



Decision on 2017 budget

April Gordon, Director, Financial Planning and
Procurement

Board of Governors Meeting
General Session
December 14-15, 2016



The budget development timeline extends from June through December.

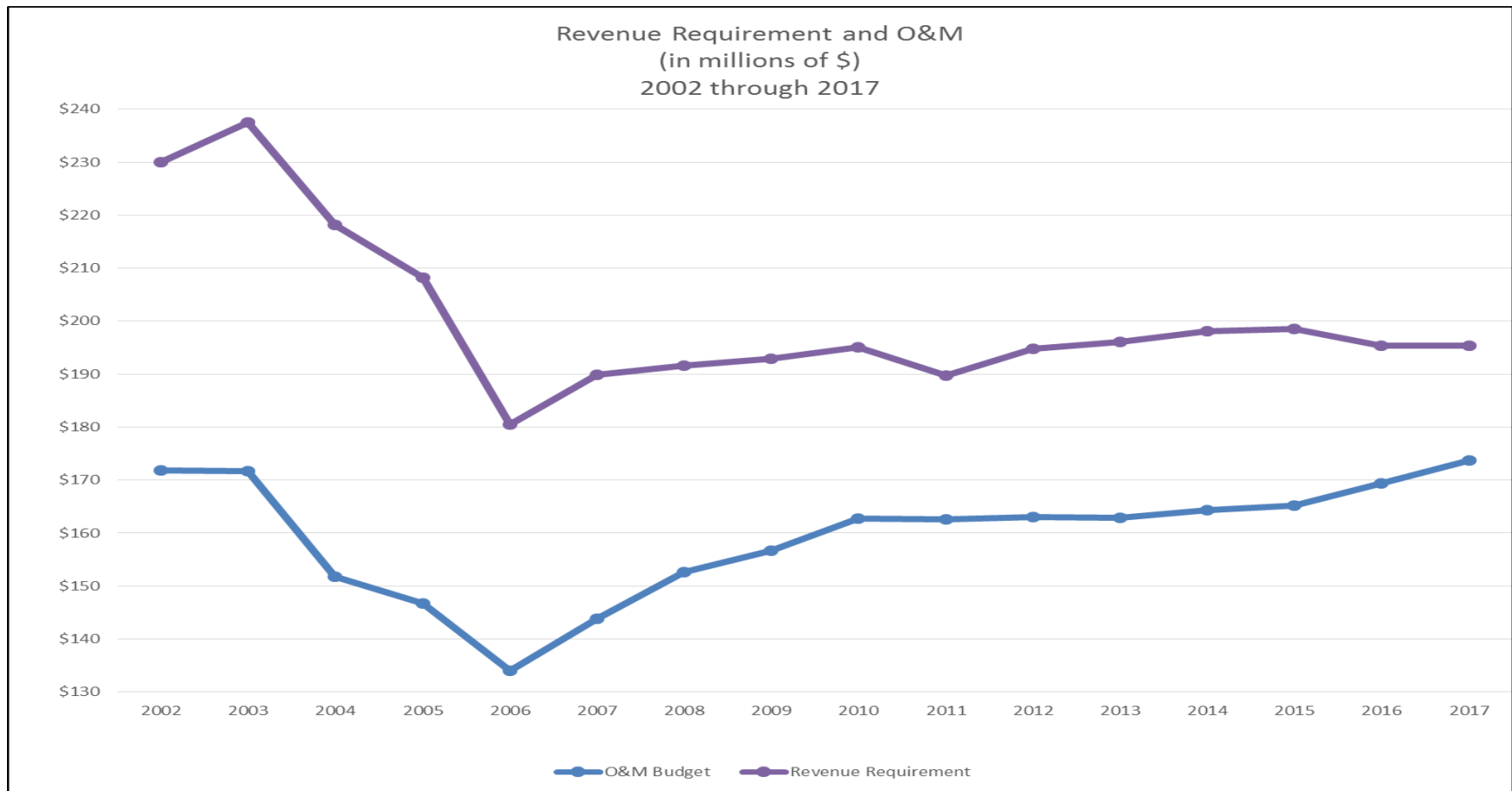
Previous Events	Date
Introduction of budget process to stakeholders	June
Internal budgeting process - primary	June – August
Board review of preliminary budget (Executive Session)	August
Preliminary budget posted to public website	Early September
Stakeholder budget workshop	Late September
Internal budgeting process – secondary	Through November

Upcoming Events	Date
Board decision on budget (General Session)	December
2017 grid management charge rates posted	December

Revenue requirement remains flat despite upward cost pressures.

- Labor expenses continue to be the largest driver of the increases in the operating and maintenance budget.
- Although, increases being offset by other revenue and reserve adjustment.

Management remains committed to a stable revenue requirement.



- Revenue requirement is 18% lower than its peak in 2003
- Average annual growth rate of 0.3% since 2007

Reduction in forecasted transmission volume results in minimal increase to bundled cost per MWh.

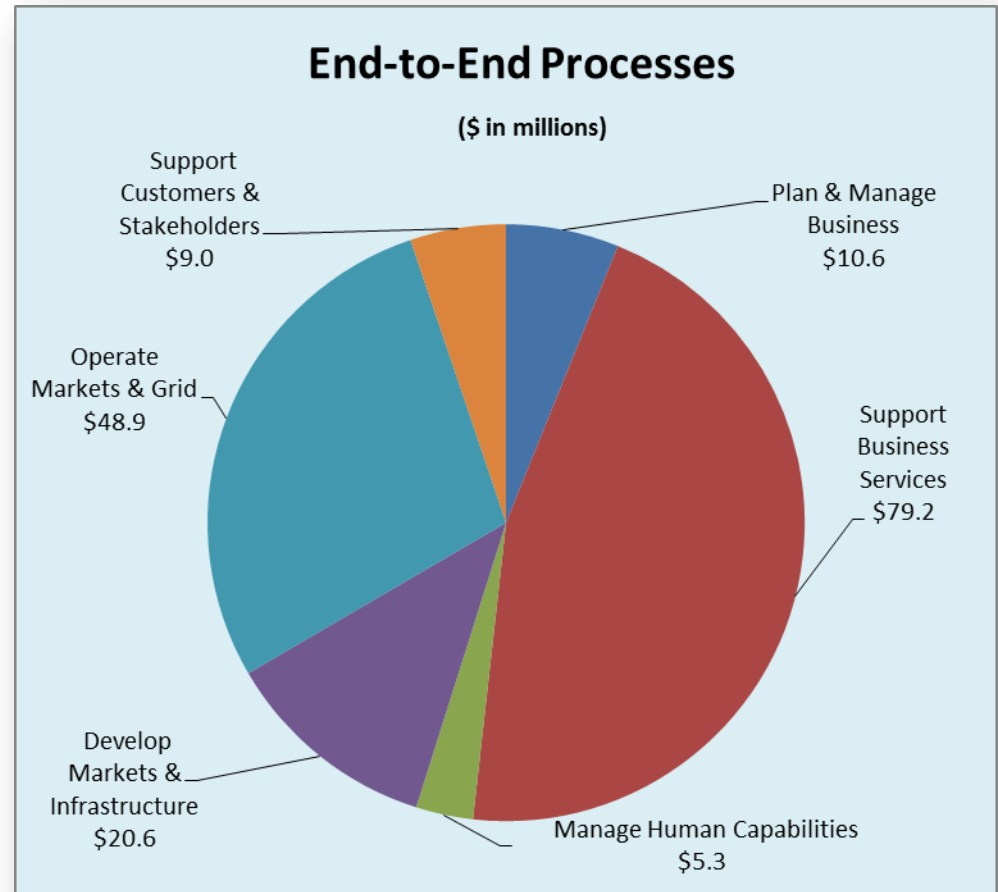
Revenue Requirement Components (\$ in millions)	2017 Budget	2016 Budget	Change
Operations & Maintenance Budget	\$173.6	\$169.3	\$4.3
Debt Service (including 25% reserve)	16.9	16.9	-
Cash Funded Capital	24.0	24.0	-
Other Costs and Revenues	(13.3)	(10.8)	(2.5)
Operating Costs Reserve Adjustment	(5.9)	(4.1)	(1.8)
Total Revenue Requirement	\$195.3	\$195.3	\$ -
Transmission Volume in TWh	240.7	242.7	(2.0)
Pro-forma bundled cost per MWh	\$0.811	\$0.805	\$0.006

The proposed O&M budget increases by \$4.3 million to \$173.6 million.

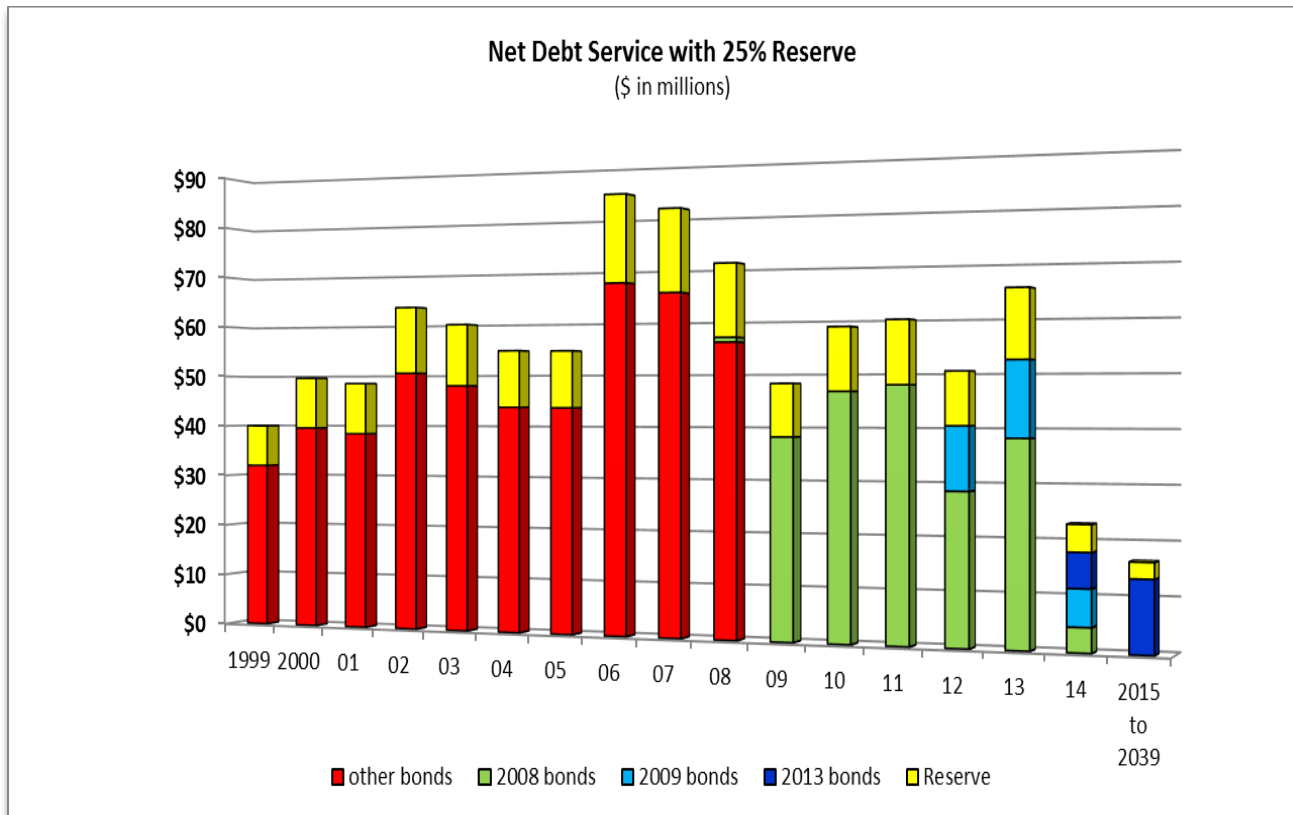
O&M Budget by Resource (\$ in millions)	2017 Budget	2016 Budget	Change
Salaries and Benefits	\$126.2	\$121.6	\$4.6
Occupancy Costs and Equipment Leases	3.1	3.7	(0.6)
Telecommunication and Hardware and Software Maintenance Costs	14.5	14.1	0.4
Consultants and Contract Staff	11.7	11.8	(0.1)
Outsourced Contracts, Professional Fees	10.2	9.7	0.5
Training, Travel, and Other costs	7.9	8.4	(0.5)
Total	\$173.6	\$169.3	\$4.3

We leverage an activity based costing structure for further transparency.

- Six summary activities identified at the first level
- Tracking time by level II activities
- ABC utilized to develop 2015 GMC update with great stakeholder support
- ABC provides further insight into resource utilization



Annual debt service requirement remains at \$16.9 million due to the level debt service of the 2013 bonds.



The proposed capital/project budget is currently targeted at \$20 million.

- Proposed revenue requirement contains a \$24 million cash funded capital component
- Total project approvals are targeted at \$20 million for further market enhancements and regular capital
- Detailed draft of projects is contained within the budget book.

Other costs and revenues will reduce the revenue requirement by \$13.3 million.

Other Costs and Revenues (\$ in millions)	2017 Budget	2016 Budget	Change
Energy Imbalance Market Administrative Charges	\$4.8	\$2.5	\$2.3
Intermittent Resource Forecasting Fees	2.1	2.1	-
California-Oregon Intertie Path Operator Fees	2.0	2.0	-
Interest Earnings	2.1	2.0	0.1
Large Generator Interconnection Projects	1.9	1.8	0.1
Other Fees and Charges	0.4	0.4	-
Total	\$13.3	\$10.8	\$2.5

The operating cost reserve adjustment will reduce the revenue requirement by \$5.9 million.

Operating Cost Reserve Adjustment (\$ in millions)	2017 Budget	2016 Budget	Change
Increase in 15% reserve for O&M budget	\$(0.6)	\$(0.6)	\$ -
25% debt service collection from prior year	3.4	3.4	-
True-up of actual to forecast revenues and expenses	3.1	1.3	1.8
Total	\$5.9	\$4.1	\$1.8

Proposed revenue requirement leads to minimal changes to the grid management charge rates.

Grid Management Charges	2017 Rate	2016 Rate	\$ Variance
Market Service Charge	\$0.0854	\$0.0850	\$0.0004
Systems Operations Charge	\$0.3025	\$0.2979	\$0.0046
CRR Services Charge	\$0.0059	\$0.0049	\$0.0010
<u>Miscellaneous Fixed Fees</u>			
Bid Segment Fees	\$0.005	\$0.005	n/a
Inter-SC Trade Fees	1.00	1.00	n/a
SCID Fees (monthly)	1,000	1,000	n/a
TOR Fees	0.24	0.24	n/a
CRR Auction Bid Fees	1.00	1.00	n/a