



California ISO

# Decision on 2020 Budget

April Gordon

Director, Financial Planning and Procurement

Board of Governors Meeting

General Session

December 19, 2019

Diversified revenue streams lead to favorable revenue requirement while still developing well-rounded budgets that serve our needs.

- At \$187 million, the 2020 revenue requirement is the lowest revenue requirement since 2006.
- O&M budget increases by \$6 million primarily due to budgeted merit and other compensation increases, additional contract staff, and Reliability Coordinator related tools.
- However, Reliability Coordinator and EIM revenue help drive other revenues to increase by \$17.4 million, lowering the net revenue requirement.

The budget development timeline extends from July through December.

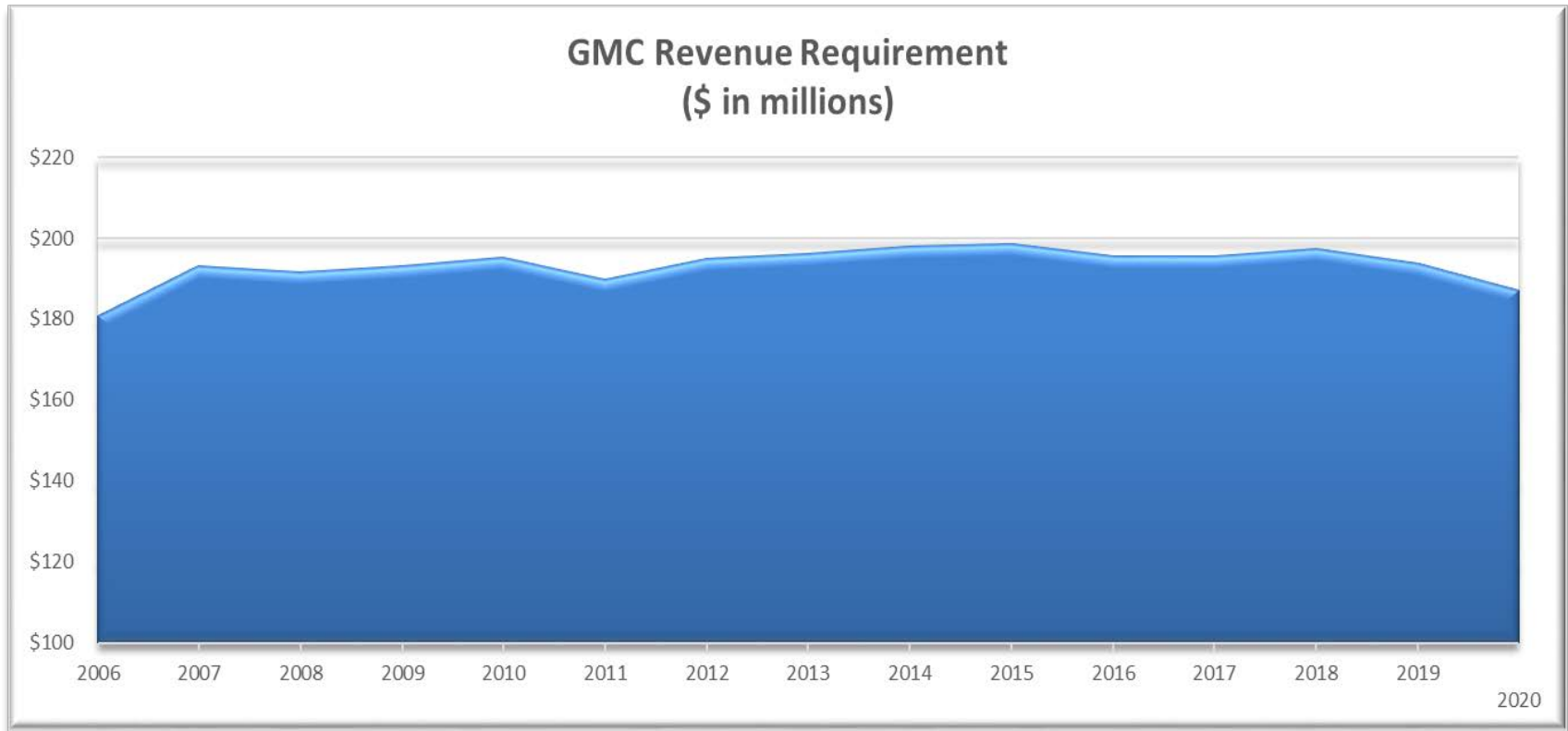
<b>Previous Events</b>	<b>Date</b>
Introduction of budget process to stakeholders	July 23
Internal budgeting process	July – October
Preliminary draft budget posted to public website	November 1
Preliminary budget reviewed by Board of Governors	November 13-14
Stakeholder budget workshop	November 20
Final internal budgeting process	November - December

<b>Upcoming Events</b>	<b>Date</b>
Board decision on budget	December 19
2020 rates and GMC revenue requirement documentation posted	December 31

**GMC Revenue Requirement**: The proposed revenue requirement is \$6.5M less than 2019.

<b>GMC Revenue Requirement (\$ in millions)</b>	<b>2020 Budget</b>	<b>2019 Budget</b>	<b>Change \$</b>
Operations & Maintenance Budget	\$195.0	\$189.0	\$6.0
Debt Service (including 25% reserve)	16.9	16.9	0.0
Cash Funded Capital	28.0	25.0	3.0
Other Costs and Revenues	(41.3)	(23.9)	(17.4)
Operating Costs Reserve Adjustment	(11.6)	(13.5)	1.9
<b>Total GMC Revenue Requirement</b>	<b>\$187.0</b>	<b>\$193.5</b>	<b>(\$6.5)</b>
Transmission Volume Estimate in TWh	238.4	239.7	(1.3)
<b>Pro-forma bundled cost per MWh</b>	<b>\$0.7844</b>	<b>\$0.8073</b>	<b>(\$0.0229)</b>

**GMC Revenue Requirement**: Continuing to support long-term annual revenue requirement stability.



**O&M Budget**: The proposed O&M budget increases by \$6 million to \$195 million.

<b>O&amp;M Budget by Resource (\$ in millions)</b>	<b>2020 Budget</b>	<b>2019 Budget</b>	<b>Change</b>
Salaries and Benefits	\$145.6	\$141.2	\$4.4
Occupancy Costs and Equipment Leases	2.9	2.9	-
Telecom, HW/SW Maintenance Costs	14.4	14.5	(0.1)
Consultants and Contract Staff	12.5	11.8	0.7
Outsourced Contracts and Professional Fees	12.0	11.1	0.9
Training, Travel, and Other costs	7.6	7.5	0.1
<b>Total</b>	<b>\$195.0</b>	<b>\$189.0</b>	<b>\$6.0</b>

**Debt Service**: Annual requirement remains at \$16.9 million on outstanding 2013 bonds.

- \$163.4 million of bond principal outstanding
- \$16.9 million requirement consists of:
  - \$13.5 million in debt payments due to bondholders, and
  - \$3.4 million to be collected for required reserve
- Level annual debt service until February 2039
  - Bonds are callable February 2023

**Capital/Project**: \$28 million will be collected for capital in the proposed revenue requirement.

- Total project approvals are targeted at \$22 million for further market, operational, and technology enhancements as well as for other capital projects
- \$6 million difference will add to capital reserves
- List of proposed projects is contained within the budget book, which ultimately will be prioritized down to the final budgeted amount



**Other Costs and Revenues:** RC and EIM revenue help drive other revenues to increase by \$16.5 million.

<b>Other Costs and Revenue (\$ in millions)</b>	<b>2020 Budget</b>	<b>2019 Budget</b>	<b>Change</b>
Reliability Coordinator Funding Requirement	\$18.5	\$4.3	\$14.2
Energy Imbalance Market Administrative Charges	9.5	8.6	0.9
Intermittent Resource Forecasting Fees	4.5	3.8	0.7
Interest Earnings	3.9	3.3	0.6
California-Oregon Intertie Path Operator Fees	2.0	2.0	-
Generation Interconnection Project Fees	1.4	1.5	(0.1)
HANA Administrative Fees	0.9	-	0.9
Scheduling Coordinator Application and Other Fees	0.6	0.4	0.2
<b>Total Other Costs and Revenue</b>	<b>\$41.3</b>	<b>\$23.9</b>	<b>\$17.4</b>

**Operating Cost Reserve Adjustment**: Favorable 2018 collections and spend results lead to \$11.6 million credit in the 2020 revenue requirement.

<b>Operating Cost Reserve Adjustment (\$ in millions)</b>	<b>2020 Budget</b>	<b>2019 Budget</b>	<b>Change</b>
Change in the 15% reserve for O&M budget	(\$0.9)	(\$1.6)	\$0.7
25% debt service collection from prior year	3.4	3.4	(0.0)
True-up of budget to actual revenues and other	9.1	11.7	(2.6)
<b>Total Operating Cost Reserve Credit / (Debit)</b>	<b>\$11.6</b>	<b>\$13.5</b>	<b>(\$1.9)</b>

**Rates**: Lower GMC revenue requirement to collect leads to decrease from 2019 rates.

<b>Summary of Rates (\$ per MWh)</b>	<b>2020 Rate</b>	<b>2019 Rate</b>	<b>Change \$</b>
<b>Grid Management Charges</b>			
Market Service Charge	\$0.0994	\$0.1065	(\$0.0071)
Systems Operations Charge	\$0.2788	\$0.2797	(\$0.0009)
CRR Services Charge	\$0.0078	\$0.0100	(\$0.0022)
<b>Supplemental Services Rates</b>			
EIM Market Service	\$0.0785	\$0.0841	(\$0.0056)
EIM System Operations	\$0.1087	\$0.1091	(\$0.0004)
RC Service Rate	\$0.0278		

- All miscellaneous fixed fees remain the same.

## Reliability Coordinator Rates Comparison: The ISO RC West provides RC Services at a 59% cost savings (and 50% rate savings) compared to previous provider.

<b>Comparison of RC Costs and Rates</b>	<b>CAISO RC West</b>	<b>Peak RC*</b>	<b>Savings over Peak RC \$</b>	<b>Savings over Peak RC %</b>
Funding Requirement (in millions)	\$ 18.5	\$ 44.6	\$ (26.1)	-59%
Rate per MWh	\$ 0.0278	\$ 0.0558	\$ (0.0280)	-50%

*\*Per Peak RC's 2018 funding requirement*

- In addition to Reliability Coordinator rate savings, the ISO market participants are also receiving an approximate net \$10.3 million savings in the GMC revenue requirement.