



# Decision on 2022 Budget and Grid Management Charges

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Board of Governors meeting

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**Highlights:** Despite considerable upward cost pressures in the labor market and additional headcount, the 2022 revenue requirement is increasing marginally.

- At \$182.6 million, the 2022 revenue requirement is \$1.0 million higher than 2021.
- The O&M budget request is \$9.9 million higher primarily due to higher labor costs.
- The increase is offset by a large operating cost reserve adjustment credit, additional EIM revenue, and a reduction in debt service needs.

**GMC Revenue Requirement:** The proposed revenue requirement increased by \$0.5 million from the draft revenue requirement.

<b>GMC Revenue Requirement (\$ in millions)</b>	<b>2022 Budget</b>	<b>2021 Budget</b>	<b>Change \$</b>
Operations & Maintenance Budget	\$210.7	\$200.8	\$9.9
Debt Service (including 25% reserve)	14.7	16.9	(2.2)
Cash Funded Capital	30.0	28.0	2.0
Other Costs and Revenues	(53.7)	(50.5)	(3.2)
Operating Cost Reserve Adjustment	(19.1)	(13.6)	(5.5)
<b>Total GMC Revenue Requirement</b>	<b>\$182.6</b>	<b>\$181.6</b>	<b>\$1.0</b>
Transmission Volume Estimate in TWh	233.5	237.3	(3.8)
<b>Pro-forma bundled cost per MWh</b>	<b>\$0.7820</b>	<b>\$0.7653</b>	<b>\$0.0167</b>

**O&M Budget:** The proposed O&M budget increases by \$9.9 million to \$210.7 million.

<b>O&amp;M Budget by Resource (\$ in millions)</b>	<b>2022 Budget</b>	<b>2021 Budget</b>	<b>Change</b>
Salaries and Benefits	\$159.1	\$150.8	\$8.3
Occupancy Costs and Equipment Leases	3.0	3.1	(0.1)
Telecom, HW/SW Maintenance Costs	13.9	14.2	(0.3)
Consultants and Contract Staff	13.8	13.0	0.8
Outsourced Contracts and Professional Fees	12.5	12.0	0.5
Training, Travel, and Other Costs	8.3	7.7	0.6
<b>Total</b>	<b>\$210.7</b>	<b>\$200.8</b>	<b>\$9.9</b>

## **Debt Service:** Annual requirement is \$14.7 million, a reduction of \$2.2 million

- The refinancing of the 2013 bonds will save the ISO approximately \$30 million in principal and interest over the life of the bonds.
- \$174.4 million outstanding principal
- \$14.7 million requirement consists of:
  - \$11.7 million in debt payments due to bondholders, and
  - \$3 million to be collected for required reserve
- Level annual debt service until February 2039
  - Bonds are callable in February 2031

**Capital/Project:** \$30 million will be collected for capital in the proposed revenue requirement.

- Total project approvals are targeted at \$20 million for further market, operational, and technology enhancements as well as for other capital projects
- Capital reserves contribution of \$10 million
- List of proposed projects is contained within the budget book

**Other Costs and Revenues:** New EIM customers help drive other revenues to increase to \$53.7 million.

<b>Other Costs and Revenue (\$ in millions)</b>	<b>2022 Budget</b>	<b>2021 Budget</b>	<b>Change</b>
Reliability Coordinator Funding Requirement	\$18.0	\$18.0	\$0.0
Energy Imbalance Market Administrative Charges	14.1	11.4	2.7
Nodal Pricing Model Fee	8.4	8.4	-
Intermittent Resource (wind and solar) Forecasting Fees	5.0	4.5	0.5
Interest Earnings	3.8	4.2	(0.4)
Generation Interconnection Project Fees	2.0	1.6	0.4
HANA Administrative Fees	0.9	0.9	-
Scheduling Coordinator Application and Other Fees	0.8	0.8	-
California-Oregon Intertie Path Operator Fees	0.7	0.7	-
<b>Total Other Costs and Revenue</b>	<b>\$53.7</b>	<b>\$50.5</b>	<b>\$3.2</b>

**Operating Cost Reserve Adjustment:** Favorable 2020 collections and spend results lead to \$19.1 million reduction in the 2022 revenue requirement.

<b>Operating Cost Reserve Adjustment (\$ in millions)</b>	<b>2022 Budget</b>	<b>2021 Budget</b>	<b>Change</b>
Change in the 15% reserve for O&M budget	(\$1.5)	(\$0.9)	(\$0.6)
25% debt service collection from prior year	3.4	3.4	(0.0)
True-up of budget to actual revenues and expenses	17.2	11.1	6.1
<b>Total Operating Cost Reserve Credit / (Debit)</b>	<b>\$19.1</b>	<b>\$13.6</b>	<b>\$5.5</b>



**Rates**: Majority of the forecasted charges and rates will decrease in comparison due to higher projected volumes.

Summary of Rates (\$ per MWh)	2022 Rate	2021 Rate	Change \$
<b>Grid Management Charges</b>			
Market Service Charge	\$0.1484	\$0.1485	(\$0.0001)
Systems Operations Charge	\$0.2004	\$0.2043	(\$0.0039)
CRR Services Charge	\$0.0055	\$0.0048	\$0.0007
<b>Supplemental Services Rates</b>			
EIM Market Service	\$0.0935	\$0.0936	(\$0.0001)
EIM System Operations	\$0.1002	\$0.1022	(\$0.0020)
RC Service Rate	\$0.0282	\$0.0278	\$0.0004

All other rates and fees remain the same.

## Key calendar dates and next steps

<b>Previous Events</b>	<b>Date</b>
Introduction of budget process to stakeholders	July 22
Internal budgeting process	July – October
Preliminary draft budget posted to public website	October 29
Preliminary budget reviewed by Board of Governors	November 3-4
Stakeholder budget workshop	November 15
Final internal budgeting process	November – December

  

<b>Upcoming Events</b>	<b>Date</b>
Board decision on 2022 Budget and Grid Management Charges	December 17
2022 Rates and GMC revenue requirement documentation posted to ISO website	December 22