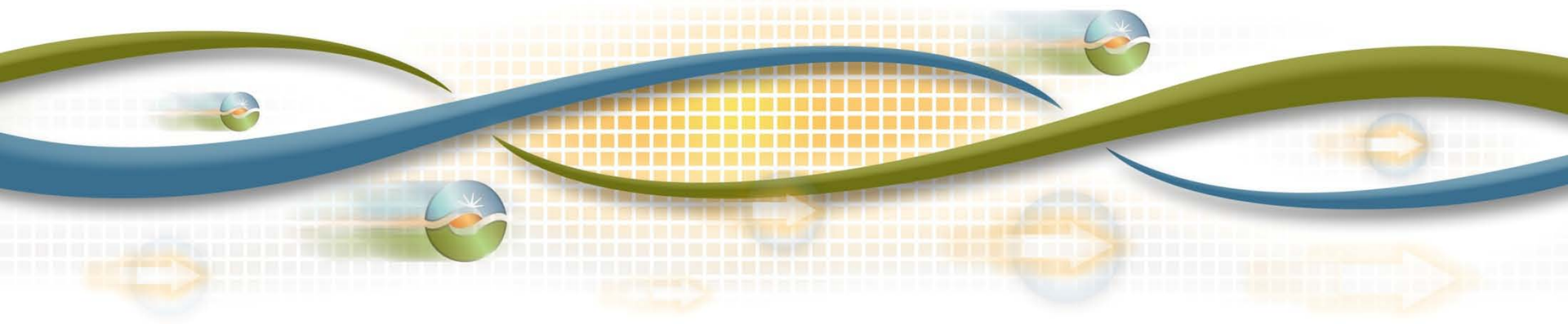


2012 Budget Presentation for Stakeholders

Ryan Seghesio
CFO

October 4, 2011



The budget development timeline extends from June through December.

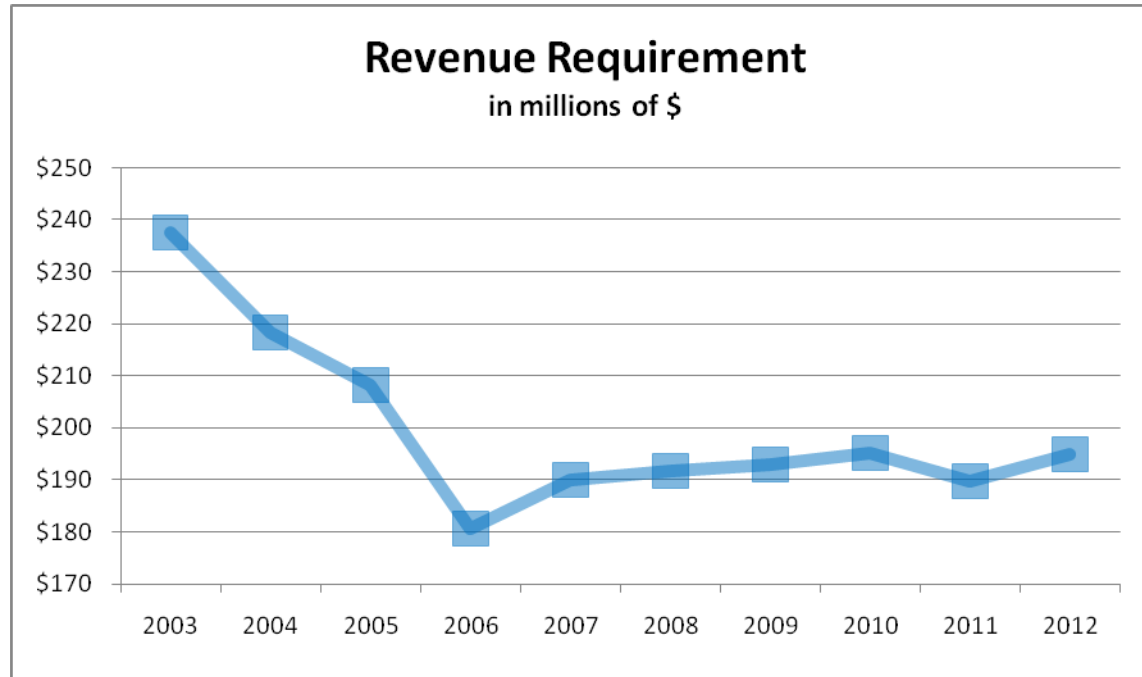
Previous Events	Date
Introduction of budget process to stakeholders	June 2011
Board review of preliminary budget (Executive Session)	August 2011
Preliminary budget posted to website	August 2011
Internal budgeting process - primary	June – August

Upcoming Events	Date
Internal budgeting process – secondary	August - December
Stakeholder budget workshop/ update	October 2011
Board decision on budget (General Session)	December 2011
Posting of rates / informational filing with the FERC	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 Final Budget	2012 Draft Budget	Change
Operations & Maintenance budget	\$162.5	\$161.5	\$(1.0)
Miscellaneous revenue	(6.9)	(6.9)	0.0
Debt service (including 25% reserve)	43.7	46.3	2.6
Cash funded capital	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 decreases by \$1 million, or 0.6%, to \$161.5 million.

(\$ in millions)

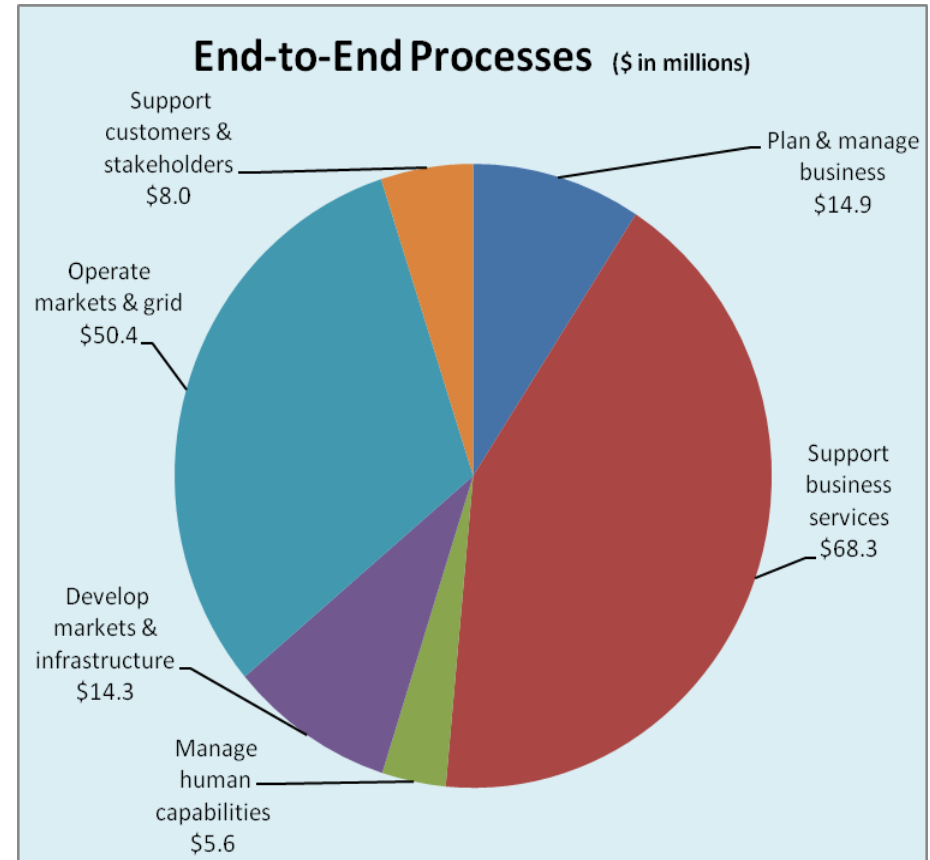
O&M Budget by Resource	2011 Final Budget	2012 Draft Budget	\$ Change
Salaries and benefits	\$110.4	\$113.0	\$2.6
Facility operating costs and equipment leases	11.2	9.9	(1.3)
Telecommunication and maintenance costs	15.7	15.3	(0.4)
Consultants and contract staff	8.9	7.9	(1.0)
Outsourced and other contracts and professional fees	9.1	8.4	(0.7)
Training, travel, and other costs	7.2	7.0	(0.2)
Totals	\$162.5	\$161.5	\$(1.0)

The Operations and Technology divisions account for two-thirds of the proposed budget.

(\$ in millions)				
Division	2011 Final Budget	2012 Draft Budget	\$ Change	% Change
Chief Executive Officer Division	\$5.3	\$5.0	\$(0.3)	(5.5)%
Human Resources	5.4	5.4	-	-%
Market and Infrastructure Development	13.2	13.3	0.1	0.8%
Technology	51.0	51.3	0.3	0.5%
Operations	57.5	56.9	(0.6)	(1.0)%
Legal & Administrative	21.7	21.0	(0.7)	(3.5)%
Policy and Client Services	8.4	8.6	0.2	3.5%
Totals	\$162.5	\$161.5	\$(1.0)	(0.6)%

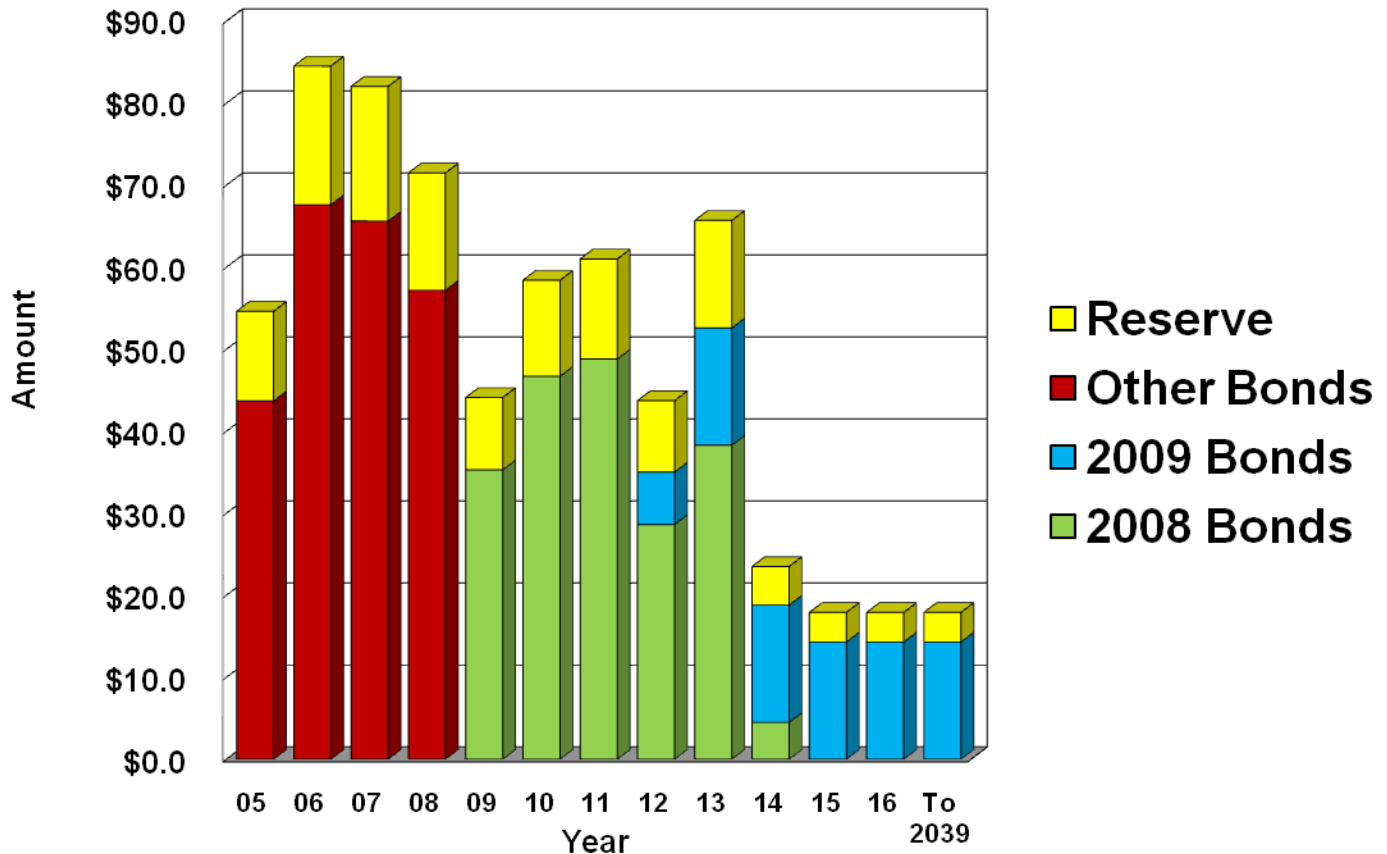
We have implemented, and are refining, an activity based costing structure for further analysis.

- 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)



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 GMC rates are listed below*. Due to the structural change, there are no prior year comparisons.

Charges	Rate	Billing Units
Market Services Charge	\$0.0836	MWh
System Operations Charge	0.2899	MWh
CRR Services Charge	0.0117	MWh
Fees		
Bid Segment Fee	0.005	Per bid segment
Inter SC Trade Fee	1.00	Per inter SC trade
TOR Fee	0.27	Min of supply or demand TOR MWh
SCID Monthly Fee	1,000	Per month
CRR Bid Fee	1.00	Number of nominations and bids

* Currently awaiting approval for rate restructuring at the FERC

- Rates are based off of most recent volume data available through June 2011

Next Steps

- Submit comments to GMC@caiso.com
- ISO Board decision – December 2011