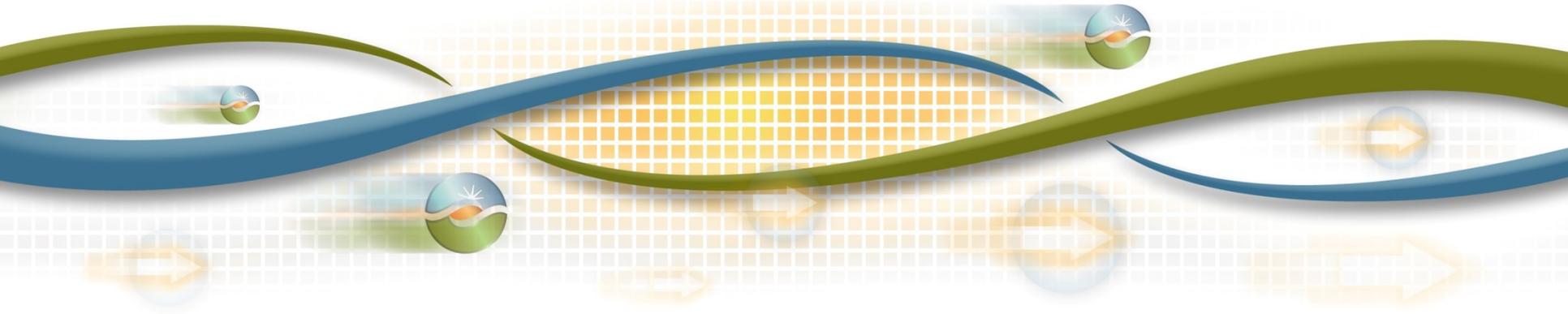


# Briefing on Long Term Forecast of Transmission Access Charge

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# Background

- Forecasting tool developed in response to concerns over increasing upward pressure on transmission costs.
  - Replacing aging infrastructure
  - Complying with NERC planning standards
  - Meeting California energy policy goals
- Goal is to estimate future high voltage transmission access costs in an objective and transparent manner.
  - Strike a balance of top down estimates with bottom up details
  - Provides transparency to costs related to reliability, policy, and economic driven projects
  - Establish a baseline and allows the flexibility to customize each future project individually

# Building the forecasting tool involved two steps:

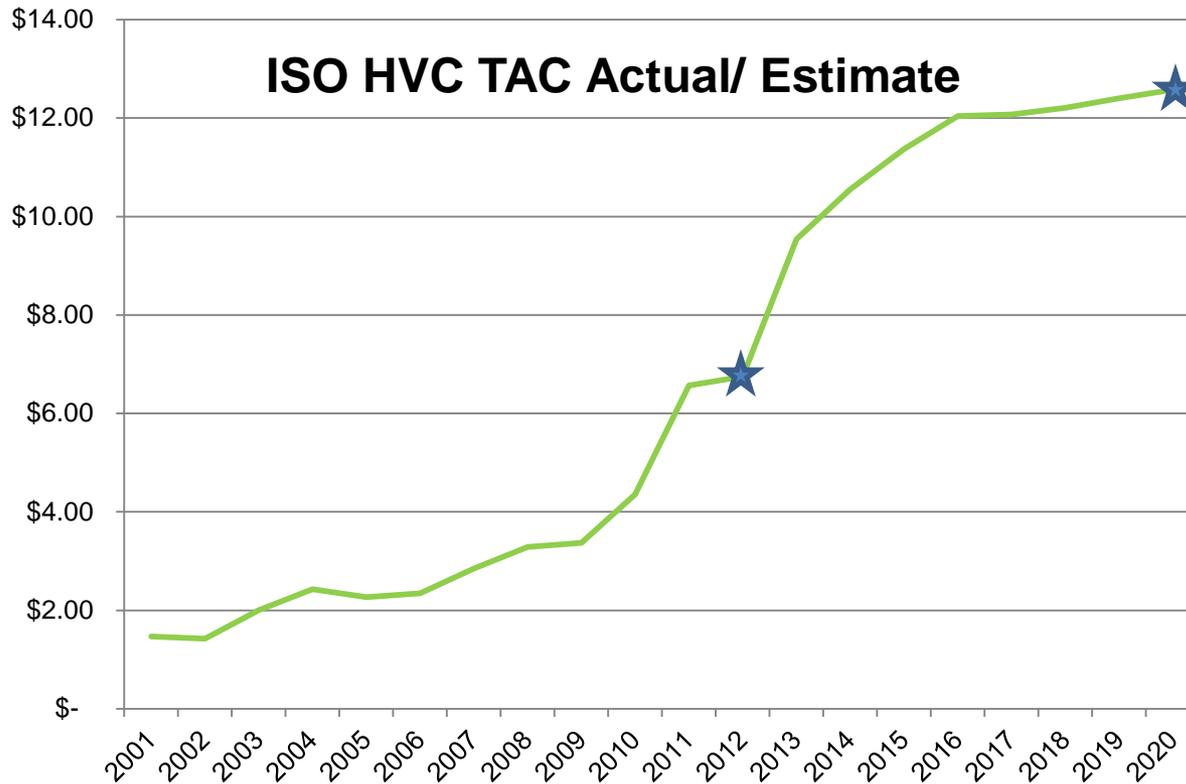
## 1. Establishing a solid foundation

- Reflects accurate current gross plant data
- Uses reasonable assumptions for costs associated with capital maintenance and O&M
- Includes other important factors such as depreciation, taxes, and capital costs

## 2. Adding the Costs of New Capital Additions

- Costs of Capital
- Treatment of Construction Work in Progress
- Financing and Tax Structure
- Estimated Incremental O&M

The ISO is projecting a significant increase in the high voltage transmission access charge over the next eight years.



# Next Steps

- Continue to refine assumptions and costs
- Ensure accurate depreciation and tax information
- Include projections and supporting documentation in the ISO 2012/13 annual transmission plan
- Provide annual updates as part of annual transmission planning process