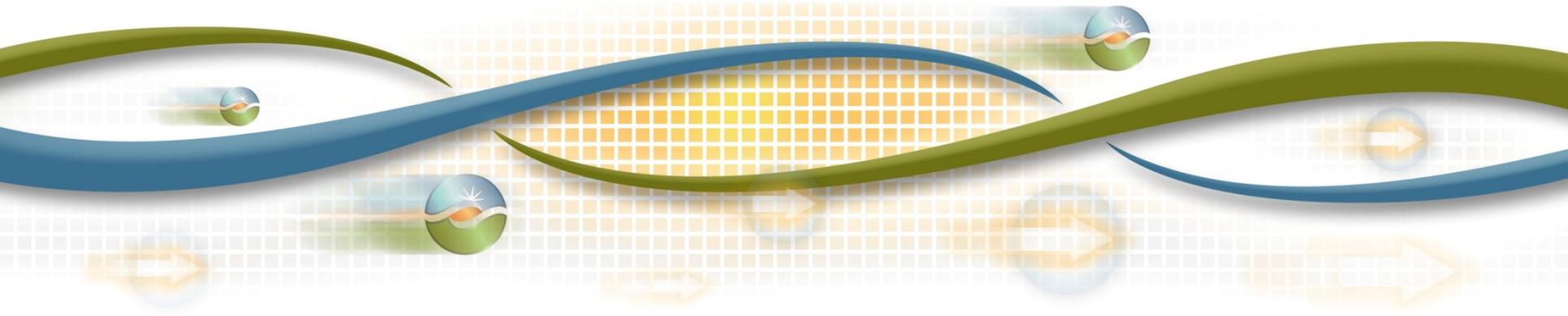


# Managing employee compensation reflects ISO philosophy to attract, train, motivate and retain top talent.

- **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% Budgeted Merit**
  - Optimal utilization of available merit dollars
  - Not all employees receive pay increases

# 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>

- **Stakeholder Initiative Milestones**
  - <http://www.caiso.com/Documents/StakeholderInitiativeMilestones.pdf>
  - 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 2018

## Spring 2018

- Capacity Procurement Mechanism – risk-of-retirement
- DRS Replacement
- EIM 2018 Idaho Power Company
- EIM 2018 Powerex
- EIM greenhouse gas compliance
- EIM Winter 2017 Enhancements
- Energy Storage and DER Phase 1C and Phase 2
- Reliability Services Initiative 2017

## Fall 2018 – tentative, subject to impact assessment

- ADS User Interface Replacement
- CIRA Technology Upgrade
- Consolidated Energy Imbalance Market Initiatives
- Contingency Modeling Enhancements
- FERC 831 and Commitment Costs and Default Energy Bid Enhancements
- Flexible Resource Adequacy Criteria and Must-offer Obligation Phase 2
- Temporary Suspension of Resource Operations

# Release Plan – 2019 and beyond

## **Spring 2019**

- EIM 2019 Seattle City Light
- EIM 2019 Balancing Authority of Northern California (BANC) / SMUD
- EIM 2019 LADWP

## **Fall 2019 – tentative, subject to impact assessment**

- Generation Contingency and Remedial Action Scheme
- Frequency Response Phase 2
- Congestion Revenue Right auction efficiency

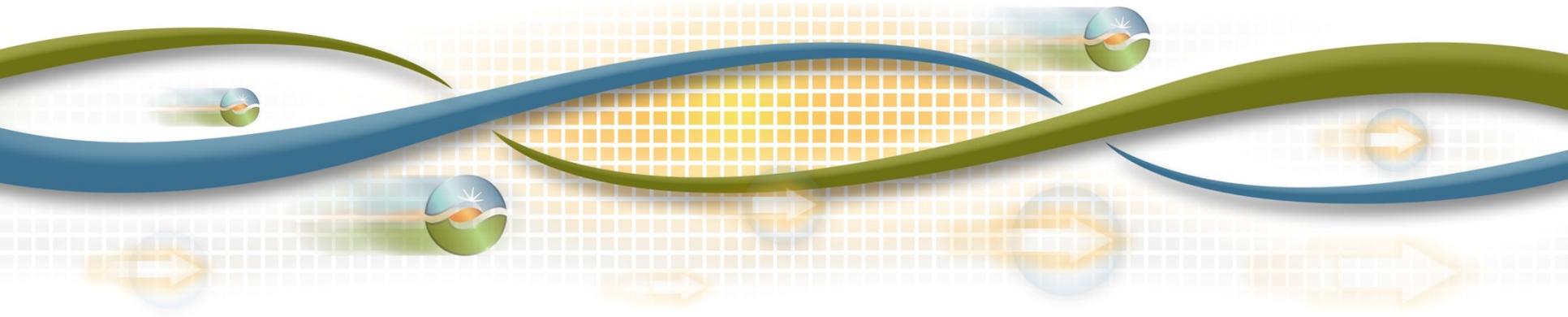
## **Spring 2020**

- EIM 2020 Salt River Project

# Project Summaries

Jan Cogdill

Lead Financial Planning



# Capital and Project Budgets

- **2017 Budget**
  - Approved at \$20M
  
- **2018 Budget**
  - Targeted at \$18M - \$20M
  - Excess of 43 proposed projects will be prioritized to meet final budget limit

# Summary of Completed and Active Projects

- **Projects completed from April 2016 to June 2017**
  - **32 Capital Projects**
    - Budgeted costs \$12.3M, actual costs \$11.6M
  - **33 Requirements & Other Projects**
    - Budgeted costs \$5.6M, actual costs \$5.4M
- **Active projects as of June 30, 2017**
  - **37 Capital Projects (includes EMS & LOC)**
    - Budgeted costs \$69.0M, PTD spent \$36.2M
  - **24 Requirements & Other Projects**
    - Budgeted costs \$3.9M, PTD spent \$2.7M

# Summary of Supplemental Projects

## EIM implementations

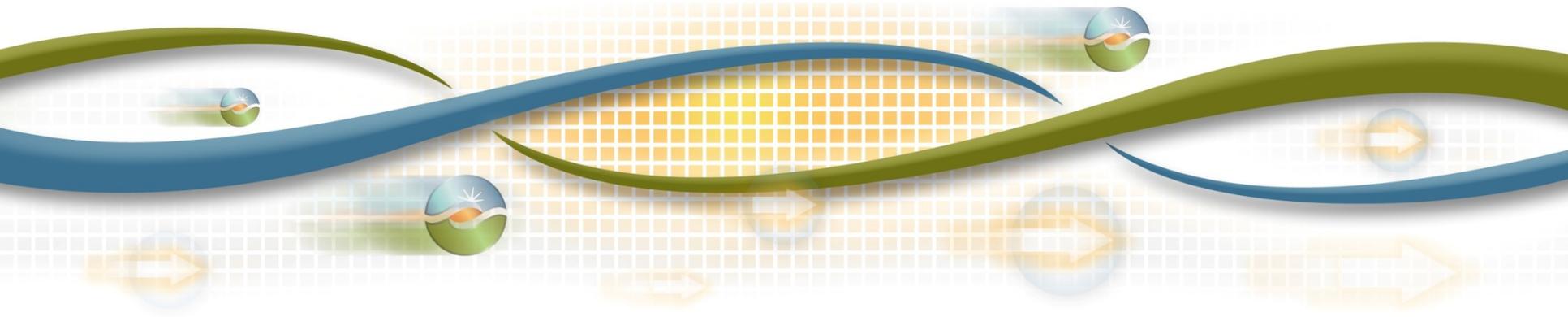
- **Budgeted costs \$5.6M**
  - Spent \$645K PTD
- **Entities Include:**
  - Portland General Electric
  - Idaho Power Company
  - Powerex
  - Seattle City Light
  - BANC / SMUD
  - LADWP
  - Salt River Project





# Financial Summaries

Dennis Estrada  
Assistant Controller

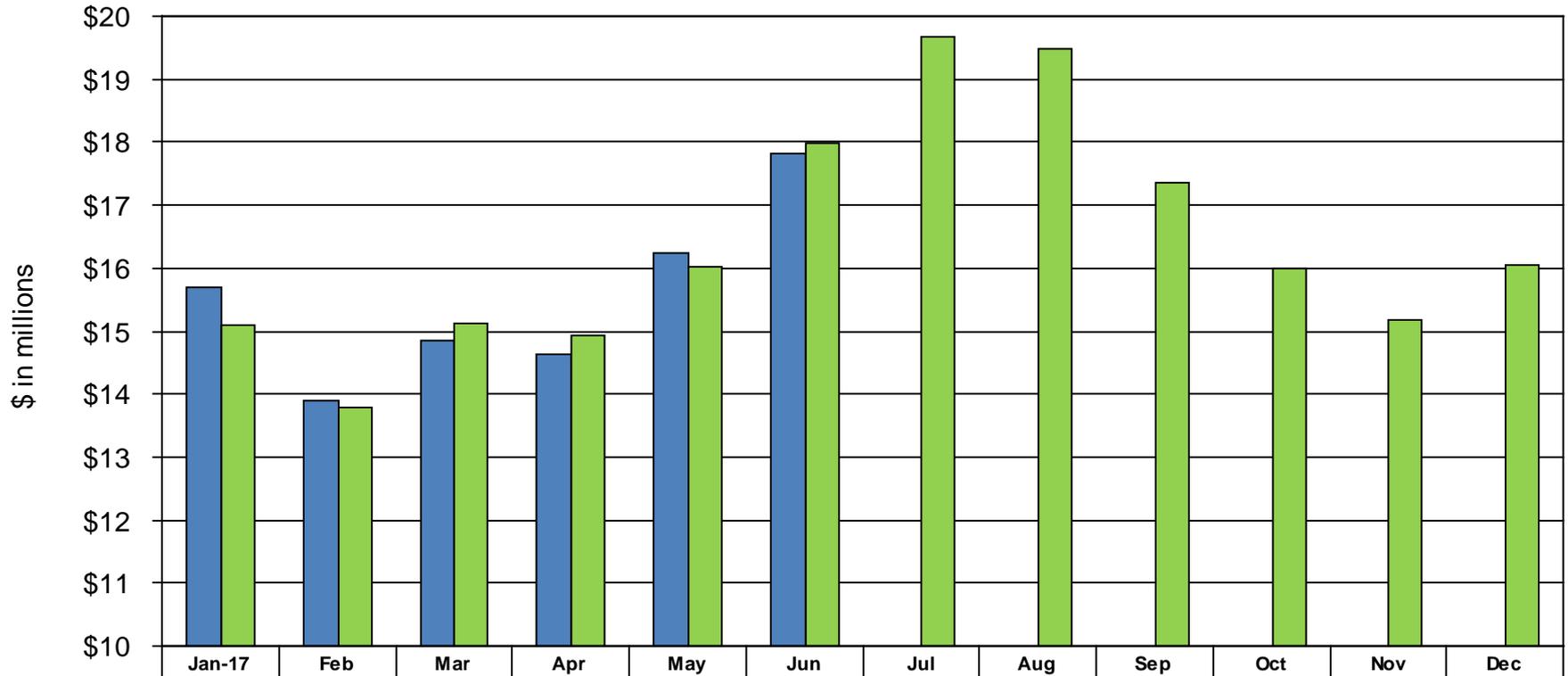


# 2016 Highlights

Key components of the audited 2016 actuals:

- **Operating revenues**
  - Finished the year within budget
  - Lower GMC revenues offset by higher miscellaneous revenues (EIM admin charge and forecasting fees)
- **Operating expenses**
  - Finished the year within budget
  - Lower outside legal and audit spend neutralized by higher consulting and contracting

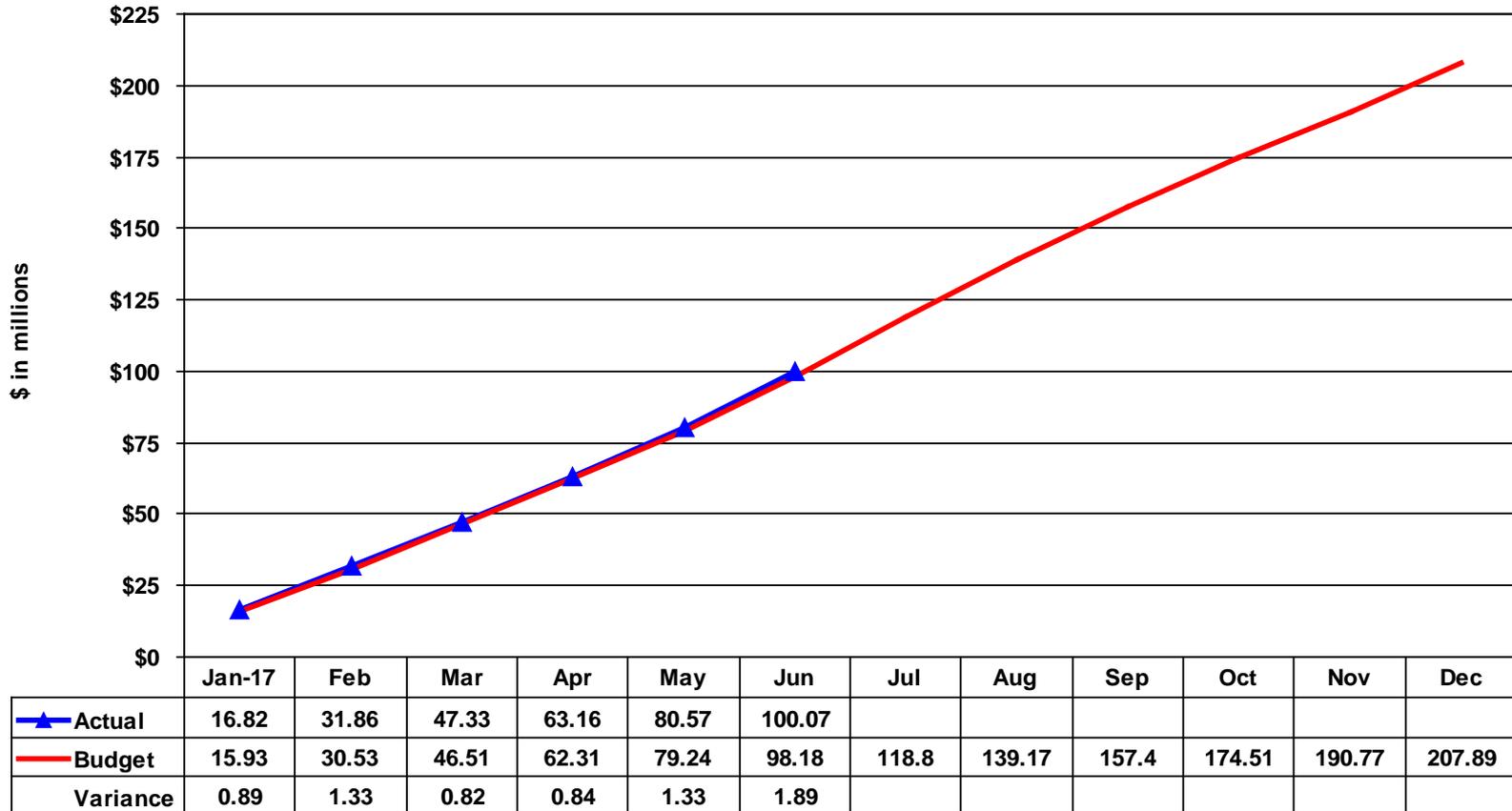
# Q2 2017 Monthly GMC Revenues



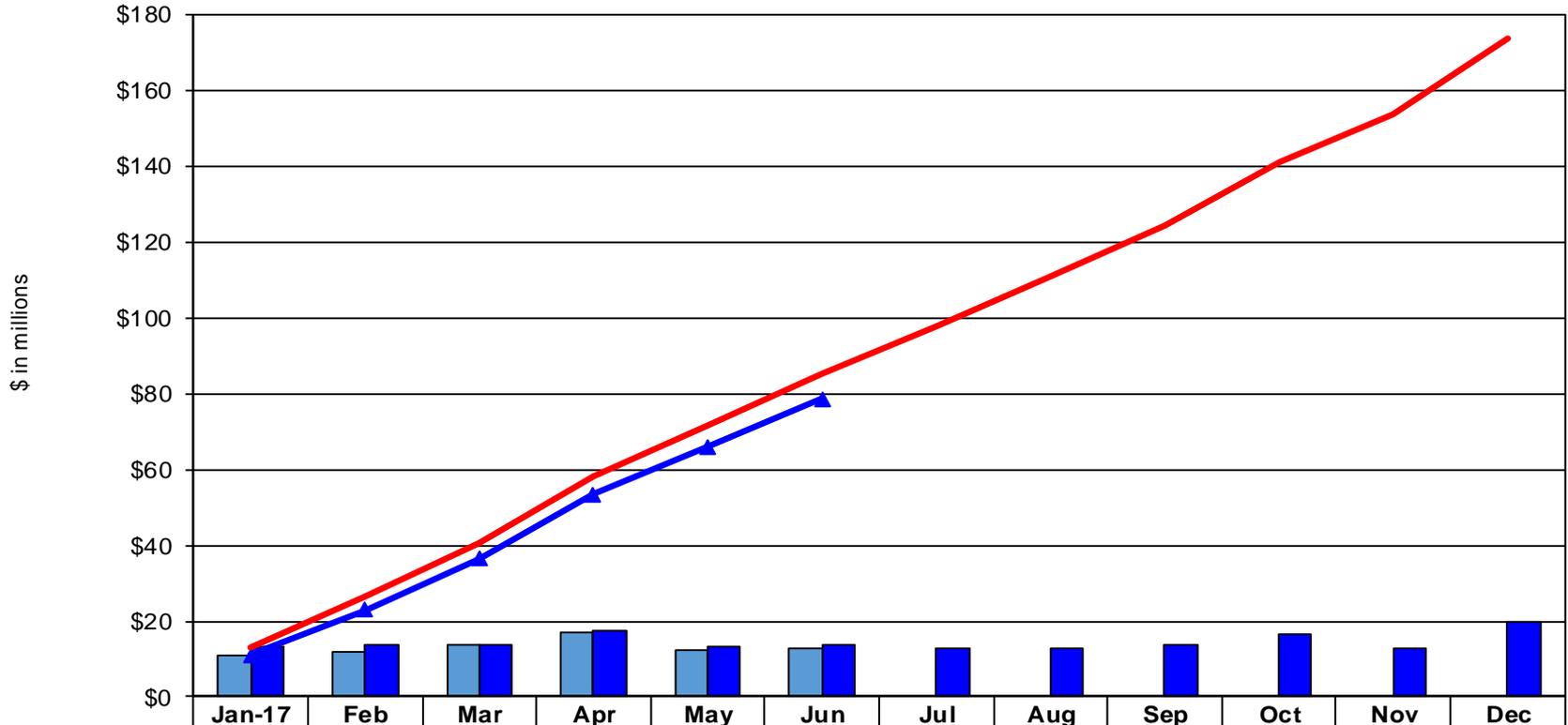
	Jan-17	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Actual	15.69	13.89	14.85	14.64	16.23	17.83						
Budget	15.1	13.8	15.11	14.92	16.03	17.99	19.67	19.49	17.37	16	15.17	16.06
Variance	0.6	0.09	-0.26	-0.28	0.2	-0.16						
Cum Variance	0.6	0.69	0.43	0.15	0.35	0.19						

# Q2 2017 Cumulative Operating Revenues

Revenues = GMC & Other Revenues

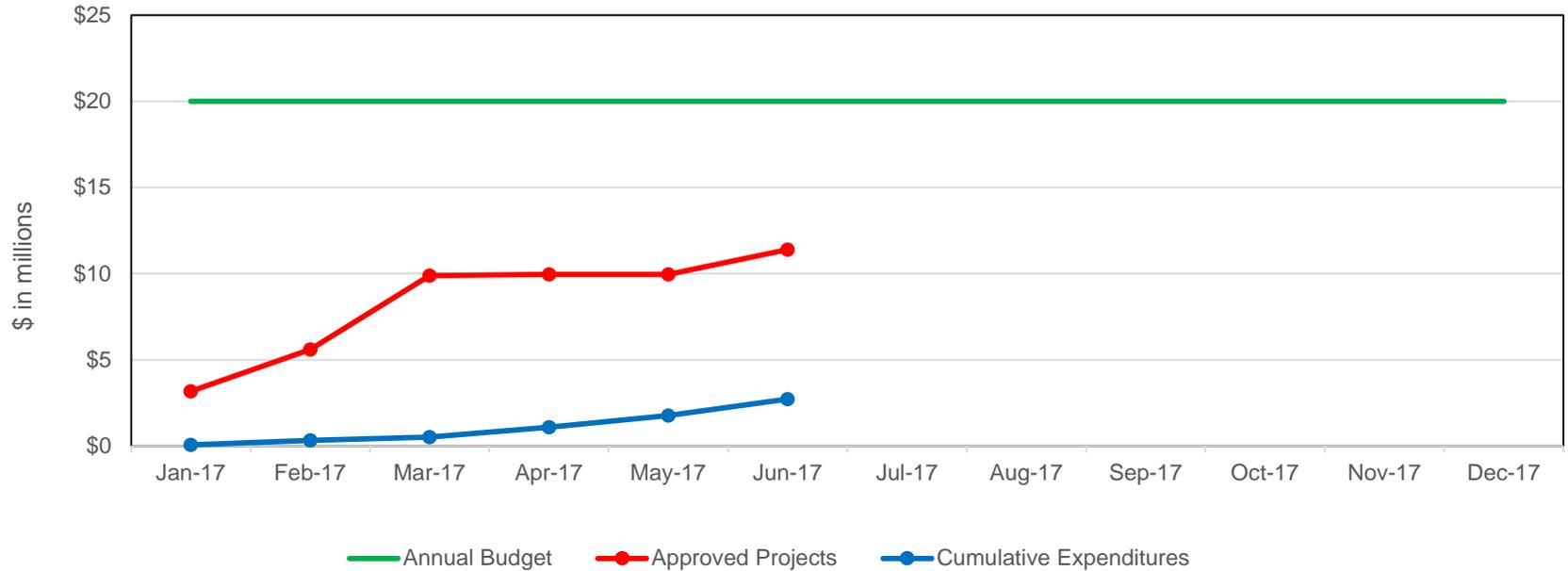


## Q2 2017 Operating and Maintenance Expenses (O&M)



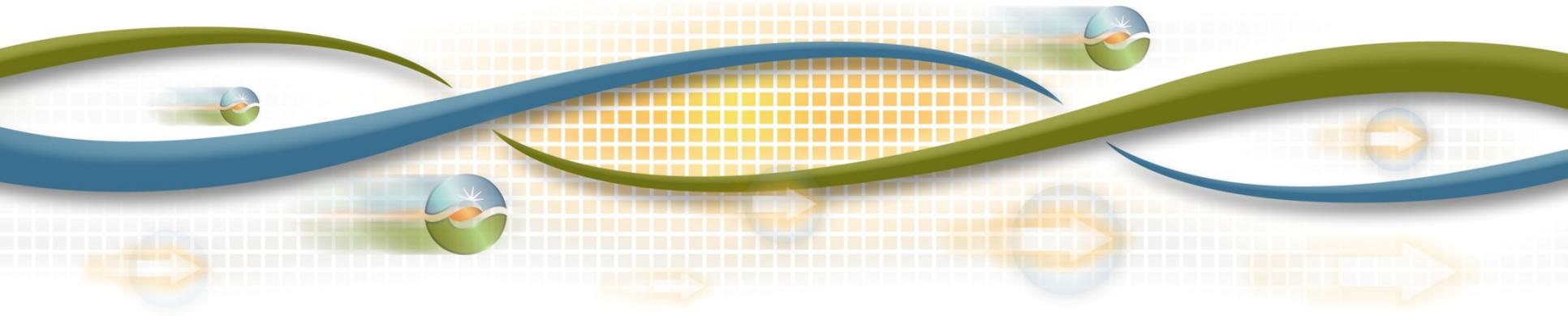
	Jan-17	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	10.92	11.94	13.54	16.97	12.52	12.60						
Monthly Budget	13.08	13.49	13.89	17.55	13.48	13.58	12.82	12.82	13.57	16.66	12.72	19.98
Cum Actual	10.92	22.86	36.40	53.38	65.90	78.49						
Cum Budget	13.08	26.57	40.47	58.01	71.49	85.07	97.89	110.71	124.28	140.94	153.66	173.64
Cum Variance	2.16	3.71	4.06	4.63	5.59	6.57						

## Q2 2017 Cumulative Capital Expenditures



	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
<b>Annual Budget</b>	20											
<b>Approved Projects</b>	3.17	5.6	9.88	9.96	9.96	11.4						
<b>Cumulative Expenditures</b>	0.06	0.33	0.52	1.08	1.76	2.72						

# Budget Calendar and Next Steps



# Key Calendar Dates\* and Next Steps

- Stakeholder comments due Aug 1
  - Send to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com)
- ISO responses to stakeholder comments posted Aug 8
- Internal budget process July – Sept
- Board of Governors meeting (executive session) Oct 12
  - Present preliminary 2018 budget
- Post preliminary 2018 budget information Oct 16
- Stakeholder call to discuss preliminary budget Nov 7
- Written stakeholder comments due to ISO Nov 14
- Board of Governors meeting Dec 13
  - Public comments to board on 2018 budget
  - Request approval of 2018 budget
- Post rates and budget documentation to ISO website Dec 18

\*Dates are subject to change