



# Memorandum

To: ISO Board of Governors

From: William J. Regan, Jr., Chief Financial Officer  
Philip Leiber, Director of Financial Planning and Treasurer

CC: ISO Board Assistants, ISO Officers

Date: October 14, 2003

**Re: Report on Stakeholder Comments on FY2004 Budget**

***This memorandum is for information only.***

The primary objective of the October 15th Finance Committee meeting is to receive questions and comments from stakeholders on the ISO's proposed 2004 budget. This memorandum serves as a record of feedback received from stakeholders on the proposed budget prior to October 15th.

Prior to the October 3<sup>rd</sup> budget workshop meeting, the ISO received written questions from CMUA and PG&E. These questions, and the ISO's responses were posted to the ISO website<sup>1</sup>. At the October 3<sup>rd</sup> budget workshop, the attendance list recorded by the ISO included representatives from the following entities (in addition to ISO staff and rate design consultants):

- Braun & Associates (representing California Municipal Utilities Association, "CMUA")
- California Department of Water Resources ("CDWR")
- California Public Utilities Commission
- Christensen & Associations (representing Modesto Irrigation District)
- Electricity Oversight Board
- Navigant Consulting (on behalf of certain municipal utilities)
- Phoenix Consulting
- Pacific Gas & Electric
- Western Area Power Administration

At the workshop, ISO representatives provided an overview of the budget proposal for 2004, the O&M budget proposals by ISO Division, and an overview of the 2004 GMC rate calculation with a specific focus on the cost allocation process and billing determinant. Numerous questions were raised and responded to during these presentations. Notable areas of inquiry logged for further follow-up or consideration by the ISO included:

	Inquiry	Response
1.	Consideration of a user fee for FERC mandated settlement re-runs.	Not viewed as viable at this time, but may be considered further.
2.	Benchmarking of Information Services Division	A review of studies previously performed is underway, with active consideration for the possibility of releasing summaries or extracts

<sup>1</sup> 2004 Budget documents are posted here: <http://www.caiso.com/docs/2003/02/07/2003020716485815445.html>

		that would not violate the study terms.
3.	Possibilities for deferring a rate filing beyond October 31, 2003 to provide additional time for stakeholder comments.	Consideration of this issue by ISO staff and outside counsel has found this to be impractical, and we will continue to aim for a filing date of October 31, 2003.
4.	The status of the ISO's credit rating, and the ability of the ISO to issue bonds to fund the 2004 capital expenditure budget.	While efforts are underway to have the ISO's credit rating restored to investment grade, the outcome of such discussions is uncertain and the ISO at this time intends to proceed with funding for the 2004 capital budget through rates.
5.	Presenting the 2004 revenue requirement using the 2003 GMC service categories.	This will be prepared and presented prior to, or in the rate filing.
6.	Support for the headcount vacancy factors used to reduce gross salary & benefit costs in the 2004 revenue requirement.	This will be addressed in the rate filing.
7.	Savings related to operating at less than full staffing.	These figures are available in the ISO's monthly financial reports, posted to the ISO's website. Through August 2003, the savings were \$2.66 million.
8.	Questions on budgeted and actual spending on MD02 to date, and planned future spending on MD02.	Reference is made to the CMUA inquiries and ISO responses, available at the website reference listed in footnote 1.

Stakeholders were encouraged to submit any residual questions in writing to ISO staff prior to October 13, to permit a record of such questions to be compiled and presented to the Finance Committee for review on October 15. CMUA submitted a letter on October 13 summarizing their concerns about the ISO's 2004 budget proposal. CDWR submitted a list of questions on October 14 that the ISO will respond to during the October 15<sup>th</sup> meeting or thereafter.

ISO Management anticipates and looks forward to responding to additional inquires at the Finance Committee meeting on October 15.