

Calculation of Financial & Capital Operating Reserve Credit for 2009

\$ in '000

Factors affecting the reserve credit for 2010 are calculated in two parts:

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| Part 3 |
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Items affecting the reserve balance as of 12/31/2008. Appendix A-Part 3
 The analysis shows the reserve balance at 12/31/2008 based on the assumptions used in our last GMC filing (for 2009), updates to those assumptions based on actual experience, and also incorporates new items affecting the reserve as of that date.
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| Part 2 |
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2009 events affecting the reserve, including 2009 revenues, expenses and other reserve uses and credits. Appendix A-Part 2

	(Left-most columns on Part 2)	(Right-most columns on Part 2)	
SUMMARY OF RESERVE CREDIT	<u>What would be expected with no changes from last year's plan</u>	<u>Revised: Forecast/Actual</u>	<u>Difference from Plan</u>
Part 3, Line 15 Available as credit for 2009	16,995	18,916	1,921
Part 2 2009 Events			
Reserve Balance at 1/2009	40,507	42,428	1,921
2008 Financial Results affecting the Operating Reserve	(5,122)	17,464	22,587
Ending Reserve Balance	35,384	59,892	24,507
Calculation of Available 2010 Credit:			
2009 and 2010 O&M Budget	156,743	162,679	
Less: Reserve Requirement= 15% of O&M Budget	(23,511)	(24,402)	(890)
2010 Credit (See Line 15 of Part 2)	11,873	35,490	23,617

Notes:
 "Plan" : Assumes 2009 expenses and revenues were equal to budgeted amounts, and that no other factors affected the reserve balance.
 "Revised" reflects the updated reserve balance as of 12/31/2008, and the items that affected the reserve in 2009.

Explanation
2008 Results generally more favorable than anticipated. Higher revenues and interest, lower O&M, lower cash funded capex offset by project costs
See above
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Difference due to variance in 2008 and 2009 forecast results from plan
Increase in O&M budget results in higher 15% reserve requirement.
Net Difference in available reserve credit due to factors described in this column.

SUMMARY OF RESERVE (Alternative Reconciliation)		
	Available as credit for 2009 based on 25% of debt service in 2009	11,873
Part 3	Items that Affected Prior Years (Positive = more funds for Operating Reserve)	
	Updated 2008 Beginning Reserve Balance	-
	Updated 2008 Revenue and Expenses (previous estimate was prior to close of the 2008 year)	3,822
	Adjust matters affecting 2008 Operating Reserve Balance (Legal and billing matters)	(1,901)
	Subtotal	1,921
Part 2	Items Affecting Reserve Balance from Year 2009	
	Revenue and Other Reimbursements: Difference from Budget	22,010
	Expenses: Difference from Budget	(1,816)
	Subtotal	20,193
	Other Reserve Uses Including reserves for Legal, Billing & Other matters (Interest on Amend. 33 Fines, 2001 GMC billin	2,393
	Higher O&M Budget for 2010 results in a higher 15% reserve requirement	(890)
	Grand Total: Available Credit	35,490

2008 Results generally more favorable than anticipated. Higher revenues and interest, lower O&M, lower cash funded capex offset by project costs
Adjustment on 2001 GMC rate case refund.
Debt service slightly below budget.
Reflect FERC ruling on A33 fines

Calculation of Available Financial & Capital Operating Reserve Credit for 2009

		Budget							Actual/Forecast for Year 2009, as of [8/31/09]								
		CRS	ETS	Forward Scheduling	Congestion Management	Market Usage	Settlements, Metering, Customer Service	Total	CRS	ETS	Forward Scheduling	Congestion Management	Market Usage	Settlements, Metering, Customer Service	Total	Difference: Plan vs. Forecast	General Notes
1	BEGINNING RESERVE BALANCE, 1/1/2009	\$ 11,115	\$ 625	\$ 2,725	\$ 5,337	\$ 9,988	\$ 10,717	\$ 40,507	\$ 15,488	\$ 843	\$ 1,657	\$ 4,886	\$ 11,240	\$ 8,313	\$ 42,428	1,921	
CALCULATION OF CONTRIBUTION TO RESERVE FROM OPERATIONS																	
Revenue:																	
2a	GMC Rates: 2009 Calendar Year Revenue (as settled/collected)	41,059	86,249	16,223	-	47,612	1,836	192,978	38,691	83,318	11,357	2,767	63,400	1,615	201,148	8,170	2009 forecast includes actuals through June and estimates for July - December
2b	Other Settlement revenues	-	-	-	-	-	-	-	3,032	6,576	1,220	-	4,358	154	15,340	15,340	Impact of Payment Acceleration. November GMC will be collected in 2009.
2c	Reversal of Reassignments per Settlement	22,109	(56,091)	(361)	-	(17,201)	51,544	-	22,109	(56,091)	(361)	-	(17,201)	51,544	-	-	Reversal of Settlement reassignments necessary to calculate revenues by filed rate categories.
2d	GMC Rates: 2009 Calendar Year Revenue (as filed basis)	63,167	30,159	15,862	-	30,411	53,380	192,978	63,832	33,803	12,216	2,767	50,557	53,313	216,488	23,510	Total Revenues as described above
3	Other (Interest Income, WECC reimbursement, COI Path Operator fee, LGIP revenues)	3,430	915	209	-	512	1,075	6,141	3,430	915	209	-	512	1,075	6,141	0	Estimated Other income is at budget
3a	Realized Loss on Investments	-	-	-	-	-	-	-	(838)	(223)	(51)	-	(125)	(263)	(1,500)	(1,500)	As of 9/09 CAISO had a realized loss of \$1.5M on investments
Expenses:																	
4	O&M	(58,476)	(24,668)	(6,798)	-	(27,736)	(39,063)	(156,743)	(59,154)	(24,954)	(6,877)	-	(28,058)	(39,516)	(158,559)	(1,816)	O&M at budget plus project O&M costs of \$1.816M
4a	Differential btw capitalized labor and O&M for MRTU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A for 2009
5a	Debt Service: Principal	(6,351)	(2,047)	(6,998)	-	(9,893)	(13,811)	(39,100)	(6,351)	(2,047)	(6,998)	-	(9,893)	(13,811)	(39,100)	-	Budgeted Debt Service: Principal
5b	Debt Service: Interest	(1,364)	(440)	(1,503)	-	(2,125)	(2,967)	(8,399)	(1,364)	(440)	(1,503)	-	(2,125)	(2,967)	(8,399)	-	Budgeted interest
6	Cash Funded CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No cash funded capex for 2009
7	Contribution to Operating Reserve (Sum lines 2-7)	405	3,919	770	-	(8,831)	(1,386)	(5,122)	(445)	7,054	(3,005)	2,767	10,868	(2,168)	15,071	20,193	
OTHER RESERVE USES																	
8	Interest on Excess Collections of Amendment 33 Fines								503	419	161	104	448	866	2,500	2,500	Impact of FERC ruling on Amendment 33
8a	Adjust Fines Recognized to Current Expectation of Refund Liability								-	-	-	-	-	-	-	-	
9	Interest on 2001 GMC Case: Incentive Comp.								(33)	(22)	(5)	(6)	(13)	(27)	(107)	(107)	Calculated using FERC interest rates on 2001 GMC overassessment of \$1.8 million. Interest is for year 2009.
10	Redacted Items: Matters Pending Dispute Resolution, Litigation or Appeal including interest on potential awards or judgment.								-	-	-	-	-	-	-	-	Reserve for pending legal matters and other issues that affect the operating reserve. None for 2009 at this time.
11	Net Increase in Operating Reserve	405	3,919	770	-	(8,831)	(1,386)	(5,122)	24	7,451	(2,849)	2,865	11,302	(1,330)	17,464	22,587	
12	Ending Reserve Balance	11,521	4,543	3,496	5,337	1,157	9,331	35,384	15,513	8,294	(1,192)	7,751	22,543	6,983	59,892	24,507	
13	Less: Reserve Requirement (15% of subsequent year Budg	9,580	3,934	1,370	966	2,524	5,137	23,511	9,943	4,083	1,422	1,002	2,620	5,332	24,402	890	
14	FY 2009 and FY2010 Operating Budget	63,868	26,229	9,135	6,437	16,828	34,246	156,743	66,286	27,222	9,481	6,681	17,466	35,543	162,679	5,936	
15	Equals: Revenue Credit Available							\$ 11,873	\$ 5,570	\$ 4,210	\$ (2,614)	\$ 6,749	\$ 19,923	\$ 1,652	\$ 35,490	23,617	

25% of 2009 Debt Service →

Financial & Capital Operating Reserve Credit for 2009

		Per 12/2008 Rate Calculation (Used in Setting 2009 Rates)							Actual (Update during 2009 to reflect final 2008 results)							Difference:		General Notes
		CRS	ETS	Forward Scheduling	Congestion Management	Market Usage	Settlements, Metering, Customer Service	Total	CRS	ETS	Forward Scheduling	Congestion Management	Market Usage	Settlements, Metering, Customer Service	Total	Plan vs. Forecast		
1	BEGINNING RESERVE BALANCE, 1/1/2008	\$ 19,845	\$ 3,664	\$ 4,151	\$ 5,046	\$ 4,355	\$ 12,016	\$ 49,080	\$ 19,845	\$ 3,664	\$ 4,151	\$ 5,046	\$ 4,355	\$ 12,016	\$ 49,080	-		
1a	Adjustments to beginning balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
CALCULATION OF CONTRIBUTION TO RESERVE FROM OPERATIONS																		
2a	Revenue: GMC Rates: 2008 Calendar Year Revenue (as settled)	39,817	81,031	8,465	17,054	43,971	906	191,244	40,559	81,951	8,250	16,874	46,359	903	194,895	3,651	Final GMC collections for the year	
2b	Other Settlement revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2c	Reversal of reassignments per Settlement	21,940	(57,094)	7,455	(7,393)	(10,711)	45,802	-	21,940	(57,094)	7,455	(7,393)	(10,711)	45,802	-	-	Reversal of Settlement reassignments necessary to calculate revenues by filed rate categories. For actual, used revised allocation factors per "2008 GMC Cost Allocation Model".	
2d	GMC Rates: 2008 Calendar Year Revenue (as filed) = Sum of 2a+2b	61,758	23,937	15,919	9,661	33,260	46,708	191,244	62,499	24,858	15,704	9,480	35,648	46,705	194,895	3,651		
3	Other (Interest Income, WECC reimbursement, COI Path Operator fee)	8,357	1,317	295	154	457	1,314	11,894	9,044	1,426	320	166	494	1,422	12,871	977	Final interest, LGIP, COI, and other revenues for the year	
4	Expenses: O&M	(61,795)	(25,377)	(8,838)	(6,228)	(16,282)	(33,135)	(151,655)	(60,089)	(24,677)	(8,594)	(6,056)	(15,833)	(32,220)	(147,469)	4,186	Final O&M for the year	
4a	Capitalized labor 2008 or Difference btw Capitalized Labor and O&M for MRTU	-	-	-	-	-	-	-	(4,576)	(1,879)	(655)	(461)	(1,206)	(2,454)	(11,231)	(11,231)	to add back capitalized labor not funded from bond proceeds	
5a	Debt Service: Principal	(8,911)	(1,538)	(7,374)	(2,511)	(9,011)	(12,829)	(42,175)	(8,747)	(1,510)	(7,239)	(2,465)	(8,846)	(12,594)	(41,400)	775	Actual bond payments were lower than budgeted	
5b	Debt Service: Interest	(1,017)	(149)	(1,171)	(424)	(1,709)	(1,971)	(6,441)	(1,496)	(220)	(1,722)	(623)	(2,515)	(2,900)	(9,476)	(3,035)	Interest expenses were higher than budgeted	
6	Cash Funded CapEx	(6,515)	(730)	(71)	(239)	(563)	(382)	(8,500)	-	-	-	-	-	-	-	8,500	No GMC funded capital expenditures for 2009	
7	Contribution to Operating Reserve (Sum lines 2-7)	(8,123)	(2,540)	(1,240)	413	6,151	(295)	(5,633)	(3,366)	(2,003)	(2,186)	41	7,743	(2,042)	(1,811)	3,822		
OTHER RESERVE USES																		
8	Interest on Excess Collections of Amendment 33 Fines	(562)	(469)	(179)	(116)	(500)	(967)	(2,793)	(941)	(786)	(301)	(195)	(838)	(1,621)	(4,682)	(1,889)	Interest on Amend 33 fines	
8a	Adjust Fines Recognized to Current Expectation of Refund Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	To recognize any difference in overall fines to be retained by ISO
9	Interest on 2001 GMC Case: Incentive Comp.	(46)	(31)	(7)	(8)	(18)	(37)	(147)	(50)	(33)	(7)	(9)	(20)	(40)	(159)	(12)	Calculated using FERC interest rates on 2001 GMC overassessment of \$1.8 million.	
10	Redacted Items: Matters Pending Dispute Resolution, Litigation or Appeal including interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No matters at this time.
11	Net Increase in Operating Reserve	(8,730)	(3,040)	(1,426)	289	5,633	(1,299)	(8,573)	(4,357)	(2,822)	(2,494)	(162)	6,885	(3,703)	(6,652)	1,921		
12	Ending Reserve Balance	11,115	625	2,725	5,337	9,988	10,717	40,507	15,488	843	1,657	4,886	11,240	8,313	42,428	1,921		
13	Less: Reserve Requirement (15% of subsequent year Budget)	9,580	3,934	1,370	966	2,524	5,137	23,511	9,580	3,934	1,370	966	2,524	5,137	23,511			
14	<i>FY2009 Operating Budget</i>	<i>63,868</i>	<i>26,229</i>	<i>9,135</i>	<i>6,437</i>	<i>16,828</i>	<i>34,246</i>	<i>156,743</i>	<i>63,868</i>	<i>26,229</i>	<i>9,135</i>	<i>6,437</i>	<i>16,828</i>	<i>34,246</i>	<i>156,743</i>			
15	Equals: Revenue Credit Available	\$ 1,535	\$ (3,310)	\$ 1,355	\$ 4,372	\$ 7,464	\$ 5,580	\$ 16,995	\$ 5,908	\$ (3,092)	\$ 287	\$ 3,920	\$ 8,716	\$ 3,176	\$ 18,916	1,921	Net difference is carried forward to Appendix A-Part 2, Line 1.	