2027 Grid Management Charge Revenue Requirement, Project Budget, and Rates Development Process

Initial Stakeholder Meeting
July 13, 2026

Housekeeping

This call is being recorded for informational purposes and will be available on the CAISO website. Any related transcriptions should not be reprinted without the ISO's permission.

Today's meeting is designed to encourage open dialogue and diverse perspective. Your participation is valued.

Please engage in a respectful and professional manner.

Please keep comments brief and avoid repeating points already made so we can manage time and ensure everyone has an opportunity to participate.

You can access Closed Captioning and the Transparency Viewer using the controls located at the bottom of the Webex screen.

Instructions for Raising Your Hand to Ask a Question

If you are connected to audio through your computer or used the ‘call me’ option, select the raise hand icon located on the bottom of your screen.

If you are connected on the phone line only and not the Webex dial *3 to be added to the raise hand queue.

Please remember to state your name and affiliation before making your comment.

You may also send question via chat to all panelists.

If you need technical assistance during the meeting, please send a chat to the event producer at Intellor Events.

Agenda

Topic	Presenters
Welcome and Introductions	Yelena Kopylov-Alford
GMC Revenue Requirement and Rates Process	April Gordon
Managing Employee Compensation	Lisa Johnson
Annual Operating Plan (Project Budget)	Ken Kasparian
Project Budget Summaries	Lee Sand
Financial Summaries	Denise Walsh
Calendar & Next Steps	Thomas Setliff
Stakeholder Feedback & Discussion	Group

April Gordon

Executive Director, Financial Planning and Procurement

GMC REVENUE REQUIREMENT AND RATES PROCESS

2027 GMC Revenue Requirement, Project Budget, and Rates Timeline

Initial Stakeholder Meeting	Internal Development Process	Post Preliminary Draft 2027 Revenue Requirement	Follow Up Stakeholder Meeting	Present Preliminary Draft 2027 Revenue Requirement to Board	Present Final Draft 2027 Revenue Requirement to Board for Decision	2027 Rates Posted	New rates effective Jan 01, 2027
July	July - November	October	October	October	December	December	

Stakeholder Input

We are here

GMC Revenue Requirement Components

- O&M Budget
- Debt Service
- Cash Funded Capital
- Other Costs + Revenues
- Operating Costs Reserve Adjustment

Revenue Requirement × Service Category Percentages* ÷ Projected Volumes = Rates

**Per most current Cost-of-Service Study*

2027 Highlights: Onboarding additional EDAM entities which will drive increase in day-ahead volumes; revenue requirement cap at $305M

	Actual	Actual	Actual	Projected	Projected
Revenue Requirement ($ in millions)	**2024**	**2025**	**2026**	**2027**	**2028**
Operations and Maintenance Budget	$ 255.7	$ 275.9	$ 290.3	$ 304.9	$ 320.1
Debt Service (including 25% Reserve)	14.7	14.7	14.7	14.7	14.7
Cash Funded Capital	8.0	25.0	-	31.0	31.0
Other Costs and Revenues	(63.5)	(68.6)	(51.3)	(50.0)	(49.9)
Operating Cost Reserve Adjustment	(12.9)	(8.6)	(3.9)	(2.4)	(0.7)
Total Revenue Requirement	**$ 201.9**	**$ 238.4**	**$ 249.8**	**$ 298.2**	**$ 315.2**
Rates* ($/MWh)					
Market Services Charge	$ 0.1376	$ 0.1615	$ 0.1416	$ 0.1513	$ 0.1360
System Operations Real-Time Dispatch Charge	$ 0.0893	$ 0.1004	$ 0.0901	$ 0.0960	$ 0.0897
System Operations Balancing Authority Area Services Charge	$ 0.1234	$ 0.1387	$ 0.1356	$ 0.1619	$ 0.1690
Congestion Revenue Rights Services Charge	$ 0.0069	$ 0.0079	$ 0.0109	$ 0.0134	$ 0.0142

*2018 - 2026 rates per posted rates (effective 1/1): https://www.caiso.com/documents/grid-management-charge-rates-2004-2026-effective-january-1-2026.pdf

Annual budget development process is driven by key budget principles to ensure long-term success

- **Stakeholder Engagement**
  - Robust input and collaboration through multiple opportunities for interaction and feedback.
  - Ensures transparency, alignment, and shared understanding of priorities.
- **Zero-Based Budgeting (ZBB)**
  - Applies a disciplined approach that challenges traditional budgeting practices.
  - Requires justification for every line item and assumption to drive accountability.
  - Eliminates inefficiencies by preventing over-budgeting, double counting, and automatic increases.
  - Delivers a well-justified, balanced budget strategically aligned with annual priorities.
- **Strategic Plan**
  - Serves as the central organizing framework guiding the CAISO's priorities and direction.
  - Aligns internal and external efforts to ensure efficient deployment of human and financial resources.

2027+ Strategic Planning Process

1 Inputs

Enterprise risk evaluation
Committees and working groups
Forward project outlook
Surveys, reports, on-going feedback

2 Assess, check, synthesize

Internal strategy workshops
Staff engagement
Board engagement (BoG, GB)

3 Design the plan

Draft guiding statements
Develop objectives
Define strategies, KPIs, signposts

4 Plan the plan

Develop corporate goals
Plan and prioritize the work
Post 2027 operating plan

2025 | Jan – Jun 2026 | Jun – Oct 2026

Lisa Johnson
Director, Total Rewards

MANAGING EMPLOYEE COMPENSATION

CAISO's Compensation Philosophy: designed to attract, develop, motivate, and retain a high-performing workforce.

- **Competitive Pay**
  - Market-based compensation aligned with industry best practices
  - Biannual salary surveys covering 100% of CAISO positions
  - Regular market assessments to maintain external competitiveness
- **Pay-for-Performance Philosophy**
  - Board-approved company goals cascaded to individual employees
  - Performance objectives aligned with organizational priorities
  - Merit increases and promotions based on performance and available budget
- **Strong Performance Management**
  - Individual performance plans with core responsibilities and stretch objectives
  - Ongoing feedback, coaching, and development throughout the year
  - Annual performance evaluations that reinforce accountability and results
- **Compensation Governed by Collective Bargaining Agreements**
  - Union employee wages and benefits administered in accordance with the collective bargaining agreement
  - Annual compensation planning incorporates negotiated wage and benefit provisions
  - Supports equitable and consistent compensation practices across the workforce

Ken Kasparian

Strategic Portfolio Manager

ANNUAL OPERATING PLAN (PROJECT BUDGET)

2027 Operating Plan

Over the next 3 months the CAISO leadership is working to prepare the annual operating plan for 2027.

Key activities include:

1. Identify the list of potential capital projects
2. Evaluate the list against budget & resource constraints
3. Engage with stakeholders for feedback (RUG)
4. Finalize and communicate the 2027 Operating Plan and release schedule.

Prioritizing the Operating Plan

When evaluating projects, CAISO considers the following key factors to prioritize the top-most needs to operate the world's most reliable, cost-effective, and environmentally sustainable power system.

Risk Mitigation

Does the project improve our risk posture mitigating compliance or operational risks?

Strategic Alignment

Does the project deliver on the CAISO's strategic objectives moving key performance indicators In the right direction?

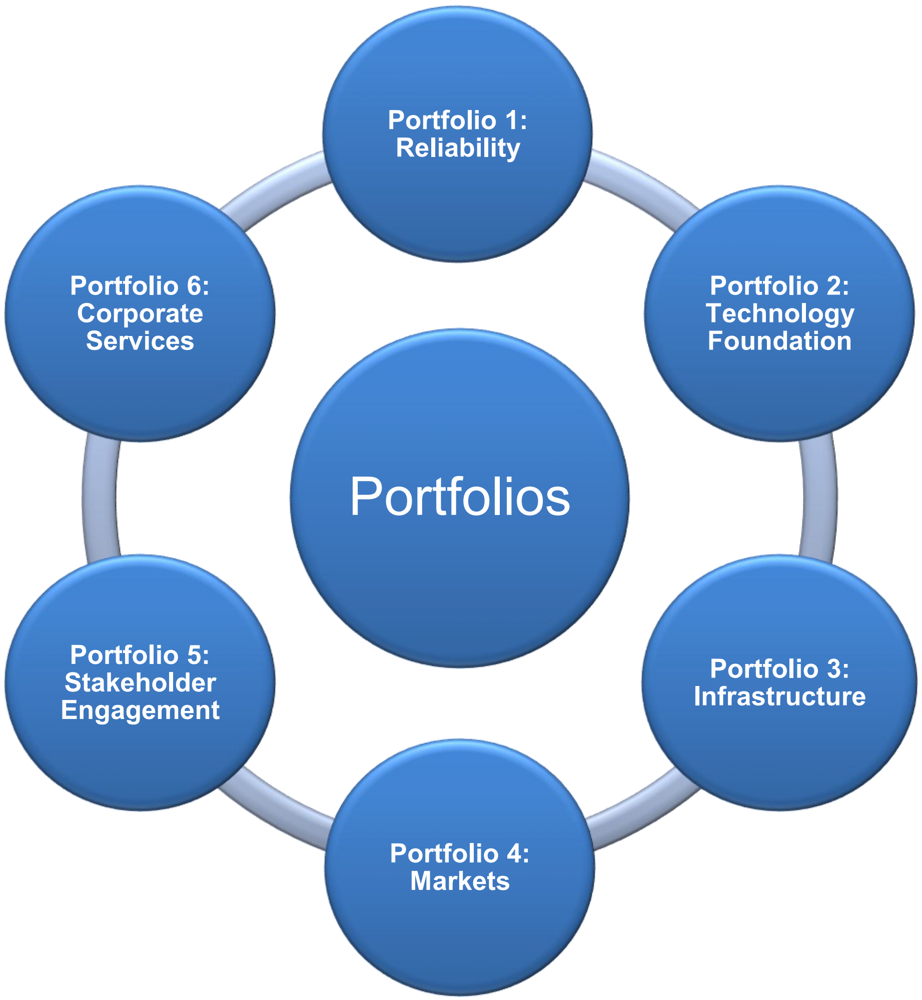
Return on Investment

Does the project deliver cost savings reducing operational and maintenance expenses?

Ability to Execute

What is the ISO's and Stakeholder's ability to execute (budgets and staff)?

Portfolios Organized by Strategic Plan Objectives



Project Release Planning Engagement Opportunities

Stay Informed > Meetings and Events > User groups and recurring meetings

  - Meetings Listing | California ISO

- **Market Performance and Planning Forum**
  - Quarterly forum that engages stakeholders in review of market performance issues and in high level dialogue on release planning, implementation and new market enhancements.
  - Meetings | Market Performance and Planning Forum | California ISO

- **Release Users Group**
  - In Q3 2026 the ISO will restart regular meetings to discuss project milestones and deliverables for projects. Projects follow a standard project lifecycle. Major releases occur twice a year with monthly releases for smaller enhancements.
  - Meetings | Release User Group (RUG) | California ISO

Lee Sand
Lead Financial Planning Analyst

PROJECT BUDGET SUMMARIES

Completed Projects and Active Projects Summaries

Completed projects from July 2025 to May 2026

- 12 Projects
- Budgeted costs $15.1M, final costs $14.9M

Active projects as of May 2026

- 46 Projects
- Budgeted costs $123.6M, costs to date $85.2M

Project Budgets Update

2026 Project Budget

– Approved at $26M

– $14.8M of approved projects YTD

2027 Project Budget

– Forecasted at $27M

– Preliminary projects will be refined to fit within final budget limit

Denise Walsh

Controller

FINANCIAL SUMMARIES

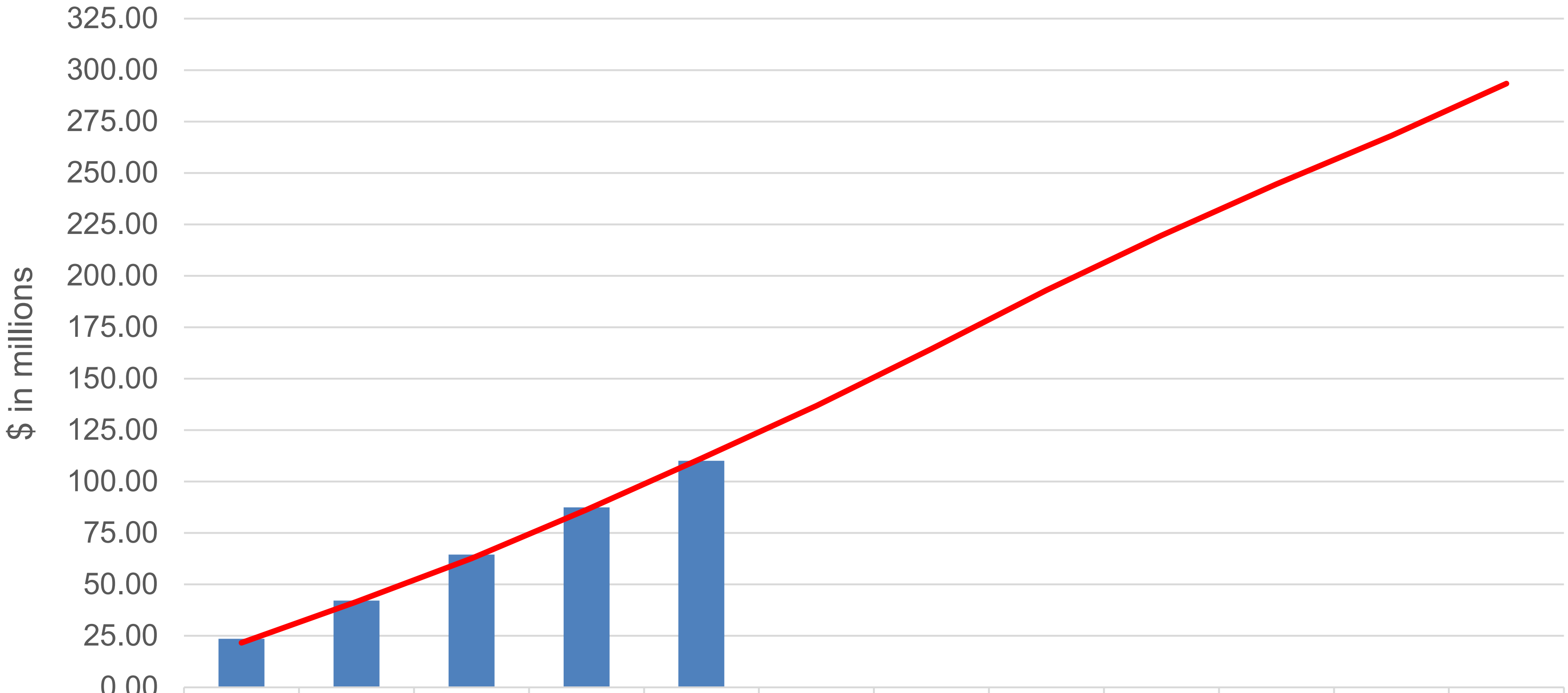
Key Components of the Audited 2025 Financial Statements

Changes in Net Position

- **Operating Revenues**
  - Finished the year over budget
  - GMC revenues closely aligned with budget
    - Other Revenue
- **Operating Expenses**
  - Finished the year under budget
  - Higher non-capitalizable software/computer expenses offset by lower salaries/benefits, third party vendor contracts and consulting and contracting services
- **Other Income (Expenses) from Investments**
  - Higher interest income driven by both earnings and unrealized gains

Thru May 2026 Cumulative Operating Revenues

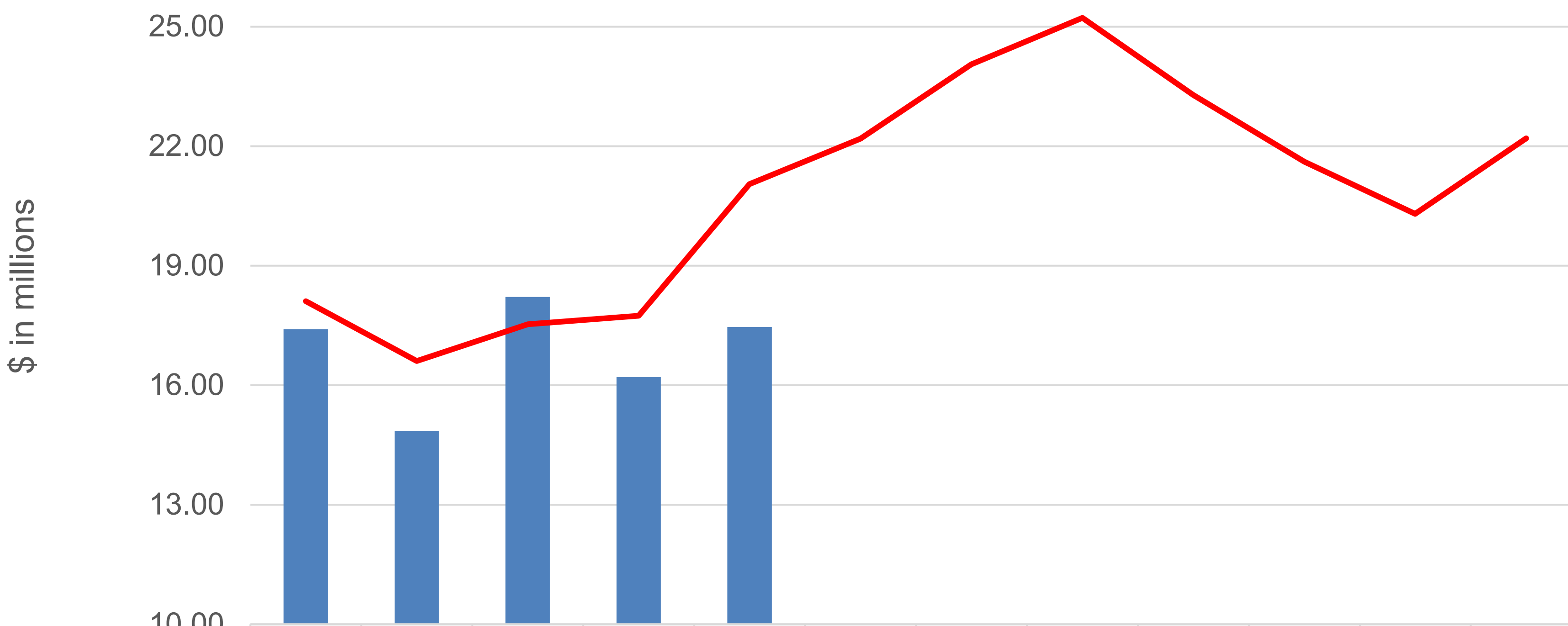
Revenues = GMC & Other Revenues*



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Actual	**23.62**	**42.24**	**64.48**	**87.41**	**110.12**							
Budget	**21.66**	**41.65**	**62.60**	**86.24**	**111.36**	**136.88**	**164.47**	**193.02**	**219.55**	**244.56**	**268.05**	**293.43**
Variance	**1.96**	**0.59**	**1.88**	**1.17**	**(1.24)**							

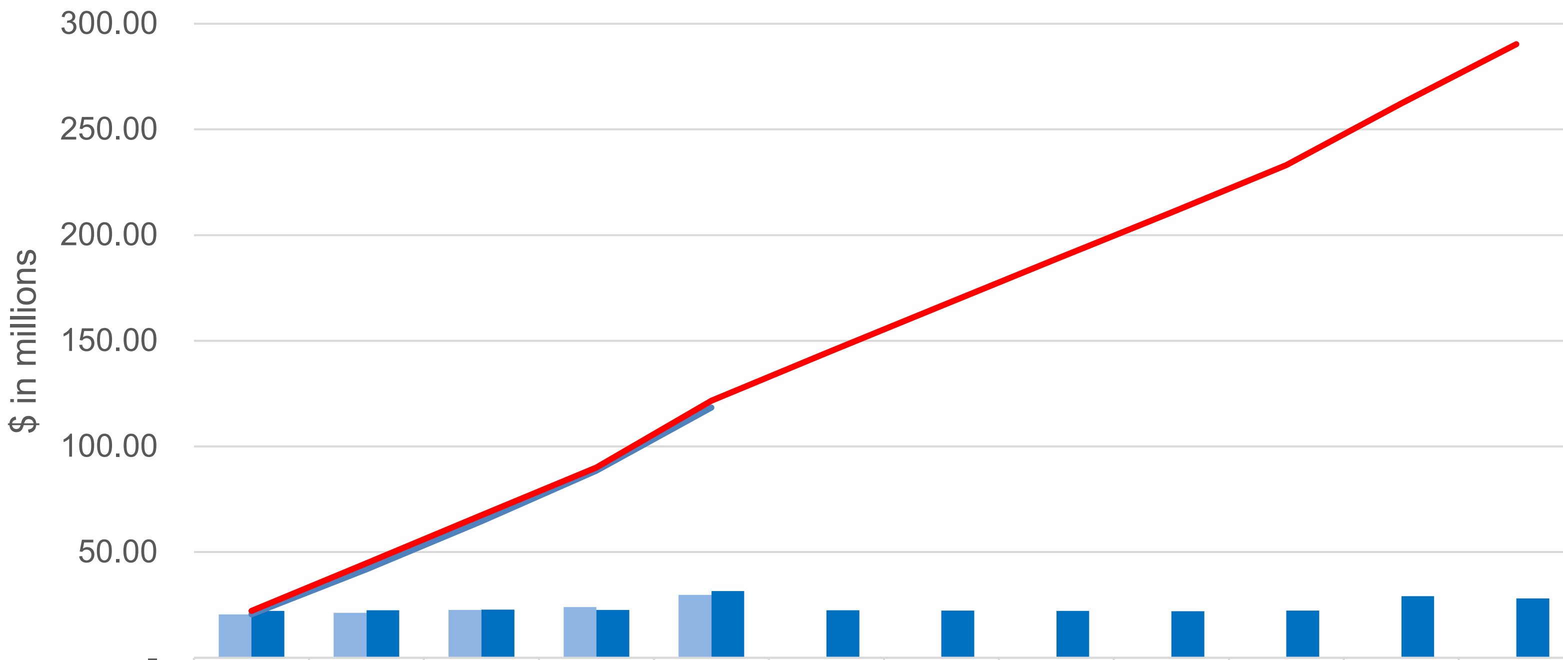
*Does not include interest income

Thru May 2026 GMC Revenues



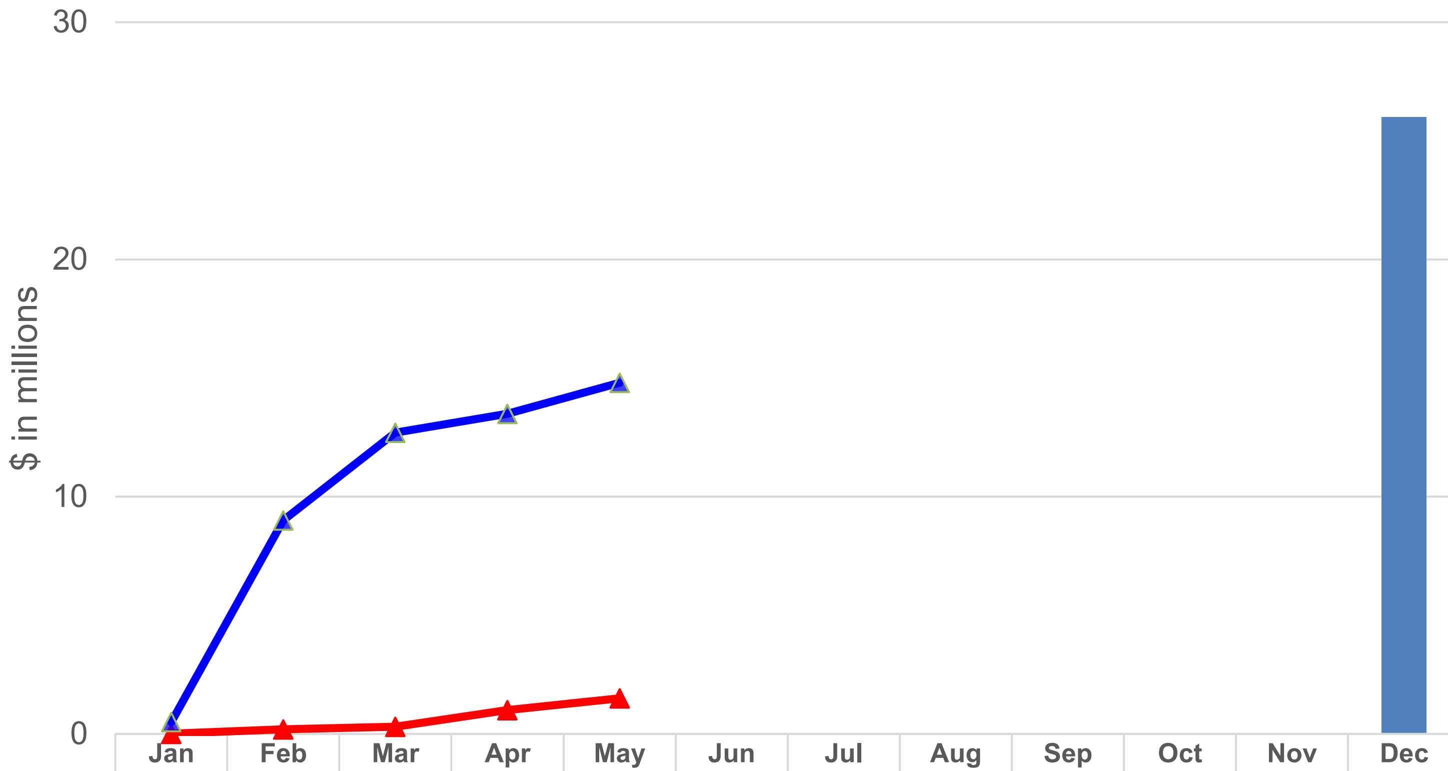
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Actual	17.41	14.85	18.22	16.21	17.46							
Budget	18.11	16.61	17.53	17.75	21.05	22.19	24.06	25.22	23.29	21.62	20.30	22.20
Variance	(0.70)	(1.76)	0.69	(1.54)	(3.59)							
Cum Variance	(0.70)	(2.46)	(1.78)	(3.31)	(6.90)							

Thru May 2026 Operations and Maintenance Expenses



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	20.55	21.32	22.68	24.02	29.84	-						
Monthly Budget	22.19	22.51	22.74	22.65	31.56	22.56	22.30	22.21	22.05	22.32	29.19	28.05
Cum Actual	20.55	41.86	64.54	88.55	118.39							
Cum Budget	22.19	44.69	67.43	90.09	121.65	144.21	166.50	188.71	210.76	233.08	262.27	290.32
Cum Variance	1.64	2.83	2.90	1.53	3.26							

Thru May 2026 Cumulative Capital Expenditures



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budgeted Capital												**26.00**
Cum Expenditures	**0.01**	**0.20**	**0.30**	**1.00**	**1.50**							
Approved Projects	**0.50**	**9.00**	**12.70**	**13.50**	**14.80**							

Thomas Setliff

Manager, Financial Planning and Analysis

CALENDAR AND NEXT STEPS

Key Calendar Dates* and Next Steps

• Internal development process	July – Nov
• Stakeholder comments due	July 27
– *CAISO response to comments posted*	*Aug 10*
• Draft budget book posted	Oct 21
• Stakeholder call to discuss draft Revenue Requirement	Oct 27
• Board of Governors meeting (executive session)	Oct 28
• Board of Governors meeting (general session)	Dec 10
– Public comments to Board on draft final Revenue Requirement	
– Request approval of draft final Revenue Requirement	
• 2027 final Revenue Requirement and Rates posted	Dec 17

*Dates are subject to change

Stakeholder Feedback and Discussion

- Comments are due by end of day July 27, 2026.
  - Please submit your comments using the comment template available on the process webpage (linked below).

- Additional information on this process is available on the CAISO website at California ISO - Grid management charge revenue requirement, project budget, and rates – 2027

- Questions? Please email ISOStakeholderAffairs@caiso.com