



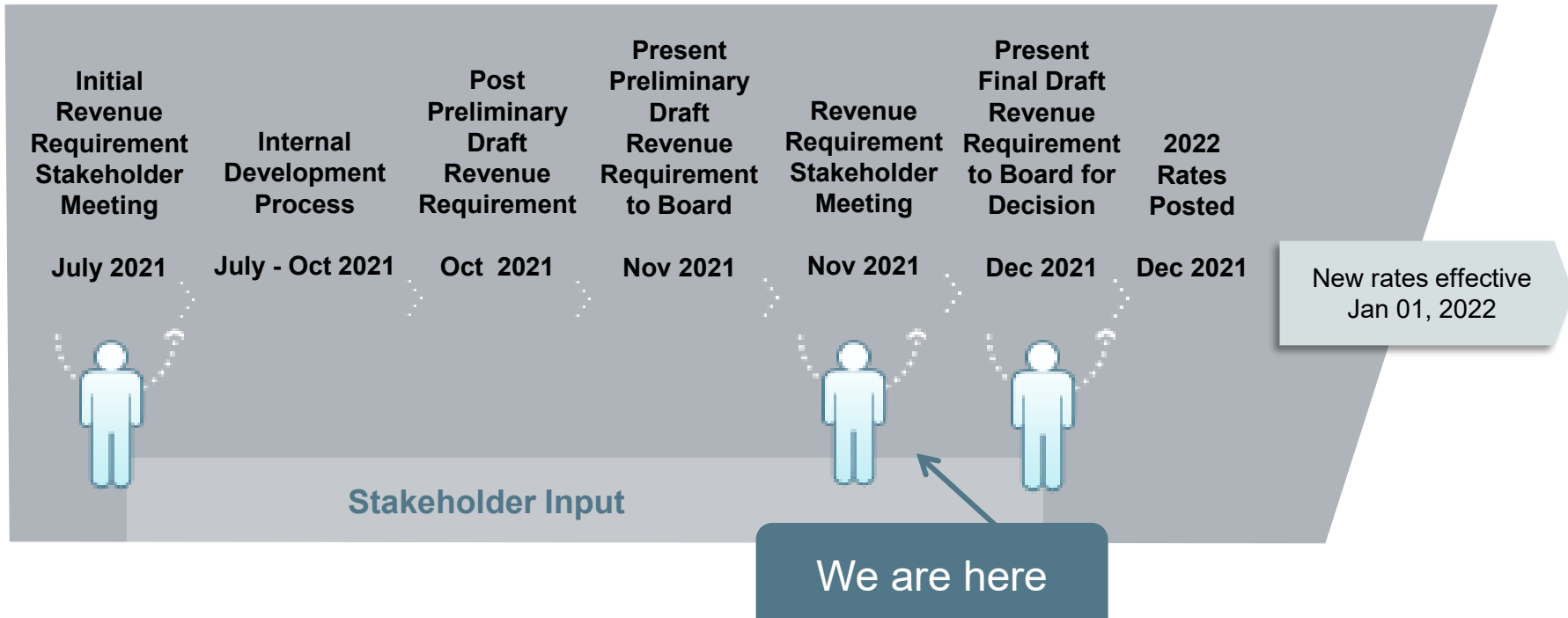
# Briefing on Draft 2022 Budget and Grid Management Charges

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# 2022 Development Timeline



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

- At \$182.1 million, the 2022 revenue requirement is \$0.5 million higher than 2021.
- The O&M budget request is \$9 million higher primarily due to higher labor costs.
- The increase is offset by a large cost reserve adjustment credit, additional EIM revenue, and a reduction in debt service needs.

## **GMC Revenue Requirement:** The proposed revenue requirement is \$0.5 million higher than 2021.

<b>GMC Revenue Requirement (\$ in millions)</b>	<b>2022 Budget</b>	<b>2021 Budget</b>	<b>Change \$</b>
Operations & Maintenance Budget	\$209.8	\$200.8	\$9.0
Debt Service (including 25% reserve)	14.7	16.9	(2.2)
Cash Funded Capital	30.0	28.0	2.0
Other Costs and Revenues	(53.2)	(50.5)	(2.7)
Operating Cost Reserve Adjustment	(19.2)	(13.6)	(5.6)
<b>Total GMC Revenue Requirement</b>	<b>\$182.1</b>	<b>\$181.6</b>	<b>\$0.5</b>
Transmission Volume Estimate in TWh	233.5	237.3	(3.8)
<b>Pro-forma bundled cost per MWh</b>	<b>\$0.7799</b>	<b>\$0.7653</b>	<b>\$0.0146</b>

**O&M Budget:** The proposed O&M budget increases by \$9 million to \$209.8 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	\$158.7	\$150.7	\$8.0
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	13.6	13.0	0.6
Outsourced Contracts and Professional Fees	12.3	12.0	0.3
Training, Travel, and Other costs	8.3	7.8	0.5
<b>Total</b>	<b>\$209.8</b>	<b>\$200.8</b>	<b>\$9.0</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 between \$18 million and \$20 million for further market, operational, and technology enhancements as well as for other capital projects
- Upwards of \$12 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: New EIM customers help drive other revenues to increase to \$53.2 million.

Other Costs and Revenue (\$ in millions)	2022 Budget	2021 Budget	Change
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	4.5	4.5	-
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>\$53.2</b>	<b>\$50.5</b>	<b>\$2.7</b>



**Operating Cost Reserve Adjustment:** Favorable 2020 collections and spend results lead to \$19.2 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	(\$1.4)	(\$0.9)	(\$0.5)
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>\$19.2</b>	<b>\$13.6</b>	<b>\$5.6</b>

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

Charge Code	Summary of Charges, Fees, and Rates	2022 Rate	2021 Rate	Change \$	Billing Unit
<b>Grid Management Charges</b>					
4560	Market Service Charge	\$0.1476	\$0.1485	(\$0.0009)	per MWh
4561	Systems Operations Charge	\$0.1996	\$0.2043	(\$0.0047)	per MWh
4562	CRR Services Charge	\$0.0056	\$0.0048	\$0.0008	per MWh
<b>Supplemental Services Rates</b>					
4564	EIM Market Service	\$0.0930	\$0.0936	(\$0.0006)	per MWh
4564	EIM System Operations	\$0.0998	\$0.1022	(\$0.0024)	per MWh
5701	RC Service Rate	\$0.0281	\$0.0278	\$0.0003	per MWh

All other rates and fees remain the same.

# Key calendar dates and next steps

Upcoming Events	Date
Final internal budgeting process	November – December
Stakeholder comments due to ISO Using the commenting tool on the <a href="#">landing page</a>	November 22
ISO response to comments posted to ISO website	November 29
Board decision on 2022 GMC revenue requirement (general session)	December 15-16
2022 Rates and GMC revenue requirement documentation posted to ISO website	December 20