

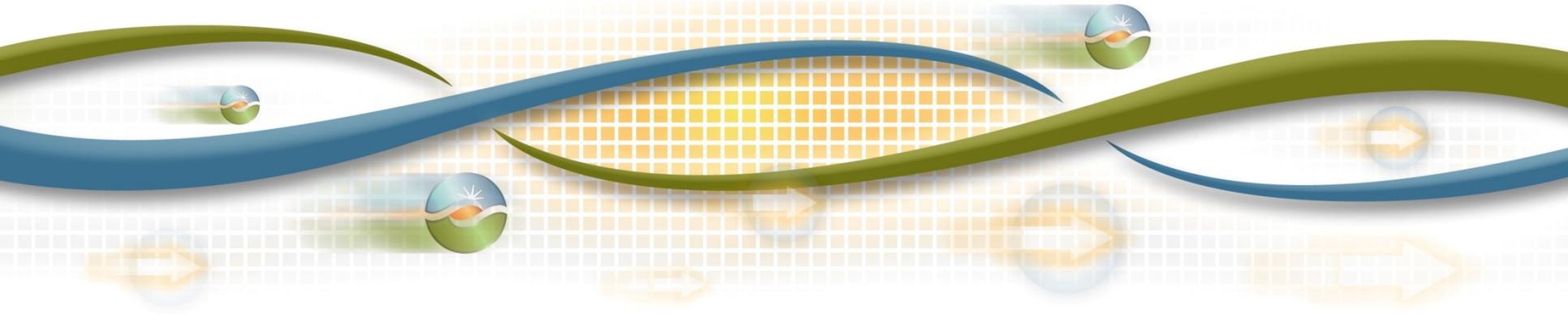


California ISO
Shaping a Renewed Future

Decision on 2012 Budget

Ryan Seghesio
Chief Financial Officer & Treasurer

Board of Governors
General Session
December 15-16, 2011



The budget development timeline extends from June through December.

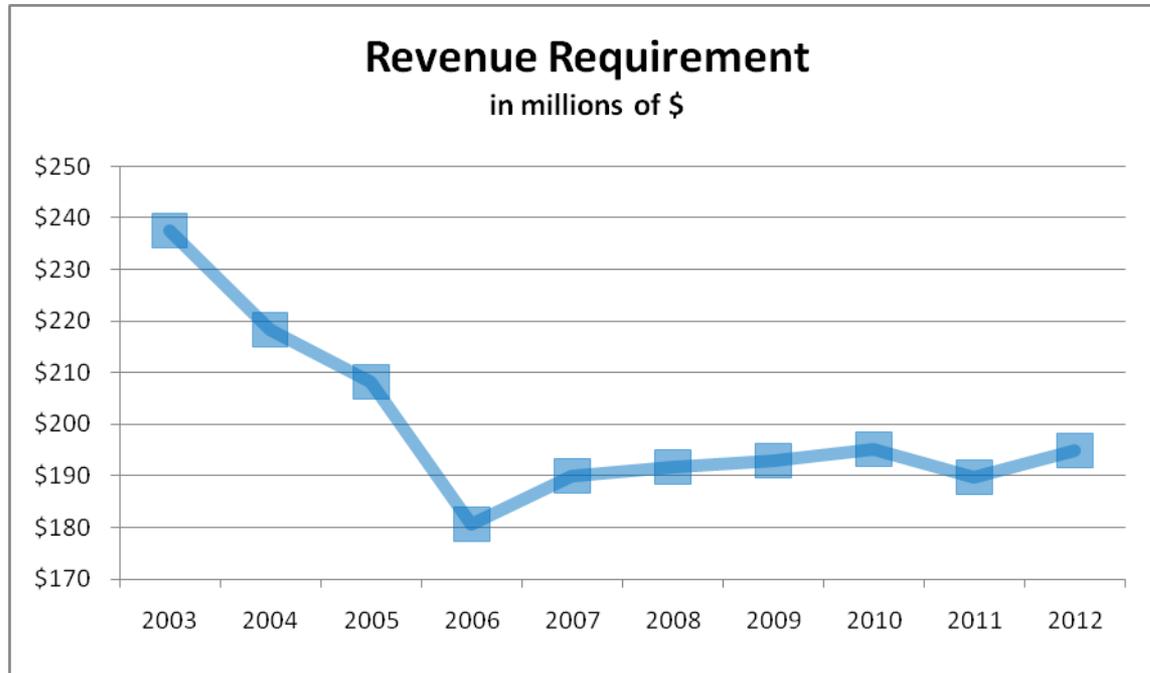
Previous Events	Date
Internal budgeting process	June – December
Introduction of budget process to stakeholders	June 2011
Board review of preliminary budget (Executive Session)	August 2011
Preliminary budget posted to website	August 2011
FERC approves GMC rate structure for 2012	September 2011
Stakeholder budget workshop/ update	October 2011

Upcoming Events	Date
Board decision on budget (General Session)	December 2011
Posting of rates	December 2011

The proposed budget exhibits fiscal discipline while providing for the ISO's long-term viability.

- Absorbs increased labor costs
- Absorbs the costs of maintaining two Folsom sites
- Allows for the continued delivery of more market functionality

Management proposes the revenue requirement increase to \$194.8M.



- Substantially reduced since 2003
- Remained in a tight range since 2007
- \$2.2M under \$197M rate cap

The proposed revenue requirement is up modestly to fund capital expenditures.

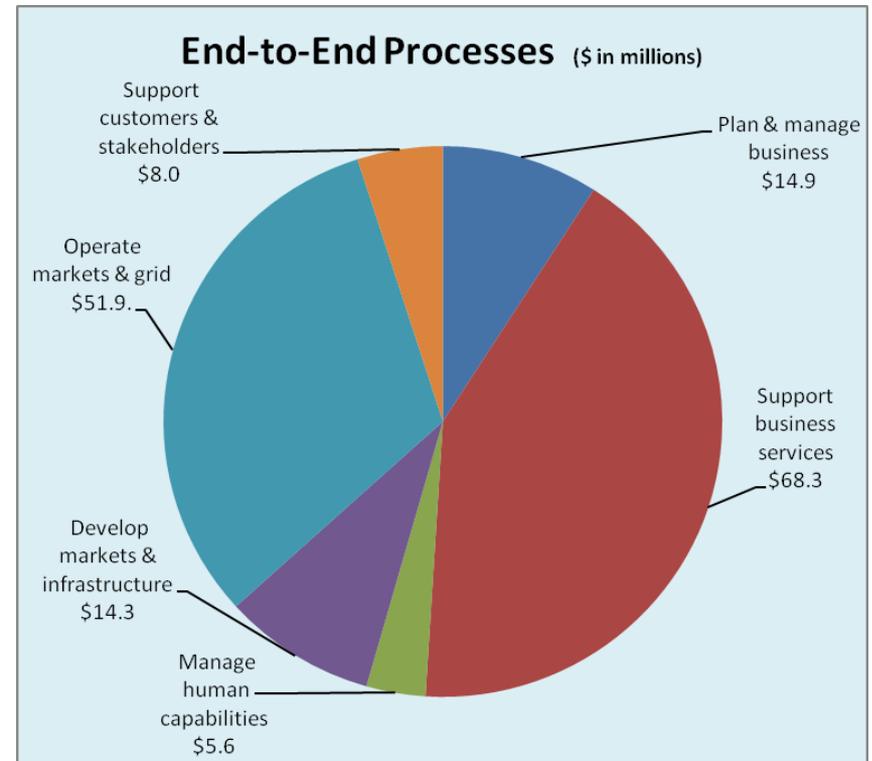
Revenue Requirement Component (\$ in millions)	2011 Budget	2012 Budget	Change
Operations & Maintenance budget	\$162.5	\$163.0	\$0.5
Miscellaneous revenue	(6.9)	(8.4)	(1.5)
Debt service (including 25% reserve)	43.7	46.3	2.6
Out-of-pocket capital funding	23.5	17.0	(6.5)
Revenue credit	(33.0)	(23.1)	9.9
Total Revenue Requirement	\$189.8	\$194.8	\$5.0
Transmission volume in TWh	240.0	242.4	2.4
Pro-forma bundled GMC in \$ per MWh	\$0.79	\$0.80	\$0.01

The proposed O&M budget increases by \$0.5 million, to \$163.0 million.

O&M Budget by Resource	2011 Budget	2012 Budget	\$ Change
Salaries and benefits	\$110.4	\$113.0	\$2.6
Facility operating costs and equipment leases	11.2	9.9	(1.3)
Telecommunication and maintenance costs	15.7	15.3	(0.4)
Consultants and contract staff	8.9	7.9	(1.0)
Outsourced and other contracts and professional fees	9.1	9.9	0.8
Training, travel, and other costs	7.2	7.0	(0.2)
Totals	\$162.5	\$163.0	\$0.5

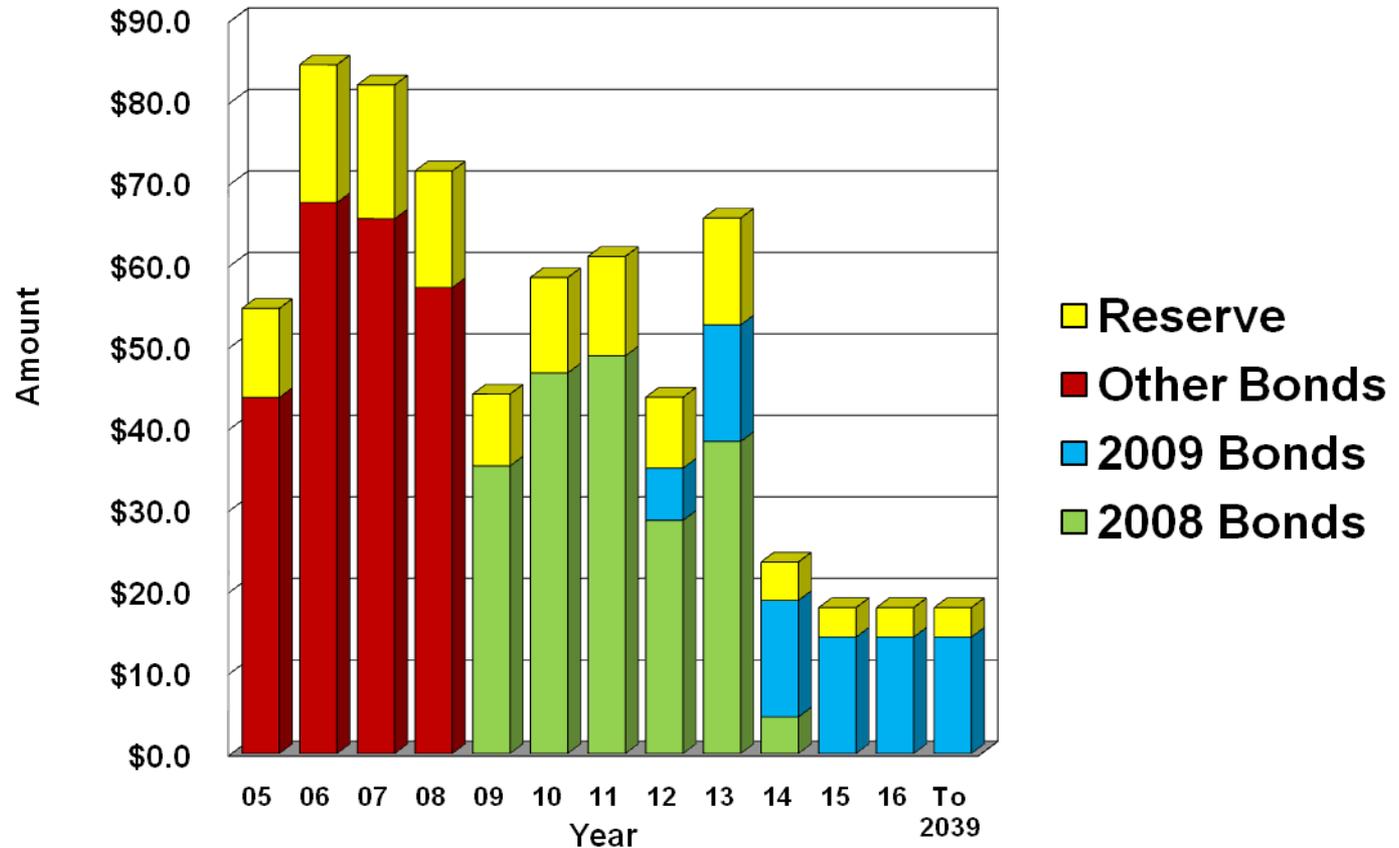
We have implemented, and are refining, an activity based costing structure for further analysis.

- Activity based costing (ABC) commenced third quarter of 2009
- Six summary activities were identified at the first level
- Level II activities continue to be rolled out to the organization
- ABC will provide further insight into resource utilization

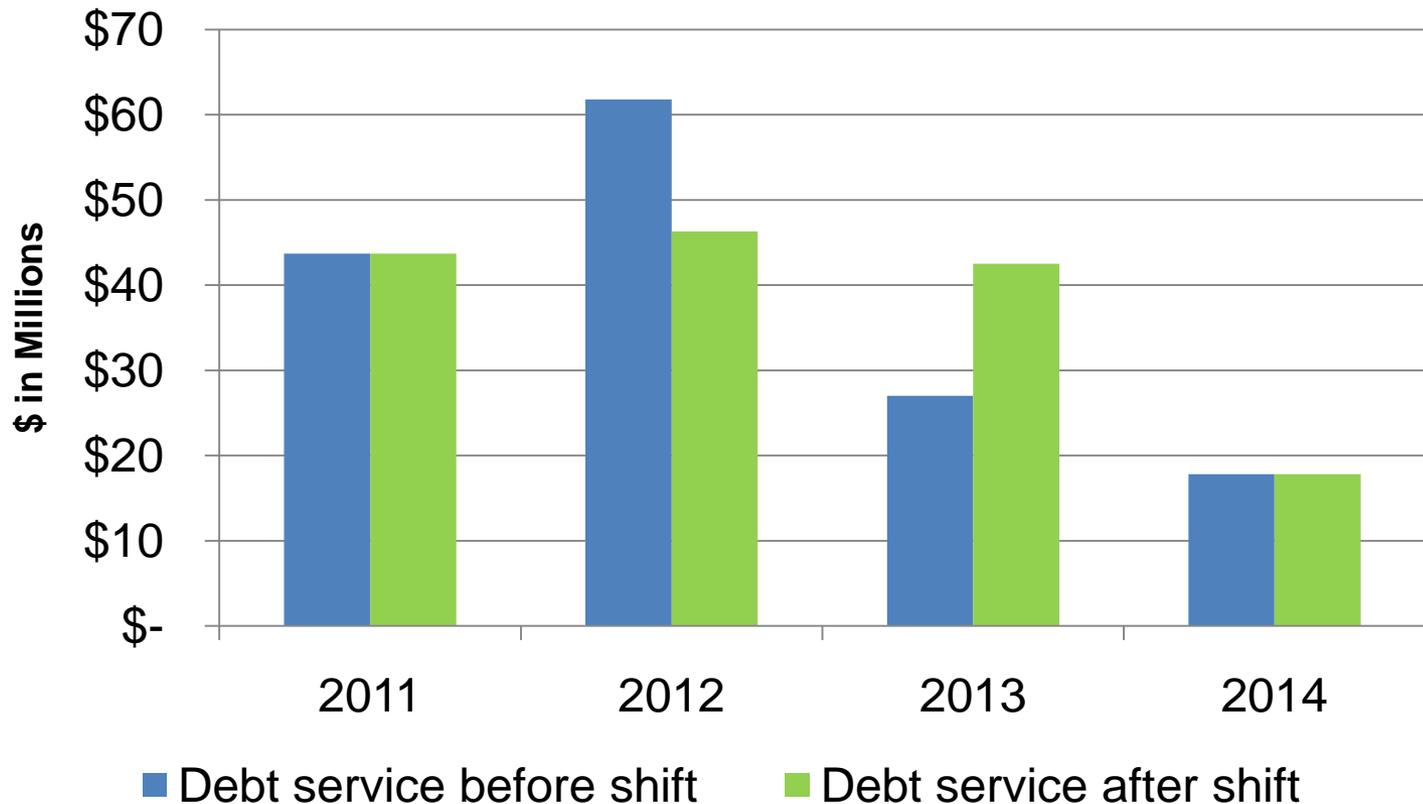


Adjustment to timing of debt service collection allows for minimal impact to proposed revenue requirement.

Net Debt Service with 25% Reserve (\$ in millions)



Adjustment shifted \$16M of debt service collections from 2012 to 2013.



The proposed capital projects will be primarily financed by cash funded capital collected in the revenue requirement.

- Proposed revenue requirement contains a \$17 million cash funded capital component.
- Total non-facility spending targeted at \$20.8 million for further market enhancements and regular capital.
- Detailed draft of capital project list contained within the budget document. Areas of focus include:
 - Enhance markets and performance
 - Improve forecasting capabilities
 - Incorporate distributed resources
 - Blue Ravine lease buyout

The proposed grid management charge rates are listed below.

Charge	Rate	Billing Units
Market services charge	\$0.0851	MWh
System operations charge	\$0.2845	MWh
Congestion revenue rights (CRR) services charge	\$0.0170	MWh
Other fees		
Bid segment fee	\$0.005	Per bid segment
Inter-SC trade fee	\$1.00	Per inter-SC trade
SCID fee	\$1,000	Per month
TOR charges fee	\$0.27	MWh
CRR auction bid fee	\$1.00	Per awarded CRR
CRR application fee	\$1,000	Application fee for non-SC