

CDWR

Supplier Settlements Presentation

September 26, 2001

<http://wwwowe.water.ca.gov/newsreleases/2001/9-01-caiso.html>

Supplier Settlements Introduction

ISO and CDWR have developed a procedure to ensure 100% payment of power purchases, as previously stated in the ISO Market Notices.

Purpose:

- Solicit support and input from SCs regarding payment process
- Explain why CDWR and ISO are implementing this new process
- Outline requirements to participate
- Provide a description of the new process
- Discuss next steps

Supplier Settlements Background

CDWR's power purchasing activities provide:

1. Creditworthy purchaser

Since January 17, CDWR has paid over \$9 Billion of the \$10.7 Billion in California energy costs.

2. California wholesale power market stabilization

Entered into long-term contracts to reduce dependence on the spot market.

3. California retail rate stabilization

Allows CDWR to pay wholesale market rates and collect CPUC rate from retail customers.

Supplier Settlements Background

CDWR's power purchasing activities are undertaken by CERS Division.

- Distinct and separate from California State Water Resources Development System activities.
- CDWR schedules energy for IOU net short in the ISO's Day-Ahead and Hour-Ahead Scheduling Interface.
- CDWR purchases real-time energy (OOM) for system reliability as directed by ISO.

Real-time scheduling is NOT used to re-balance CDWR's forward schedules.

- CDWR guarantees payment of ISO's power purchases as specified in previous market notices.
- CDWR is the guarantor for grid reliability.

Supplier Settlements Background

Certain power purchases have been assumed by CDWR:

- Market Notices and FERC Order regarding creditworthiness defined the scope of CDWR assumed financial responsibilities.
- The ISO tariff does not contemplate CDWR's current role
- ISO is required to maintain the confidentiality of market information
- State law requirement to expend public funds includes accountability

Supplier Settlements Background

CDWR needs certain assurances to fulfill BEEP/AS payment obligation:

- Needs to confirm that payments cover post-Jan 17, 2001 power purchases only.
- Needs to verify the bid price was within CDWR's credit backing parameters.
- Procedure creates a method for providing preferential treatment of BEEP/AS SC's receivables through a direct payment mechanism.
- Procedure encourages market participants to comply with ISO tariff collection provisions.

Supplier Settlements Background

Current ISO settlement process:

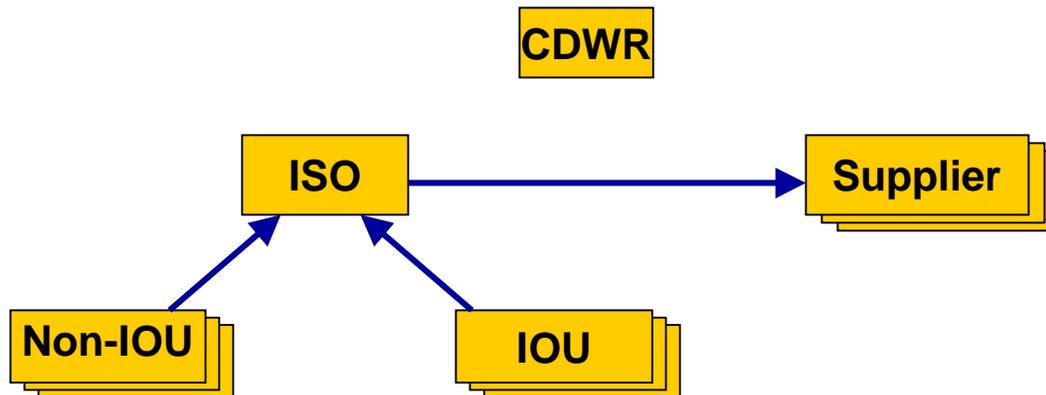
- Netting of all charges within the invoices and FIFO mechanics.
- Non-payment of ISO charges by any market participant can create partial payment consequences to the market for the pro rata portion of the undercollection.
 - o Some SCs are not paying monies owed to ISO.
 - o ISO's tariff will not allow ISO to provide preferential payment to suppliers – if market is short cash, all SCs receive a partial payment.
- Existing settlement process allows settlement of BEEP/AS allocated to non-IOUs.

New Process:

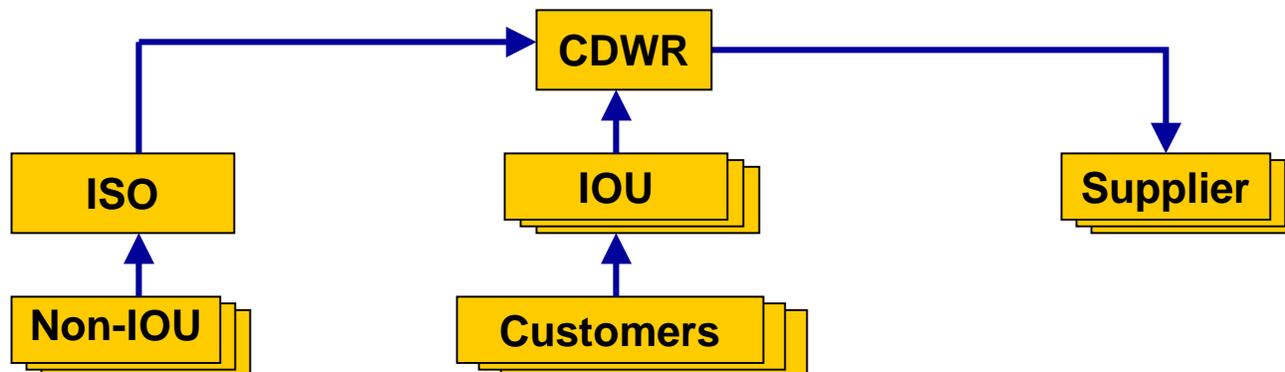
- Netting under the Procedure allows the ISO to facilitate CDWR's requirements.

Supplier Settlements Overview

Current BEEP/AS Cash Flow Process:



Proposed BEEP/AS Cash Flow Process:



BEEP/AS Payment Requirements

1. Sign “Data Request” form to allow ISO to send SC BEEP/AS settlement information to CDWR.
2. Enter into an agreement with CDWR which includes the following:
 - Authorizes CDWR to purchase SC’s receivable due from ISO associated with BEEP/AS.
 - Acknowledges satisfaction with respect to CDWR BEEP/AS payment.
3. Each participating SC must be current on all monies owed to the ISO market, in accordance with ISO tariff.
4. CDWR will establish the Holding Account to deposit and distribute payment guarantees for BEEP/AS.

BEEP/AS Payment Procedure

STEP 1:

Daily during current month, CDWR receives SCs detailed settlement statement information from the ISO relating to RTE and A/S.

Data Requirements:

Quantity, price and type of energy or ancillary services on a 10-minute basis.*

*Data requirements to be finalized.

BEEP/AS Payment Procedure

STEP 2: Invoice Date

ISO issues the monthly invoice to SCs and delivers to CDWR a copy of:

1. Total Due SC amounts on ISO Market Invoice related to RTE and A/S
2. Total net Due SC amount from the ISO Market Invoice

For Example:

	Due ISO		Due Market		ISO Invoice
	Tot	BEEP/AS	Tot	BEEP/AS	EXIST
SC 1	\$ 15	\$ -	\$ (31)	\$ (2)	\$ (16)
SC 2	\$ 35	\$ -	\$ (17)	\$ (3)	\$ 18
SC 3	\$ 15	\$ -	\$ (37)	\$ (32)	\$ (22)
SC 4	\$ 35		\$ (17)	\$ (20)	\$ 18
Non-IOU	\$ 20	\$ 4	\$ -		\$ 20
IOU	\$ 85	\$ 53	\$ (65)		\$ 20
CERS	\$ 100	\$ -	\$ (138)		\$ (38)
	\$ 305	\$ 57	\$ (305)	\$ (57)	\$ -

BEEP/AS Payment Procedure

STEP 3: Not later than 12 pm on the 3rd business day after the invoice date

CDWR will calculate each SCs guaranteed BEEP/AS payment amount and provide to ISO. Each participating SC's receivable, as calculated in this step, will be transferred to CDWR by the ISO.

Example:

SC	Due ISO		Due SC		SC Invoice	CDWR Guarantee
	Tot	BEEP/AS	Tot	BEEP/AS		
SC 1	\$ 15	\$ -	\$ (31)	\$ (2)	\$ (16)	\$ 2
SC 2	\$ 35	\$ -	\$ (17)	\$ (3)	\$ 18	\$ -
SC 3	\$ 15	\$ -	\$ (37)	\$ (32)	\$ (22)	\$ 22
SC 4	\$ 35	\$ -	\$ (17)	\$ (16)	\$ 18	\$ -
Non-IOU	\$ 20	\$ 4	\$ -	\$ -	\$ 20	\$ -
IOU	\$ 85	\$ 49	\$ (65)	\$ -	\$ 20	\$ -
CDWR	\$ 100	\$ -	\$ (138)	\$ -	\$ (38)	\$ -
Total	\$ 305	\$ 53	\$ (305)	\$ (53)	\$ -	\$ 24

BEEP/AS Payment Procedure

STEP 3 (Cont'd):

For SC 1:

SC	Due ISO		Due SC		SC Invoice	CDWR Guarantee
	Tot	BEEP/AS	Tot	BEEP/AS		
SC 1	\$ 15	\$ -	\$ (31)	\$ (2)	\$ (16)	\$ 2
SC 2	\$ 35	\$ -	\$ (17)	\$ (9)	\$ 18	\$ -
SC 3	\$ 15	\$ -	\$ (37)	\$ (32)	\$ (22)	\$ 22
SC 4	\$ 35	\$ -	\$ (17)	\$ (16)	\$ 18	\$ -
Non-IOU	\$ 20	\$ 4	\$ -	\$ -	\$ 20	\$ -
IOU	\$ 85	\$ 49	\$ (65)	\$ -	\$ 20	\$ -
CDWR	\$ 100	\$ -	\$ (138)	\$ -	\$ (38)	\$ -
Total	\$ 305	\$ 53	\$ (305)	\$ (53)	\$ -	\$ 24

The ISO market owes SC 1 \$16, but SC 1 provided only \$2 of BEEP/AS.

CDWR will guarantee the \$2 BEEP/AS.

BEEP/AS Payment Procedure

STEP 3 (Cont'd):

For SC 2:

SC	Due ISO		Due SC		SC Invoice	CDWR Guarantee
	Tot	BEEP/AS	Tot	BEEP/AS		
SC 1	\$ 15	\$ -	\$ (31)	\$ (2)	\$ (16)	\$ 2
SC 2	\$ 35	\$ -	\$ (17)	\$ (3)	\$ 18	\$ -
SC 3	\$ 15	\$ -	\$ (37)	\$ (32)	\$ (22)	\$ 22
SC 4	\$ 35	\$ -	\$ (17)	\$ (16)	\$ 18	\$ -
Non-IOU	\$ 20	\$ 4	\$ -	\$ -	\$ 20	\$ -
IOU	\$ 85	\$ 49	\$ (65)	\$ -	\$ 20	\$ -
CDWR	\$ 100	\$ -	\$ (138)	\$ -	\$ (38)	\$ -
Total	\$ 305	\$ 53	\$ (305)	\$ (53)	\$ -	\$ 24

SC 2 owes the ISO Market \$18 net and has provided \$3 of BEEP/AS.
The guaranteed amount for this SC is \$0.

Payment to the supplier for the BEEP/AS has been fully satisfied through the ISO settlement system because the ISO credited the SC's BEEP/AS due SC against the SC's charges due ISO.

BEEP/AS Payment Procedure

STEP 3 (Cont'd):

For SC 3:

SC	Due ISO		Due SC		SC Invoice	CDWR Guarantee
	Tot	BEEP/AS	Tot	BEEP/AS		
SC 1	\$ 15	\$ -	\$ (31)	\$ (2)	\$ (16)	\$ 2
SC 2	\$ 35	\$ -	\$ (17)	\$ (3)	\$ 18	\$ -
SC 3	\$ 15	\$ -	\$ (37)	\$ (32)	\$ (22)	\$ 22
SC 4	\$ 35	\$ -	\$ (17)	\$ (16)	\$ 18	\$ -
Non-IOU	\$ 20	\$ 4	\$ -	\$ -	\$ 20	\$ -
IOU	\$ 85	\$ 49	\$ (65)	\$ -	\$ 20	\$ -
CDWR	\$ 100	\$ -	\$ (138)	\$ -	\$ (38)	\$ -
Total	\$ 305	\$ 53	\$ (305)	\$ (53)	\$ -	\$ 24

This SC has supplied \$32 of BEEP/AS, but SC 3 has a net due SC of \$22. CDWR will guarantee \$22 of the \$32 of BEEP/AS.

The additional \$10 of the BEEP/AS has been fully satisfied through the ISO settlement process when the ISO credited this amount against charges due ISO.

BEEP/AS Payment Procedure

STEP 3 (Cont'd):

For SC 4:

SC	Due ISO		Due SC		SC	CDWR
	Tot	BEEP/AS	Tot	BEEP/AS	Invoice	Guarantee
SC 1	\$ 15	\$ -	\$ (31)	\$ (2)	\$ (16)	\$ 2
SC 2	\$ 35	\$ -	\$ (17)	\$ (3)	\$ 18	\$ -
SC 3	\$ 15	\$ -	\$ (37)	\$ (32)	\$ (22)	\$ 22
SC 4	\$ 35	\$ -	\$ (17)	\$ (16)	\$ 18	\$ -
Non IOU	\$ 20	\$ 4	\$ -	\$ -	\$ 20	\$ -
IOU	\$ 85	\$ 49	\$ (65)	\$ -	\$ 20	\$ -
CDWR	\$ 100	\$ -	\$ (138)	\$ -	\$ (38)	\$ -
Total	\$ 305	\$ 53	\$ (305)	\$ (53)	\$ -	\$ 24

SC 4 owes the ISO Market \$18 net and has provided \$16 of BEEP/AS. The guaranteed amount for this SC is \$0.

Payment to the SC for the BEEP/AS has been fully satisfied through the ISO settlement system because the ISO credited the SCs BEEP/AS due SC against the SC's charges due ISO.

BEEP/AS Payment Procedure

STEP 4:

Between the 3rd and 5th business day after the invoice date:

1. CDWR deposits the Guaranteed Amount for each SC satisfying the “no outstanding obligations” requirement in the Holding Account.
2. CDWR notifies each SC of the deposit.

BEEP/AS Payment Procedure

STEP 5: On the 4th business day after the invoice date

SC	Due ISO		Due SC		Invoice	Supl Adjust	CDWR Adjust	SC Adj'd
	Tot	BEEP/AS	Tot	BEEP/AS				
SC 1	\$ 15	\$ -	\$ (31)	\$ (2)	\$ (16)	\$ 2	\$ -	\$ (14)
SC 2	\$ 35	\$ -	\$ (17)	\$ (3)	\$ 18	\$ -	\$ -	\$ 18
SC 3	\$ 15	\$ -	\$ (37)	\$ (32)	\$ (22)	\$ 22	\$ -	\$ -
SC 4	\$ 35	\$ -	\$ (17)	\$ (16)	\$ 18	\$ -	\$ -	\$ 18
Non-IOU	\$ 20	\$ 4	\$ -	\$ -	\$ 20	\$ -	\$ -	\$ 20
IOU	\$ 85	\$ 49	\$ (65)	\$ -	\$ 20	\$ -	\$ -	\$ 20
CDWR							\$ -	
	\$ 100	\$ -	\$ (138)	\$ -	\$ (38)	\$ -	\$ (24)	\$ (62)
Total							\$ -	
	\$ 305	\$ 53	\$ (305)	\$ (53)	\$ -	\$ 24	\$ (24)	\$ -

ISO records the transfer of the Due SC receivable from the SC to CDWR in the amount equal to the guaranteed amount calculated in Step 3.

The “SC Adjusted” amount is the amount that would be payable or receivable from the ISO market.

BEEP/AS Payment Procedure

STEP 6: 5th business day following the ISO invoice date

SCs with amounts Due ISO net invoices make their payments and ISO will confirm with CDWR as to payment of Due ISO net invoice amount.

STEP 7: 8th business day after the invoice date

Guaranteed amounts are disbursed from the Holding Account to qualifying supplier SCs.

STEP 8:

ISO distributes revenues for the Current Month in accordance with its then-current process, after giving effect to the Supplier Settlements.

BEEP/AS Payment – Next Steps

- Fill out and return “SC Contact Information” form to Jim Olson
- Complete, execute and return “Data Release” form to CDWR and ISO.*
- CDWR to develop “Supplier Agreement” and route to SCs counsel.*
- Execute Supplier Agreement and return to CDWR.

* Forms of these agreements will be available from the website referenced on the cover page.

BEEP/AS Payment – Next Steps

BEEP/AS Payment information will be posted in the following location:

<http://wwwowe.water.ca.gov/newsreleases/2001/9-01-caiso.html>