



CALIFORNIA ISO

PROPOSED

FY2001 GRID MANAGEMENT CHARGE

11/29/2000

**Budget amounts as posted to ISO website on 9/28/2000,
except for modifications to forecast billing determinant volume and unbundling allocation percentages.**

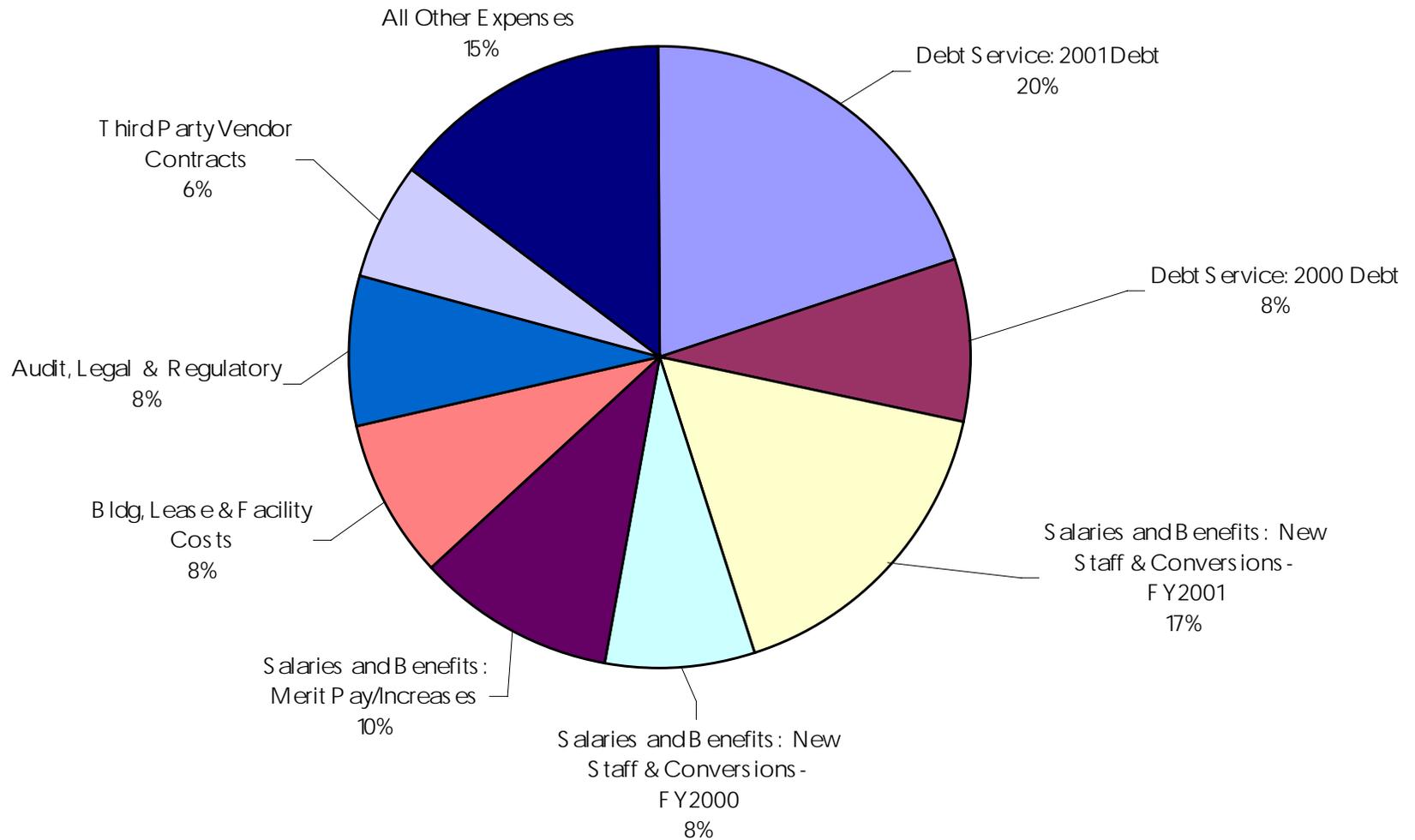
BUDGET SUMMARY
\$ in '000

	<u>2000</u>	<u>2001</u>	<u>\$ Change</u>
Operating Budget	\$133,217	\$171,798	\$38,582
Financing Budget	\$48,070	\$63,141	\$15,071
Net Revenue Requirement	\$179,283	\$225,307	\$46,024
Capital Expenditure Budget	\$40,094	\$37,774	(\$2,320)

FY2001 BUDGET TIMELINE

- | | |
|--|-----------------------------|
| 1. FY2001 Budget Process Rollout to CAISO departments | June 19, 2000 |
| 2. Proposed Budget Package Sent to Finance Committee for Review | September 14, 2000 |
| 3. Finance Committee Review of Preliminary Budget | September 21, 2000 |
| 4. Budget Posting on Website | September 28, 2000 |
| 5. Public Budget Workshop | October 19, 2000 |
| 6. Report on FY2001 Budget to Board | October 26, 2000 |
| 7. FERC GMC Unbundling Filing | By October 31, 2000 |
| 8. Stakeholder Comments on Budget Received | November 12, 2000 |
| 9. Finance Committee Recommendation on Proposed Budget | November 13, 2000 |
| 10. Board Approval of FY2001 Budget | November 29-30, 2000 |
| 11. Section 35.13 Informational Filing with FERC | December 15, 2000 |

FY2000 vs. FY2001: Source of Change in Revenue Requirement (\$53 million Exclusive of Revenue Credit, \$46 million after Revenue Credit)



FY2001 Budget Motions

FINANCE COMMITTEE MOTION, NOVEMBER 13, 2000:

MOVED that the committee recommend that the Board adopt the budget as originally submitted and reviewed at the Finance committee Meeting October 25, 2000, with the possibility of further action by the ISO Board following comment by the EOB, and before the December 15, 2000, compliance filing.

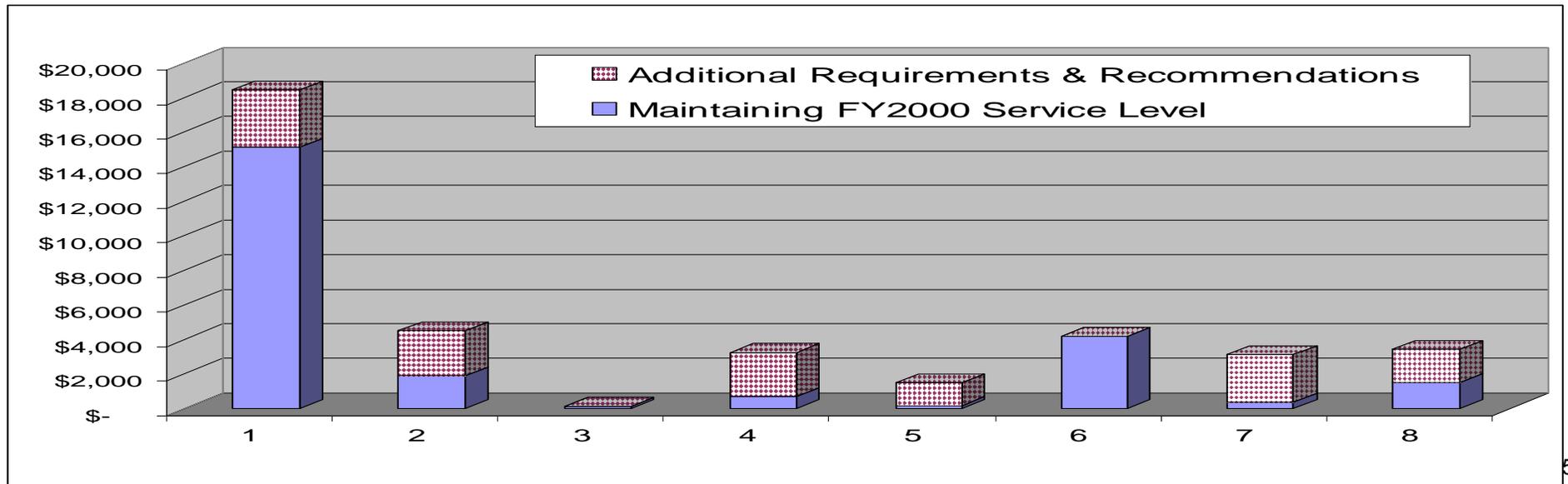
Committee Action: Passed Vote Count: 5-1-0 Moved: Fielder Second: Roscoe	Board Action: Vote Count: Moved: Second:
Carnahan Y Fielder Y Kehrein Y Pope N Roscoe Y Wiseman Y	

PROPOSED BOARD MOTION

MOVED, that the Board approve the FY2001 Budget as recommended by the Finance Committee's November 13, 2000 motion; and authorizes Management to make such filings as may be necessary with FERC to implement the GMC rates for FY2001 as indicated in the Budget presented.

FY2000/FY2001 OPERATING & MAINTENANCE BUDGET COMPARISONS

	FY2000 Operating Budget	FY2001 Proposed Budget	Amount Change	Percentage Change
1. Salaries and Benefits	\$ 54,749	\$ 73,208	\$ 18,459	34%
2. Bldg, Lease & Facility Costs	10,946	15,453	4,508	41%
3. Insurance	899	1,031	132	15%
4. Third Party Vendor Contracts	46,481	49,730	3,249	7%
5. Professional & Consulting Services	6,868	8,362	1,494	22%
6. Audit, Legal & Regulatory	6,200	10,385	4,185	67%
7. Training and Travel	4,508	7,637	3,130	69%
8. Miscellaneous	2,536	5,960	3,424	135%
9. Other	30	30	-	0%
Total O&M Budget	\$ 133,217	\$ 171,798	\$ 38,582	29%



PROPOSED FY2001 OPERATING & MAINTENANCE BUDGET COMMENTS BY DIVISION

OPERATIONS

- In addition to Operations support for new FY2000 programs, including Automated Dispatch System (ADS) and Ten-Minute Settlements, budget includes increased provision for callout program for grid operators, enhanced training programs and preparation for CMR and EMS changes.

"Additional Requirements": *WSCC RMS Fines, Training Simulator, EMS Displays, CMR Support, EMS Advanced Apps, Shift Manager, Regulatory Compliance*

IT

- Increased staffing and infrastructure costs (hardware, leases, software licenses, network changes, etc.) associated with the growing number of systems and staffing put in place in 2000 and planned for 2001.

"Additional Requirements": *Project Support for: new EMS, ETAG, SLIC Phase II, SI Workspace Modifications, additional staffing, Telecommunications modifications/contract migration, Tivoli systems management*

GENERAL COUNSEL

- Increased funding for required outside counsel support, increased staffing for governmental relations and staffing to meet the investigative responsibilities of Department of Market Analysis

"Additional Requirements": *FERC and CA Legislative Liaison, Response to Investigations, Staff Attorney*

FINANCE

- Staffing to implement GMC Unbundling, Accelerated Payment Calendar, and Ten-Minute Settlements.

"Additional Requirements": *Financial Analyst*

PROPOSED FY2001 OPERATING & MAINTENANCE BUDGET COMMENTS BY DIVISION

CLIENT SERVICES

- Staffing to maintain the client support levels established in 2000, which has included hosting more than 100 teleconferences and 100 stakeholder meetings so far this year.

"Additional Requirements": *Compliance Engineer, Two Facilitators*

STRATEGIC DEVELOPMENT & COMMUNICATIONS

- Funding for strategic planning staff, enhanced Board support, and proactive media relations effort.

"Additional Requirements": *Public Affairs Consulting*

HR/CEO

- Increased recruiting effort necessitated by growth and turnover, and provision for RTO developments.

College Recruiting efforts, Executive Development Program, RTO Response

FY2000/FY2001 UNBUNDLED GRID MANAGEMENT CHARGE COMPARISONS

	FY2000 Budget	Proposed FY2001 Budget	Amount Change	Percentage Change
Allocation Factors:	<i>Pro forma</i>			
Control Area Services	45.0%	48.1%		
Interzonal Scheduling	7.0%	8.7%		
Market Operations	48.0%	43.2%		
Net Revenue Requirement	\$ 179,283	\$ 225,307	\$ 46,024	26%
Net Revenue Requirement By Service				
Control Area Services	\$ 80,677	\$ 108,446	\$ 27,769	34%
Interzonal Scheduling	12,550	19,527	6,977	56%
Market Operations	86,056	97,334	11,278	13%
Billing Determinant Forecast '000 MWh				
Control Area Services	260,679	267,289	6,610	2.5%
Interzonal Scheduling	79,534	87,536	8,002	10.1%
Market Operations	113,709	102,394	(11,315)	-10.0%
Net Revenue Requirement - \$/MWh				
Control Area Services	\$ 0.309	\$ 0.406	\$ 0.096	31%
Interzonal Scheduling	\$ 0.158	\$ 0.223	\$ 0.065	41%
Market Operations	\$ 0.757	\$ 0.951	\$ 0.194	26%

Note:

Billing determinants volumes for have been revised from the September 28, 2000 posting to reflect anticipated impacts of the November 1, 2000 FERC order, and updated estimates of total control area load.

FY2000/FY2001 CAPITAL EXPENDITURE BUDGET COMPARISONS

	FY2000 Capital Budget	FY2000 Forecast of Capital Spending	FY2001 Proposed Capital Budget
ISO Systems, including Operations, EMS, MDAS/GCP/PLP, SA/SI/BBS, CMR	\$ 27,003	\$ 27,055	\$ 31,634
IT, and Other Systems	10,129	11,439	5,395
Facilities	2,962	1,600	745
Total Capital Budget	\$ 40,094	\$ 40,094	\$ 37,774

- (1) Excludes new ISO Facility costs, which will be monitored and reported against a separate budget spanning 2000-2002.
- (2) Detail on allocation of costs of the first category above has been masked to avoid releasing sensitive bid related data to potential vendors.
- (3) Individual projects in excess of \$1 million will be brought to the Board for approval during 2001.

Proposed FY2001 Capital Budget

