

Supplemental Responses to Stakeholder Comments on October 4, 2011 meeting on the 2012 GMC budget

Comments on revenue requirement		ISO comments
CDWR	<p>On August 30, 2011, CAISO published Preliminary Draft Proposal on 2012 Budget and GMC Rates. On October 4, 2011, CAISO hosted a stakeholder meeting to discuss the 2012 budget and new GMC rates. California Department of Water Resources State Water Project (CDWR) appreciates the opportunity to submit the following comments on the Preliminary Draft Proposal on 2012 Budget and GMC Rates.</p> <p>CDWR reviewed CAISO's 2012 Budget Preliminary Draft Proposal, and notes CAISO's effort to reduce the Operation and Maintenance (O&M) budget to \$161.5 million; a 0.6% savings compared to the 2011 O&M budget. But it is unclear how the CAISO's proposed 2012 budget "Absorbs increased labor costs", while proposing a \$2.6 million increase for salaries and benefits within the O&M budget, maintaining a 601 head count, and instituting a Voluntary Severance Program (VSP) that is funded within the 2011 Budget. Additionally, the Debt Service including unused capital will increase \$2.6 million, with additional negative offsets from a \$10 million reduction in the Revenue Credit.</p> <p>The result is a 2012 CAISO budget of \$194.82 million, a net increase of \$5 million from 2011. Under the current U.S. economic climate along with California State government budget cuts, CDWR suggests CAISO develop a 2012 budget not to exceed the 2011 budget of \$190 million.</p>	<p>The ISO appreciates CDWR's participation in our budget process and acknowledges your concerns. In light of the enormous challenges associated with ensuring that the State's ambitious goals to achieve the integration of a 33% renewable portfolio, ISO management believes that it has appropriately managed its costs and prepared a responsible budget. Following are some significant cost containment accomplishments the ISO has achieved:</p> <ul style="list-style-type: none"> • 2012 is the first year since 2006 that the ISO has reduced its O&M costs from the previous year. • The budget proposal for 2012 contains the lowest combined debt service and cash funded capital since 2001. • Although the 2012 revenue requirement represents a 2.7% increase over 2011, it represents a 0.1% decrease from 2010, a 6% decrease from 2005, and is less than a 1.8% average annual increase since inception in 1998. <p>In response to your question about labor costs, the ISO is able to absorb the \$2.6 million increase in labor costs by reducing other non-payroll O&M costs resulting in an overall decrease in O&M by \$1 million.</p> <p>The ISO believes it has prepared a responsible budget that will allow the organization to meet the challenges of managing an increasingly complex grid, maintain compliance with reliability mandates, and ensure the state's renewable policy initiatives are achieved.</p>