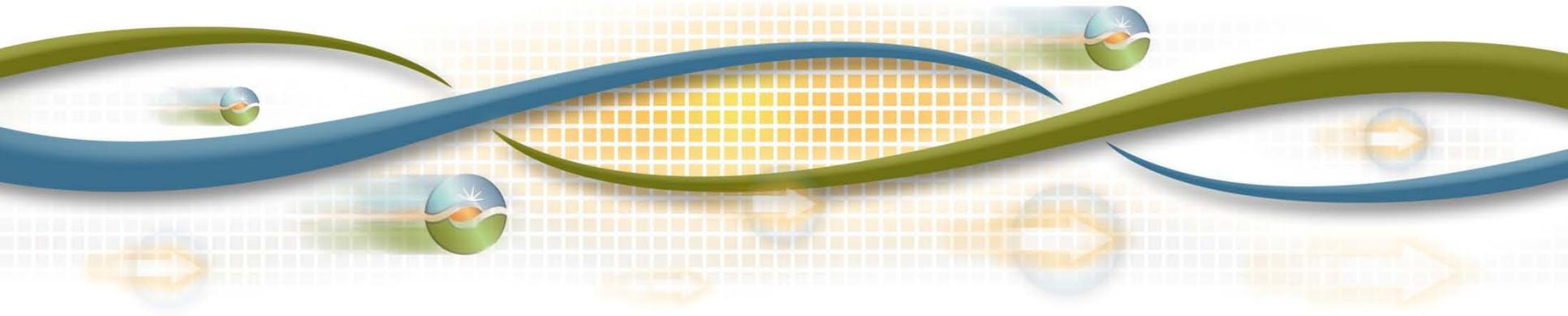




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2012 Budget – Initial Stakeholder Meeting

June 16, 2011



Agenda

TOPIC	PRESENTER
Introduction, principles, & initiatives	Ryan Seghesio
2012 Budget process & GMC rate outlook	Mike Epstein
2011 - 2012 Project release plans	Janet Morris
2011 GMC rate changes	Charles Snay
2011 YTD Financial Summary	Denise Walsh
2012 Budget Calendar and Next Steps	Mike Epstein
Stakeholder Feedback and Discussion	Group
GMC Tariff Language Review	Judi Sanders

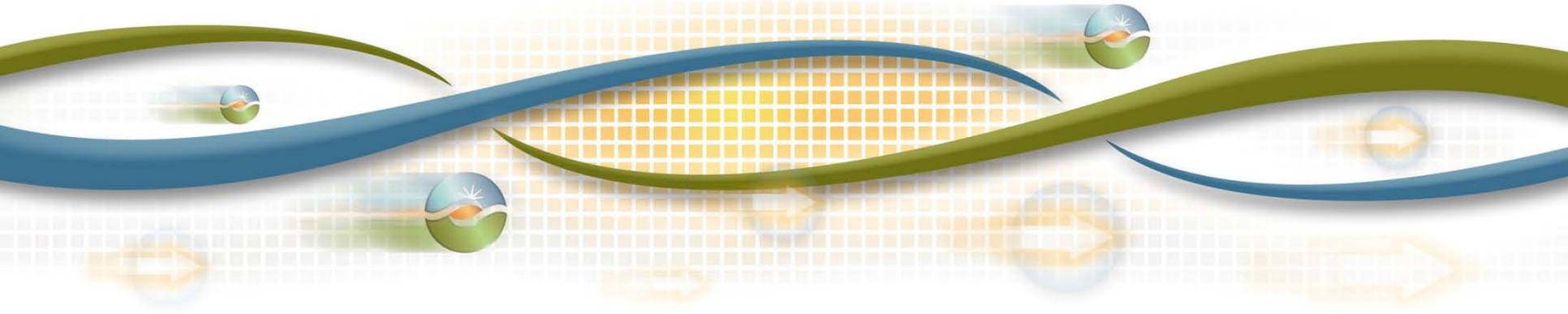


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Budget Principles and Strategic Initiatives

Ryan Seghesio
CFO and Treasurer

2012 Budget Initial Stakeholder Meeting
June 16, 2011



2012 Budget Principles

- Provide transparency of the budget process
- Enhance stakeholder understanding of the budget
- Gather stakeholder input to the budget
- Maintain fiscal discipline
- Accommodate relevant Strategic Plan Initiatives
- Maintain service levels
- Deliver a GMC under \$0.80 per MWh and
- Deliver a revenue requirement under \$197M

Relevant Strategic Initiatives

- Excel in Grid and Market Operations
 - Establish a sustainable operational compliance culture
- Effective & Timely Infrastructure Development
 - Implement Market Design enhancements
 - Advance State, Regional & Federal Priorities
- Organizational Effectiveness
 - Maintain fiscal discipline
 - Implement superior customer service capabilities
 - Deploy world class recruiting strategies

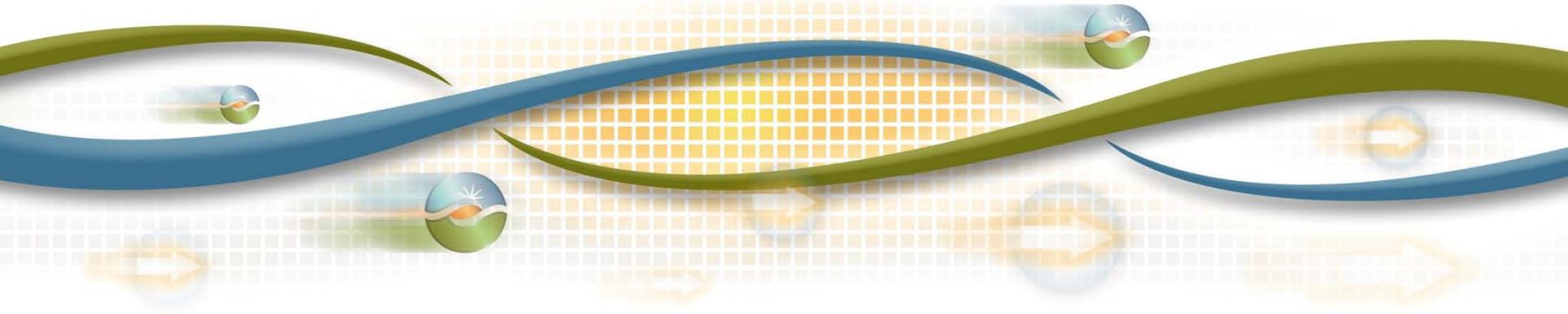


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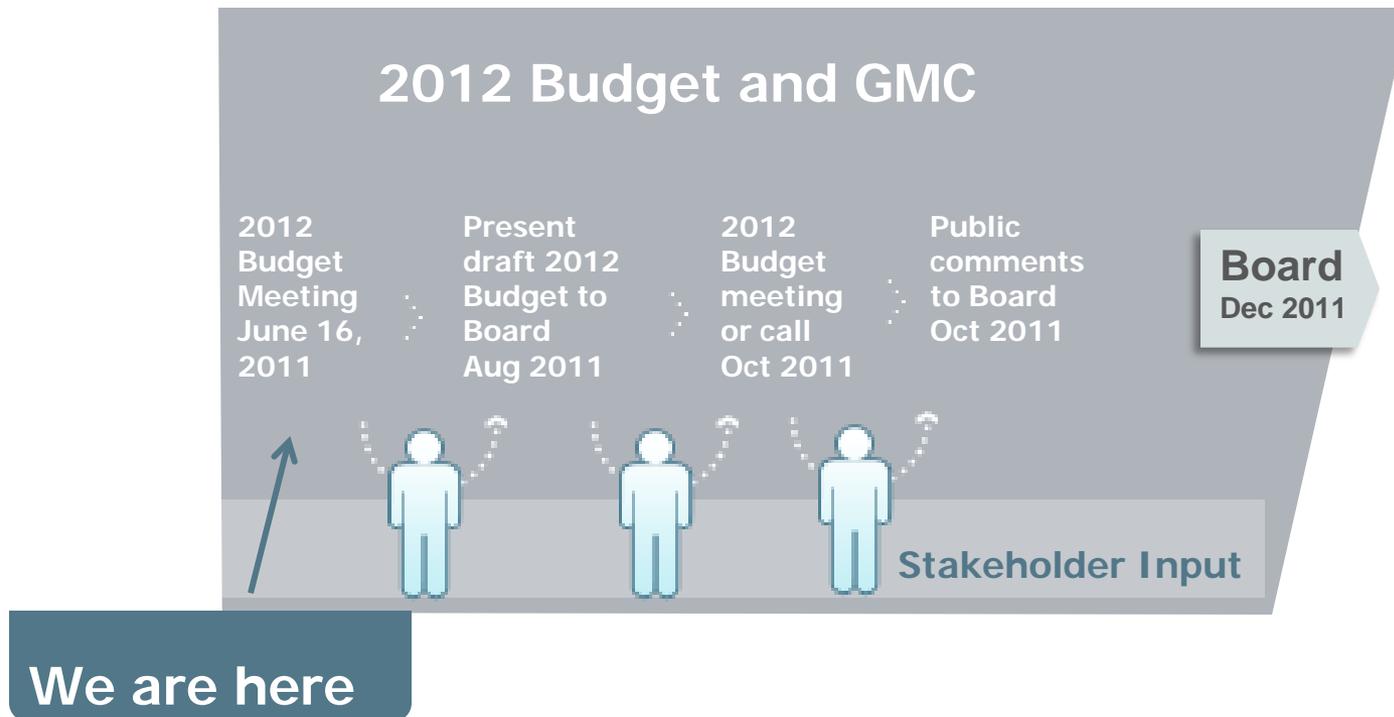
Budget Process and Rate Outlook

Michael Epstein
Director Financial Planning

2012 Budget Initial Stakeholder Meeting
June 16, 2011

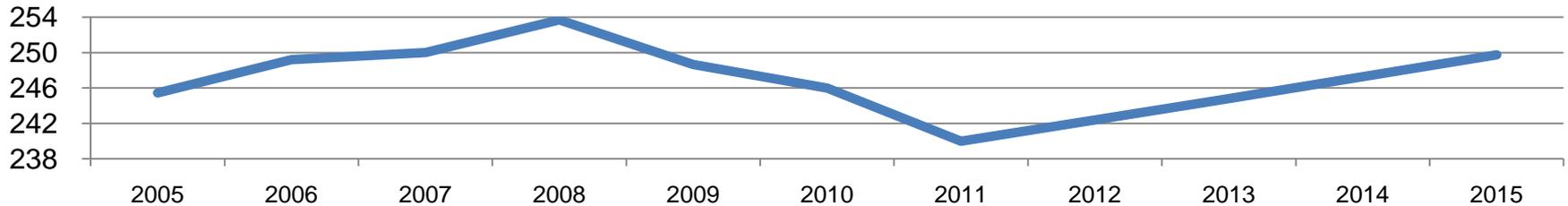


Timeline for 2012 budget and GMC rates

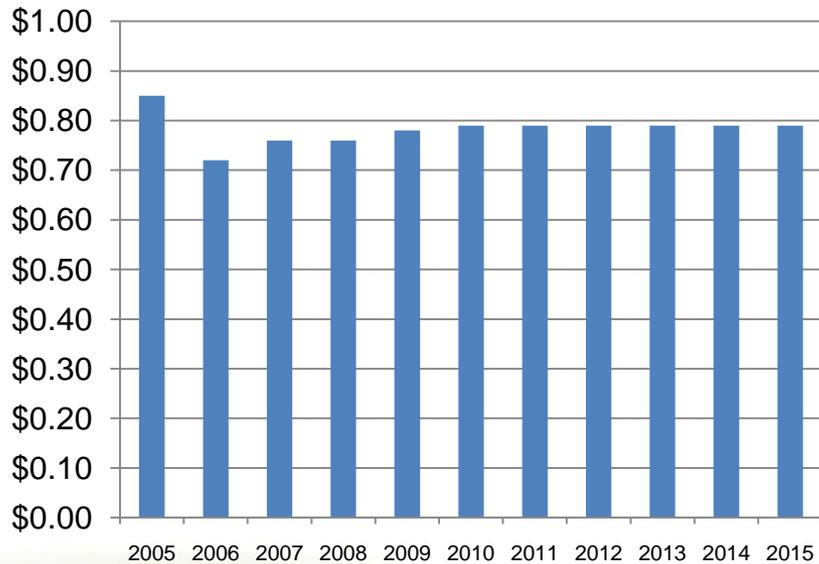


GMC Revenue requirement and rate outlook

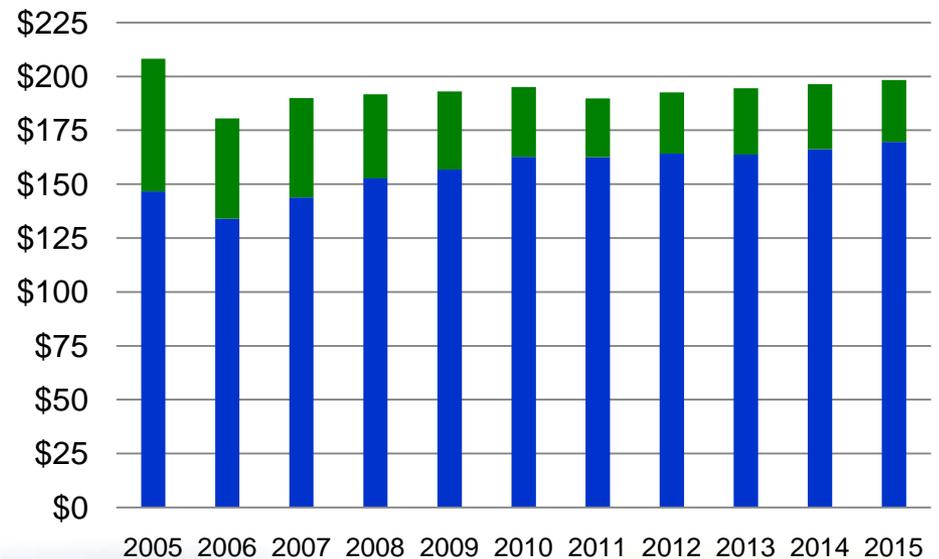
Budgeted Transmission volume - millions of MWhs



GMC bundled rate - \$ per MWh



Revenue Requirement - millions of \$





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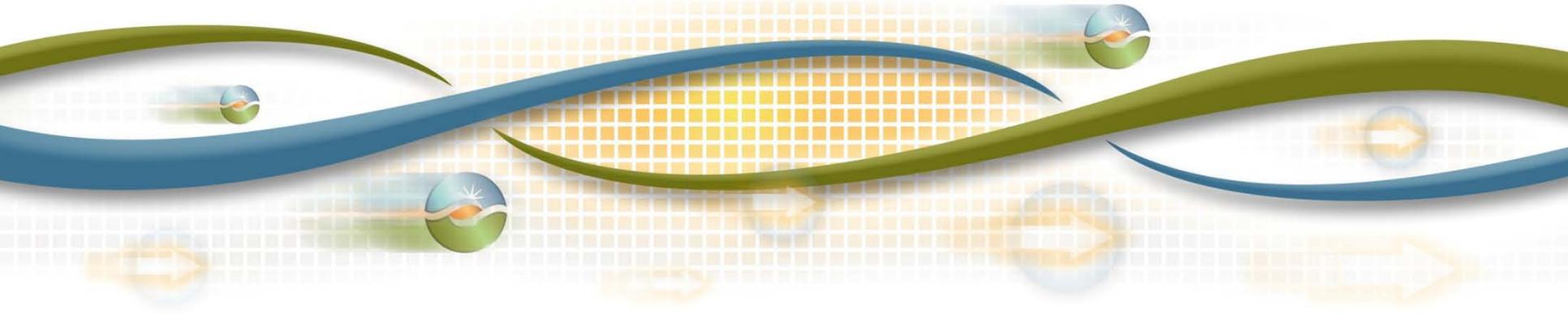
2011-2012 Project Release Plans

Janet Morris

Director, Program Office

2011 and 2012 Release Update

June 16, 2011



2011 Release Update

- Fall 2011 Release
 - 72 Hour RUC
 - Changes in Commitment Costs – SUM/MLC Phase 2
 - Credit Reform in Organized Energy Markets & Settlements Process Timeline Change
 - Reliability Demand Response Product
 - Dynamic Transfers – Interim Functionality
- December 2011 Release
 - GMC Rate Structure Change
 - Generated Bids and Outage Reporting for Non-Resource Specific RA Resources

2012 Release Update

- Spring 2012
 - Regulation Energy Management
 - Local Market Power Mitigation Enhancements
- Fall 2012
 - Data Release Phase 3

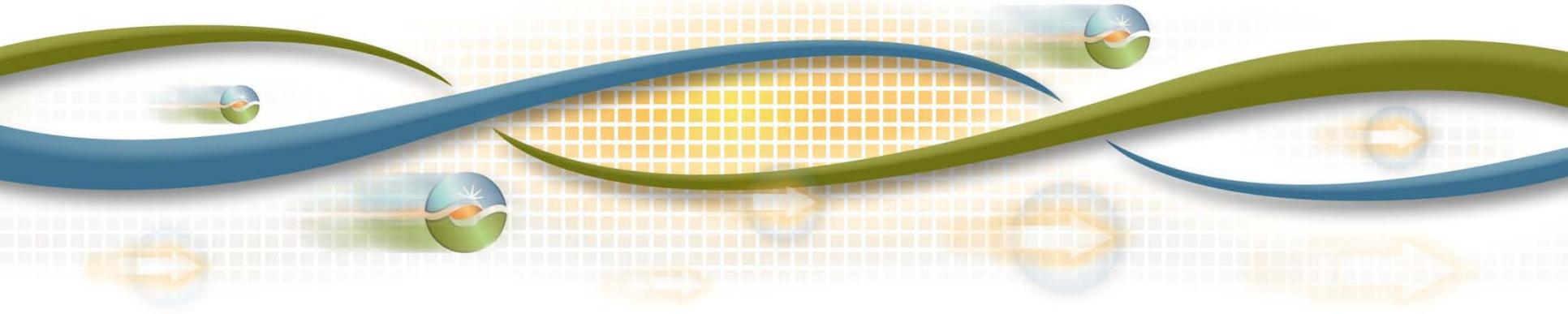


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2011 GMC Rate Changes

Charles Snay
Assistant Treasurer

2012 Budget Initial Stakeholder Meeting
June 16, 2011



April 2011 GMC Rate Adjustments

GMC rate adjustments effective April 1, 2011

– Market Usage (MU)

- Rate reduced from \$0.4488 to \$0.3664
- Primarily due to increased volumes associated with impact of Convergence Bidding

– At this time there are no rate adjustments scheduled for July



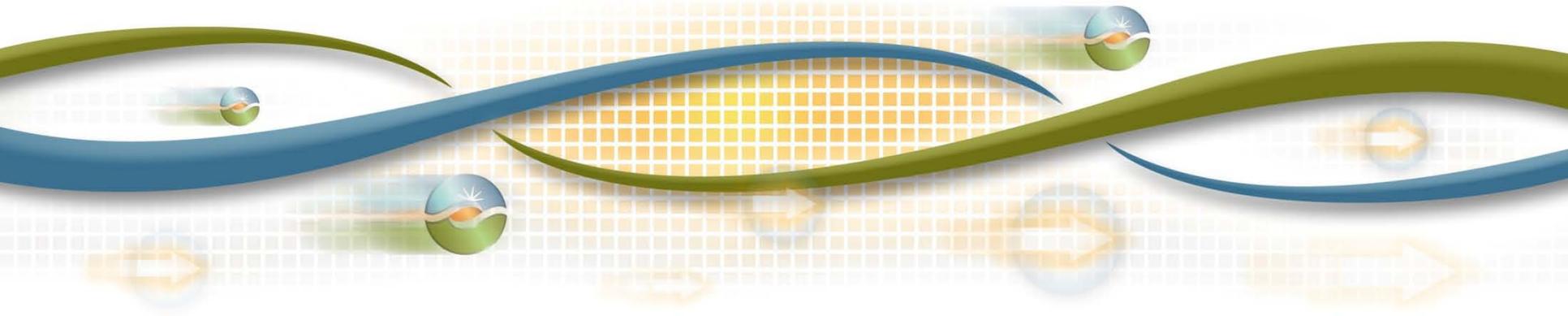
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2011 Financial Summary

Denise Walsh
Controller

Dennis Estrada
Assistant Controller

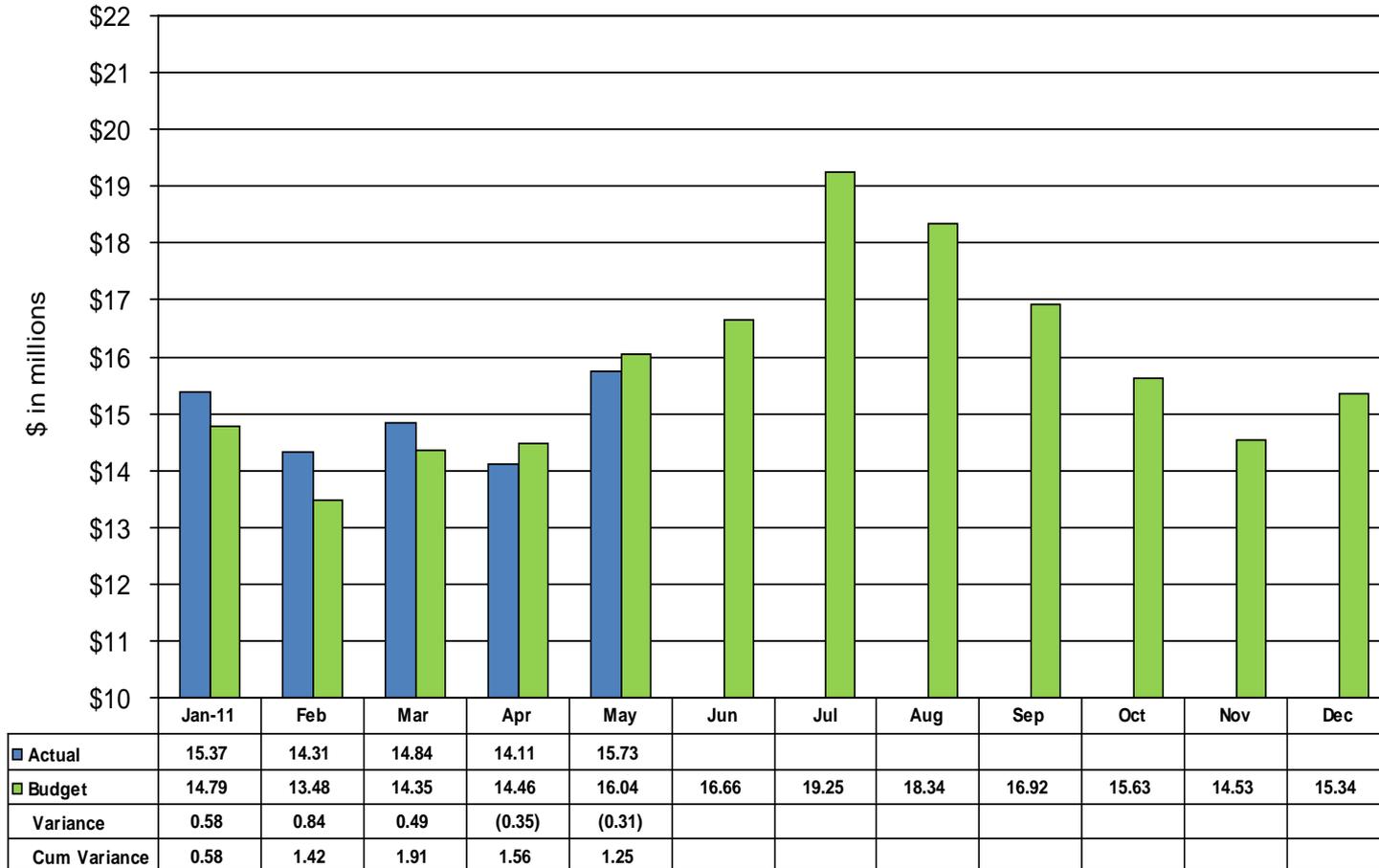
2011 YTD Financial Summary
June 16, 2011



2011 YTD Financial Summary

- GMC Revenues
- Operating Revenues
- O&M Expenses
- Capital Expenditures

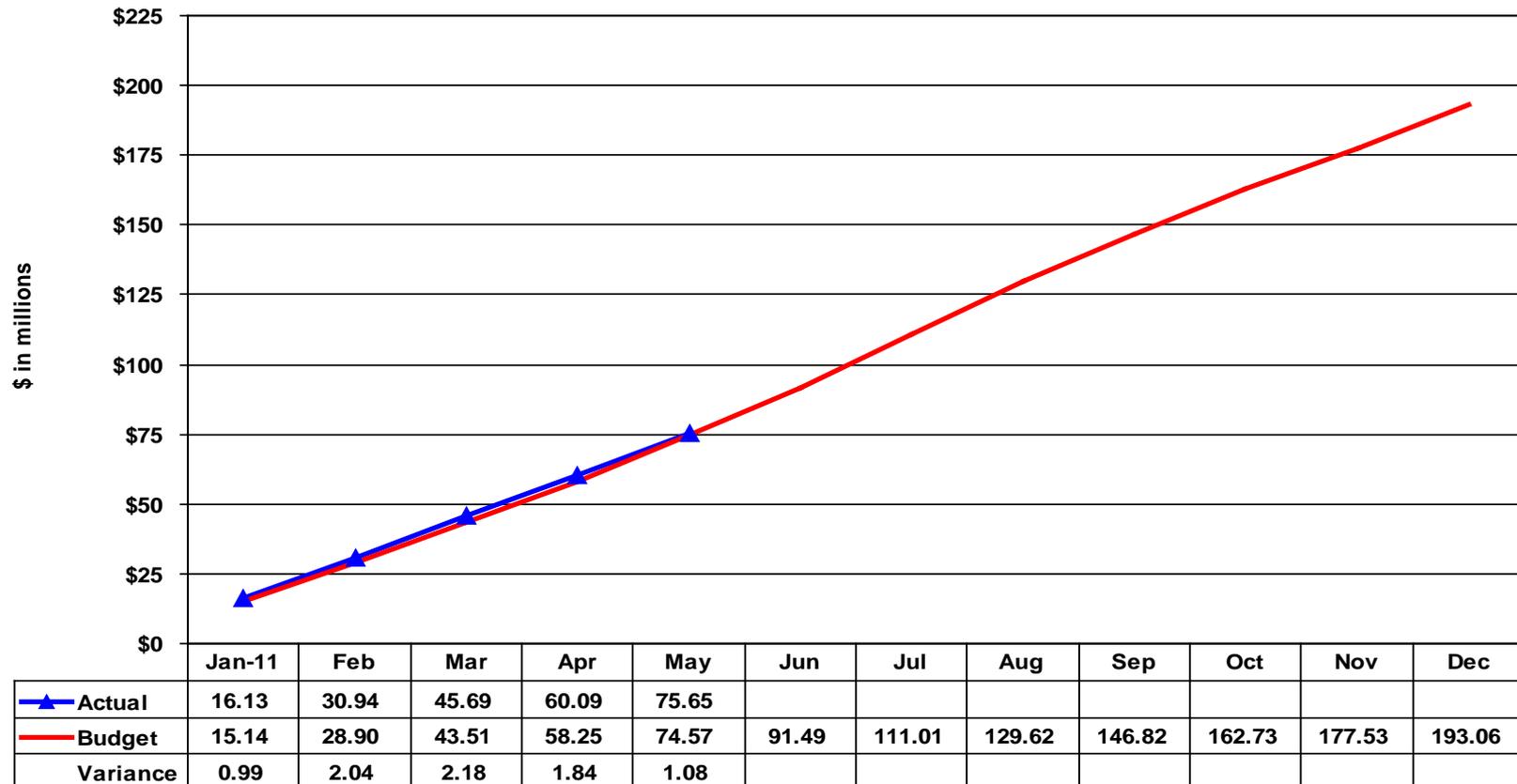
2011 YTD GMC Revenues



May revenues are estimates.

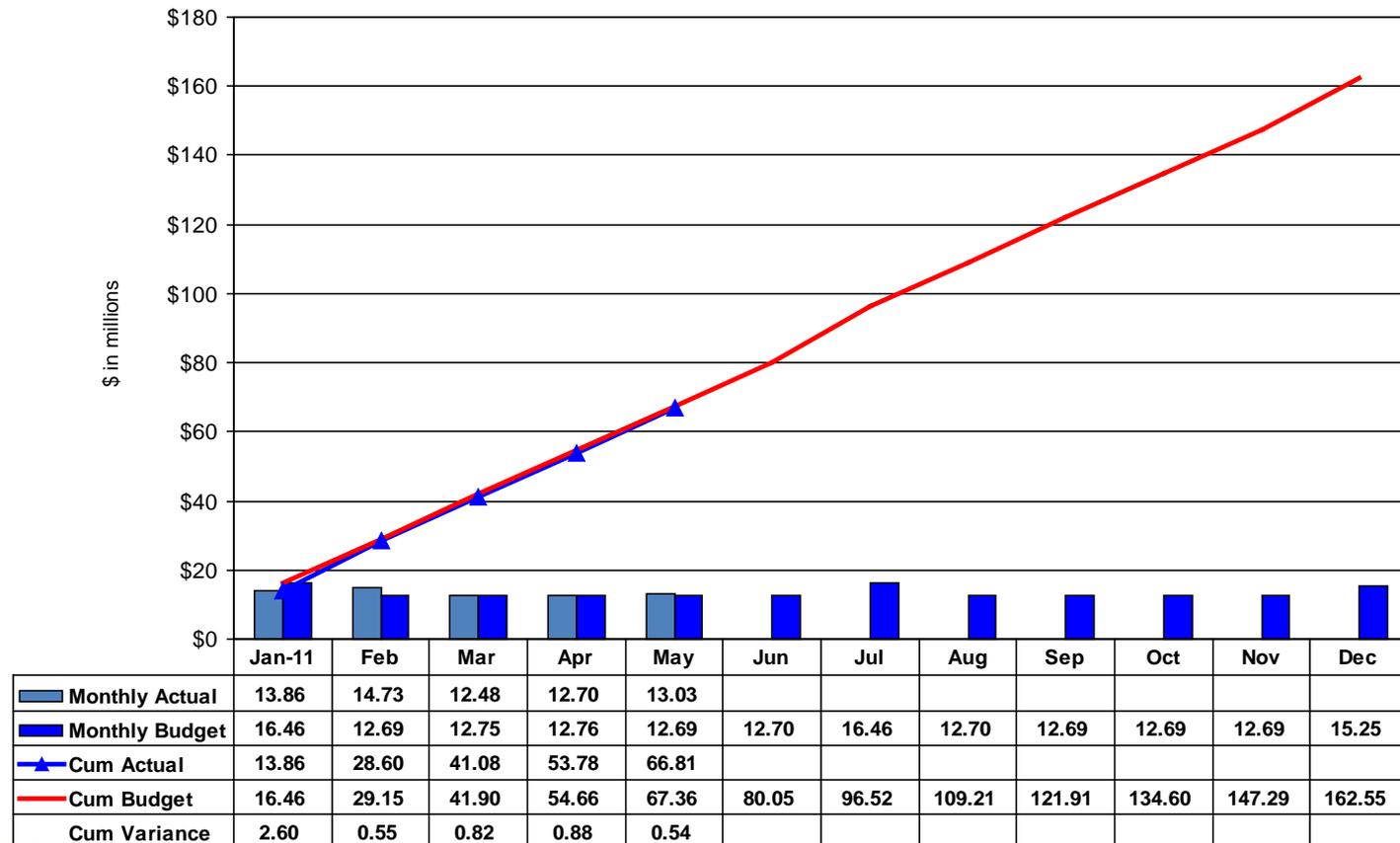
2011 YTD Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees

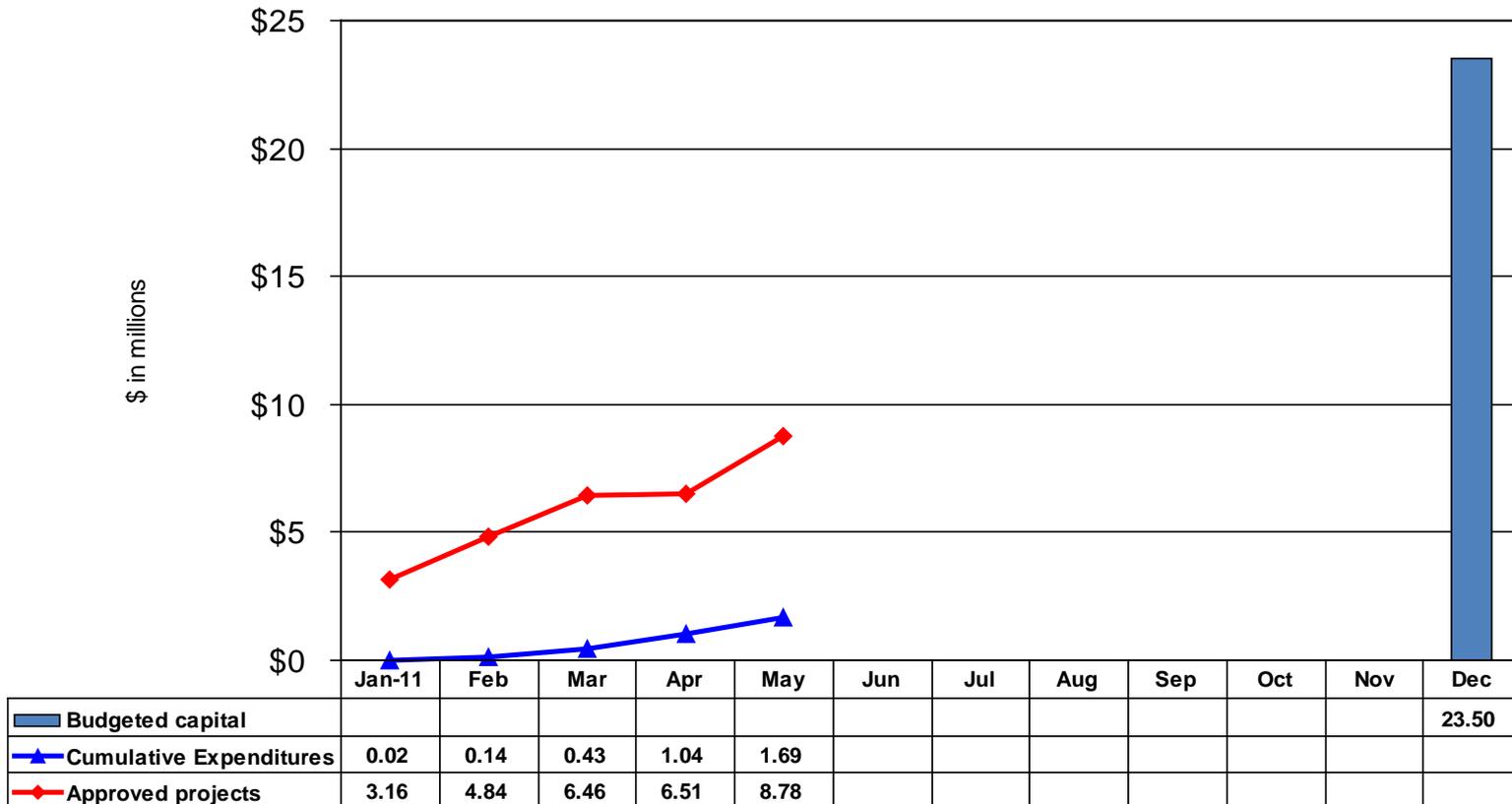


May revenues are estimates.

2011 YTD Operating and Maintenance Expenses



2011 YTD Cumulative Capital Expenditures



Capital Project Listing

- The items below are presented in a single document and posted on the ISO website:
 - 2011 active & completed capital/projects
 - 2011-2012 potential capital project list

<http://www.caiso.com/2b89/2b89e29269410.html>

Stakeholder comments requested via email to:
jcogdill@caiso.com by July 8, 2011



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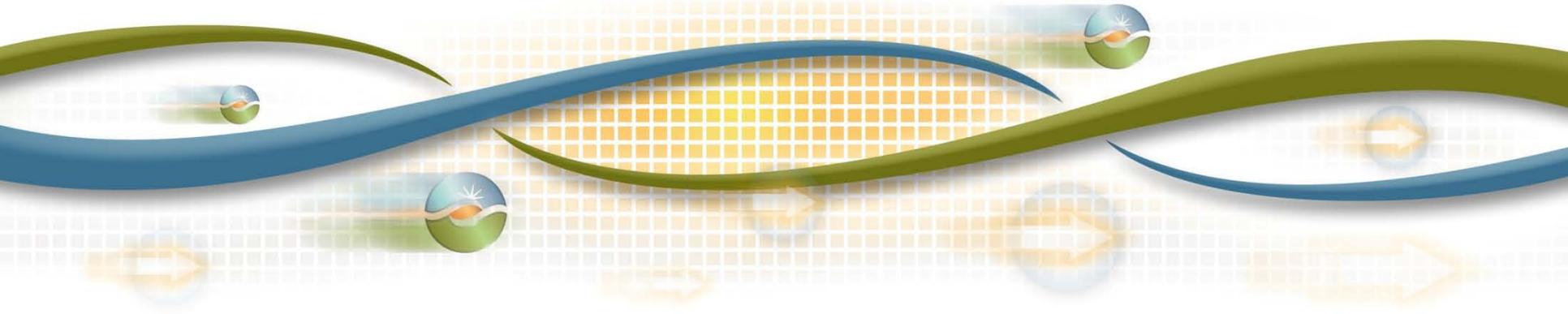
Budget Calendar and Next Steps

Michael Epstein

Director of Financial Planning

2012 Budget Initial Stakeholder Meeting

June 16, 2011



Key calendar dates and next steps

- Internal budget process June-Aug
- Board of Governors meeting – Aug 24-25
 - Present preliminary 2012 budget
- Post 2012 budget information for stakeholders Aug 26
- Stakeholder call or meeting to review preliminary budget Oct 5
- Written Stakeholder comments due to ISO Oct 12
- Board of Governors Meeting – Oct 17
 - Public comments to board on 2012 budget
- Board of Governors Meeting - Approval of 2012 budget Dec 15-16
- Post rates and budget documentation to ISO website Dec 19

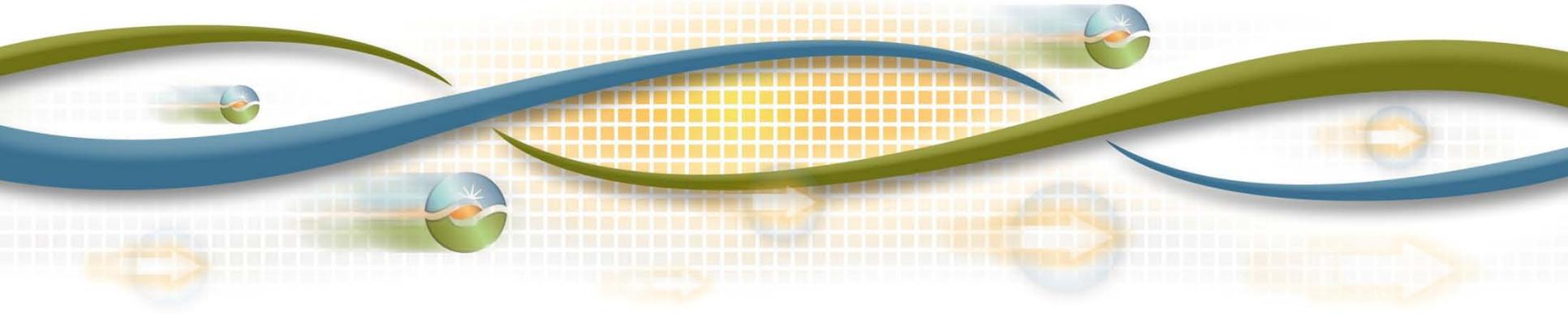


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GMC Tariff Language Review

Judi Sanders
Senior Counsel

2012 Budget Initial Stakeholder Meeting
June 16, 2011



Proposed Revisions to Tariff Section 11

- Section 11.17 deleted because updated description in Appendix F, Schedule 1, Part C
- Section 11.22 modified as follows:
 - 11.22.2- description of GMC costs clarified (operating reserve credit and capital costs)
 - 11.22.2.5:
 - Proposed revenue requirement cap and description moved from Appendix F to this section
 - Service charge description updated for new rate design
 - 11.22.2.5.1- description of Market Services Charge
 - 11.22.2.5.2- description of System Operations Charge
 - 11.22.2.5.3- description of CRR Services Charge

Proposed Revisions to Tariff Section 11, cont'd.

- Section 11.22 modifications, cont'd.
 - 11.22.2.6:
 - Revisions to cost description
 - Revenue requirement allocation to each bucket
 - 11.22.3- MSS GMC load-following exemption description moved to Appendix F; section deleted
 - 11.22.4- description of TOR Charge and TOR exemption from Market Services Charge
 - 11.22.5- description of Bid Segment Fee
 - 11.22.6- description of CRR Transaction Fee
 - 11.22.7- description of Inter-Scheduling Coordinator Trade Transaction Fee
 - 11.22.8- description of Scheduling Coordinator ID Charge

Proposed Revisions to Appendix A (Definitions)

- Added new definitions for:
 - Bid Segment Fee
 - CAISO Operating Reserve Credit
 - CAISO Out of Pocket Capital and Project Costs
 - CRR Services Charge
 - CRR Transaction Fee
 - Inter-SC Transaction Fee
 - Market Services Charge
 - Scheduling Coordinator ID Charge
 - System Operations Charge
 - TOR Charge

Proposed Revisions to Appendix A (Definitions), Cont'd.

- **Eliminated definitions no longer needed:**
 - CAISO Operating and Capital Reserves Account
 - CAISO Operating and Capital Reserves Costs
 - Core Reliability Services- Demand Charge
 - Core Reliability Services- Energy Export Charge
 - Core Reliability Services/Energy Transmission Services- TOR
 - Energy Transmission Services-Net Energy Charge
 - Energy Transmission Services- Uninstructed Deviations Charge
 - Forward Scheduling Charge
 - Market Usage Charge
 - Settlements, Metering and Client Relations Charge
 - Virtual Award Charge

Proposed Revisions to Appendix F (Rate Schedules)

- Revisions to Part A- Monthly Calculation of the GMC:
 - Modified to describe the calculation of each service charge: Market Services Charge, System Operations Charge, CRR Services Charge
 - MSS exemption moved to paragraph 1
- Revisions to Part B- Quarterly Adjustment, If Required
 - Modified to reflect revenue adjustments in calculation
- Part C- Costs Recovered through the GMC
 - Modified to reflect operating reserve and capital cost description changes
 - Modified debt service to average remaining payments of 2008 bonds evenly over 2012 and 2013
 - Allocation to proposed service charge categories
 - USoA accounts updated

Proposed Revisions to Appendix F (Rate Schedules), Cont'd.

- Part D- Information Requirements
 - References to Finance Committee and budgetary workshop removed
 - Revenue requirement cap and filing requirement moved to Section 11
- Part E- System Operation Charge Exemption for Certain Long-Term Power Supply Contracts
 - Cost allocations for former GMC removed
 - Added description of requirements for long-term power supply exemption
- Schedule 4- PIRP Forecast Fee eliminated
- Schedule 5- Station Power Fee eliminated

Responses to Stakeholder Comments

- CDWR
 - 11.22.8- ISO will make clarifying changes
 - App. F, Sched. 1, Part A, paragraph 1: “Operational Adjustments for the Day-Ahead and Real Time” is a defined term- can’t substitute HASP
 - App.F, Sched. 1 Part B- see revised language responding to MID suggested edit (next slide)
 - App. F, Sched. 1 Part C- no changes to description of GMC costs
 - No changes being proposed for Schedule 3 (including changes made in blackline)

Responses to Stakeholder Comments, cont'd.

- MID/SVP
 - 11.22.2- no changes to description of CAISO Operating Reserve Credit and CAISO Out of Pocket and Capital Costs
 - 11.22.4- will capitalize Settlement Interval; TOR supply and TOR demand not consistent with defined terms
 - App. F, Sched. 1, Part E- ISO will make these changes
 - Revenue requirement allocations are based on cost of service study
 - ISO proposes this modification to App.F, Sched. 1, Part B Quarterly Adjustment language:
 - ...if the estimated revenue collections for that component, after accounting for the revenue collected from the Bid Segment Transaction Fee, the CRR Transaction Fee, the Inter-Scheduling Coordinator Trade Transaction Fee, and the Scheduling Coordinator ID Charge, on an annual basis, change by more than five (5) percent ~~(5%)~~ or \$1 million, whichever is greater, during the year.