



2018 Budget and Grid Management Charge Initial Stakeholder Meeting

Meeting Logistics

Date: Tuesday, July 25, 2017

Time: 10:00 - 12:00 p.m.

Location: 250 Outcropping Way Folsom, CA 95630

The following topics were discussed:

- 2018 Budget Process and GMC Rate Outlook
- Managing Employee Compensation
- Project Release Plans
- Project Summaries
- Financial Summaries
- Calendar Dates and Next Steps
- Stakeholder Feedback and Discussion

Supporting documents can be found here,

<http://www.caiso.com/informed/Pages/StakeholderProcesses/Budget-GridManagementCharge.aspx>.

Phone Attendees

Name	Organization
Don Brookhyser	Alcantar & Kahl
Patrick Bogle	APS
Jessica Kelsey	APS
Kim Razo	APS
Leslie Pompel	BPA
Geoff Gong	CDWR
Nicholas Burki	City of Anaheim
Gabriela Ramirez	City of Riverside
Jose Vargas	City of Riverside
Stephen Greenleaf	Customized Energy Solutions
David Cohen	Navigant
Mike Whitney	NCPA
Sarah Edmonds	PacifiCorp
Pam Sporborg	PGE
Dan Williams	Portland General Electric
Kyle Hoffman	Powerex
Larisa Ljubarskaya	PSE
Lisa MacKay	Puget Sound Energy
Bradley Carter	SDG&E
Matt Richardson	SDG&E
Richard Buckingham	SMUD
Meg McNaul	Thompson Coburn LLP
Nicole Lange	TID

Present Attendees

Name	Organization
Catherine Parada	Duncan, Weinberg, Genzer & Pembroke, P.C.
Sean Neal	Duncan, Weinberg, Genzer & Pembroke, P.C.
Thomas Setliff	CAISO
Stephanie O'Guinn	CAISO
Jake Thai	CAISO
Emily Kirkwood	CAISO
Jordan Pinjuv	CAISO
Janet Morris	CAISO
Jan Cogdill	CAISO
Dennis Estrada	CAISO
Ryan Seghesio	CAISO
Kristina Osborne	CAISO
Jodi Ziemathis	CAISO
Brett Bruder	CAISO
April Gordon	CAISO

Questions and comments should be directed to: initiativecomments@caiso.com.

Stakeholder Meeting Comments/Questions

Stakeholder: David Cohen

ISO Respondent: Jodi Ziemathis

SH Comment: Can you make available the ISO benchmarking that ISO utilized, and what year was this benchmarking used last?

ISO Response: I can provide the survey information to you later but as for the last salary benchmarking we did, it was year before last. We will do the next one in 2018.

Stakeholder: David Cohen

ISO Respondent: Janet Morris

SH Comment: Where is the TAC redesign in this timeline?

ISO Response: The TAC redesign is scheduled for 2019. That stakeholder process is not on the roadmap for this year.

Stakeholder: Sean Neal

ISO Respondent: Janet Morris

SH Comment: Regarding today's call for roadmap and stakeholder initiative process and cataloging, if the proposal goes through will there be any change to the timing of budgeting process due to the changes in the Budget Stakeholder process?

ISO Response: I do not anticipate any changes in budgeting or timing as a result of the change in Stakeholder initiative roadmap process. There will be straw proposals where we can develop a more definitive timeline. I believe there will be proposed changes in how the ranking occurs and how the initial roadmap is defined but the implementation process will remain the same. A particular initiative starts the stakeholder process and once it gets to the point of straw proposal, that's when the implementation team engages and starts the impact assessment and business requirements specifications. It isn't until this point that we can definitively state the schedule for that initiative. However, because Stakeholders want to know our intentions, we provide an estimated timeframe for the initiative.

SH Comment: The spring iteration of all the proposals to date wouldn't have any change on this process?

ISO Response: That's correct. We do not anticipate any changes in the 2018 implementation plans as a result of looking 3 years ahead at the Stakeholder initiatives roadmap. We would see those items in the roadmap start to further populate out in 2019, 2020 and beyond. You can see in comparison to 2018, 2019 and 2020 are less defined in terms of which initiatives we will be implementing.

SH Comment: So, the 3 year outlook in the proposal is a firmer picture?

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ISO Response: Yes. Our intention is that there would be a robust plan the 2nd and 3rd year out.

Stakeholder: Sean Neal

ISO Respondent: Jan Cogdill

SH Comment: Regarding \$18-20 million, was last year targeted at the same range?

ISO Response: Yes, we have an approved budget of \$20 million. Internally, we're looking at the most we can spend is \$18 million and anything we don't spend would cover any project contingencies that come up. That number is determined after we determine the final O & M budget. We build in a reserve for the future when we can't fund something out of the GMC. All will be finalized by the next Stakeholder meeting after we've completed the budget process.

Stakeholder: Sean Neal

ISO Respondent: Jan Cogdill

SH Comment: What were the 2016 \$1.6 million hardware/software completed projects?

ISO Response: The hardware/software project is an estimated blanket amount for server, equipment, software licensing, and other asset purchases.

Stakeholder: Sean Neal

ISO Respondent: Jan Cogdill

SH Comment: Are there funds budgeted for SB350 this year?

ISO Response: No

Stakeholder: Sean Neal

ISO Respondent: Jan Cogdill/Janet Morris

SH Comment: At what stage will the Greenhouse Gas enhancement for EIM be implemented? What is being budgeted this year vs next year?

ISO Response (JC): They requested initial funds. If the scope changes, they can come back with a change request.

ISO Response (JM): The goal this year is to complete the development of Greenhouse Gas scope this year so that we can do analysis of the data produced by that solution. Based on that data we will start the Stakeholder initiative process which would drive a full implementation of this. Spring of 2018 would be best case if the data leads to a certain conclusion, the conclusion presented to Stakeholders. If there is no change required in that scope, then we would implement it in the Spring of 2018. If the Stakeholder process changes the scope, we would then have to reconsider and potentially move it to the Fall timeframe. We are on track now for implementing it for analysis so that we can inform the Stakeholder process.

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SH Comment: If I understand, \$17k for the Greenhouse Gas enhancement project initial phase, then if we look at the active projects, there's an approved budget of \$306k of which some funds have been expended already, that may not be the end of the story for the budget depending on the scope and the next phase of implementation there could be additional budgeting?

ISO Response (JC): Correct. If it can't be completed with what has already been approved, they have the option to submit a change request and bringing it back to the CMC for additional funding.

Stakeholder: Sean Neal

ISO Respondent: Jan Cogdill/ Ryan Seghesio

SH Comment: What about Lincoln Operation Center? Could you explain the status of the funding and payment of that project?

ISO Response (JC): Final invoices for the actual construction are not in yet – There is about \$300k to \$400k remaining to be paid; we are under the \$30 million that was approved; we are holding approximately \$1.5 million for unforeseen expenditures.

ISO Response (RS): Lincoln Operation Center has been live since November; Alhambra is closed. The lease for that facility is over in August.

Stakeholder: Sean Neal

ISO Respondent: Jan Cogdill/Janet Morris

SH Comment: What do the budgeted \$932K Operations Enhancements 2016-17 non-capital consist of?

ISO Response (JC): These consist of small identified project issues generally from Siemens.

ISO Response (JM): These requests come from Operations staff which will benefit their workflow. The VP of Operations has a goal of zero issues.

Stakeholder: David Cohen

ISO Respondent: Jan Cogdill

SH Comment: Are the final costs of completed projects as of June 2017, not final locked in costs, correct?

ISO Response: That is the final costs unless there is an outstanding contract like a retainage. If it's on the list, it is complete and in production. \$824 delta – Approved vs used. We earn interest on the unused funds; the money goes back into capital reserves.

SH Comment: On page 3 regarding grand total of completed projects, if the capital funding is recovered through the \$20 million capital component of the GMC where are those dollars are housed in the accounting system? And given there is an \$824k

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delta, between approved project budget and final cost, are earning any interest earnings on those unspent funds?

ISO Response: We are earning interest on unspent funds. Unspent funds goes back into a capital reserve bucket. If a project goes over, we pull the dollars from the reserve bucket, still staying within the budget for the year.

Stakeholder: David Cohen

ISO Respondent: Jan Cogdill/Ryan Seghesio

SH Comment: Regarding EMS project approved in 2016 with an approved budget of \$13.5 million on page 1 – Is this the 2nd enhancement to the EMS that you got back in 2014?

ISO Response (JC): No. This is a new EMS system. It's replacing the one we put in when we moved into the Iron Point facility in 2011. It is scheduled to be implemented in Q1 2018. This went before the board as additional funding out of our reserves and does not come out of the \$18 million.

SH Comment: Since you need a new EMS after a period of 7 years, who would I speak with to find out what the enhancements are?

ISO Response (RS): Please put that question into your comments. We can send you a link to the Board presentation from I believe December 2015 which should have details in that board report describing the enhancements.

SH Comment: Do you know if any of those enhancements are due to EIM?

ISO Response (RS): I don't know.

Stakeholder: David Cohen

ISO Respondent: Jan Cogdill

SH Comment: On the list of 43 projects for 2018/19, had you not previously provided us with High, Medium or Low with some kind of estimated cost? What were the enhancements to EMS and was this in writing to at the Board Meeting in 2015 as?

ISO Response: No. You will see a more definitive iteration in the November 2017 stakeholder meeting. At this point, these are items that we previously had that I do have estimates for, however, this meeting shows what we know is out there.

SH Comment: Is the Transmission Register enhancements from prior years or is this a new program?

ISO Response: It's been on our list for several years.

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Stakeholder: Sean Neal

ISO Respondent: Ryan Seghesio/April Gordon

SH Comment: Why are the EIM administrative fees and forecasting fees higher than projected?

ISO Response (RS): The higher EIM fees are due to more participants. It's a transactional charge based on the use of a system so we budget that based on 10% of their net energy per load. Some use the system more than others. It's difficult to budget each year, at least in the first couple of years of EIM. We can probably expect some overage. This goes back into the operating reserve credit in the next budget cycle.

SH Comment: Do you think in successive years there will be an adjustment upward.

ISO Response (RS): Yes. The more entities that join, the more changes and with more history, we can make some adjustments to administrative fees.

SH Comment: Regarding Forecasting fees?

ISO Response (AG): We've been seeing a higher trend on the forecasting fees as more Eligible Intermittent Resources come on board. I can do more research and provide that to you in the comments.

SH Comment: What is the reason for the higher contracting cost?

ISO Response (AG): The 2016 consultant cost was higher due to SB350. We were able to bring that into the O & M budget.

Stakeholder: David Cohen

ISO Respondent: Dennis Estrada

SH Comment: Regarding, June 30, 2017 balance sheet accounts receivable, why is there a \$21 million variance?

ISO Response: On the 2016 financial statement, there were some reclassifications for presentation purposes which involves receivables around the Generator interconnection projects. We have agreed with our auditors that at year end, we classify the receivables related to those projects against the liability account. For June 30, 2017 does not reflect that. We only do that reclassification at the end of the year.

SH Comment: This is not footnoted. Does that explain 100% of the variance or are there other receivables such as revenue lag from collection from GMC customers?

ISO Response: There is probably some GMC revenue lag. For year end, we open our books 2 months after then in June we close our books quickly, therefore there would be a GMC lag but primarily the variance has to do with the Generator Interconnection projects.