

Disposition of Funds Remaining from 2019 Budget Cycle

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Background

- NYISO's draft 2019 budget vs. actual results were presented to the Board Commerce & Compensation Committee and to Market Participants at the Budget & Priorities Working Group (BPWG) in February 2020
- NYISO's 2019 financial statement audit was completed in March. Final 2019 budget vs. actual results are as follows:
 - A Rate Schedule 1 over-collection of \$0.7M
 - A spending under-run of \$5.7M
 - Total funds remaining from 2019 budget cycle of \$6.4M
- The Management Committee motion that recommended the 2019 budget, indicated that if a Rate Schedule 1 over-collection and/or a spending under-run occurred, the related funds should be utilized to pay down the principal amount of outstanding debt or reduce anticipated debt borrowings

Background (*continued*)

- Following the February Board Commerce & Compensation Committee meeting, NYISO staff discussed with Market Participants the proposal that NYISO retain these funds to pay down principal on outstanding debt
- However, NYISO staff is now proposing that NYISO retain these funds to potentially offset:
 - A significant shortfall in 2020 Rate Schedule 1 (RS1) recoveries;
 - Unplanned expenditures resulting from NYISO's response to the Coronavirus outbreak
- If NYISO finds that these funds are not needed for these purposes, NYISO could still pay down principal on outstanding debt in Q4 2020

Next Steps

- NYISO staff will recommend to the NYISO Board of Directors that NYISO retain the remaining \$6.4M to potentially offset a significant shortfall in 2020 Rate Schedule 1 recoveries and unplanned expenditures resulting from NYISO's response to the Coronavirus outbreak
- On April 21, 2020, the NYISO Board of Directors will vote on the NYISO staff proposal

NYISO 2019 DRAFT BUDGET VS. ACTUAL:

- *RATE SCHEDULE 1 RECOVERIES*

2019 Rate Schedule 1 Recoveries

2019 MWH (in Millions) Comparison: Budget vs. Actual

| Invoice Month | Budgeted MWH | Actual MWH | Monthly Differential MWH | Cumulative Differential MWH | Monthly \$ Impact | Cumulative \$ Impact |
|---------------|--------------|--------------|--------------------------|-----------------------------|-------------------|----------------------|
| Jan | 13.6 | 14.2 | 0.6 | 0.6 | \$ 0.6 | \$ 0.6 |
| Feb | 12.4 | 12.4 | - | 0.6 | \$ - | \$ 0.6 |
| Mar | 12.9 | 12.6 | (0.3) | 0.3 | \$ (0.3) | \$ 0.3 |
| Apr | 11.4 | 11.2 | (0.2) | 0.1 | \$ (0.2) | \$ 0.1 |
| May | 12.1 | 11.6 | (0.5) | (0.4) | \$ (0.5) | \$ (0.4) |
| Jun | 13.4 | 13.1 | (0.3) | (0.7) | \$ (0.4) | \$ (0.8) |
| Jul | 15.9 | 16.9 | 1.0 | 0.3 | \$ 1.1 | \$ 0.3 |
| Aug | 15.3 | 15.3 | - | 0.3 | \$ - | \$ 0.3 |
| Sep | 13.2 | 12.9 | (0.3) | (0.0) | \$ (0.3) | \$ 0.0 |
| Oct | 12.0 | 11.8 | (0.2) | (0.2) | \$ (0.2) | \$ (0.2) |
| Nov | 11.9 | 12.2 | 0.3 | 0.1 | \$ 0.3 | \$ 0.1 |
| Dec | 13.0 | 13.5 | 0.5 | 0.6 | \$ 0.6 | \$ 0.7 |
| Total | 157.1 | 157.7 | 0.6 | | | |

NYISO 2019 DRAFT BUDGET VS. ACTUAL:

- *BUDGETARY SPENDING RESULTS*

2019 Budget vs. Actual Results

| (\$ in millions) | ANNUAL AMOUNTS AS OF 12/31/19 | | |
|---|-------------------------------|-----------------|-----------------|
| Cost Category | Original Budget | Actuals | Variance |
| Capital | \$ 6.8 | \$ 5.6 | \$ (1.2) |
| Salaries & Benefits | \$ 94.7 | \$ 94.4 | \$ (0.3) |
| Professional Fees (including Legal) | \$ 31.4 | \$ 26.3 | \$ (5.1) |
| Building Services | \$ 6.7 | \$ 6.0 | \$ (0.7) |
| Computer Services | \$ 18.0 | \$ 18.1 | \$ 0.1 |
| Insurance | \$ 2.9 | \$ 2.7 | \$ (0.2) |
| Telecommunications | \$ 3.0 | \$ 3.2 | \$ 0.2 |
| Other Expenses (BOD, Travel/Trng, NPCC Fees) | <u>\$ 4.1</u> | <u>\$ 3.8</u> | <u>\$ (0.3)</u> |
| Current Year Needs | \$ 167.6 | \$ 160.1 | \$ (7.5) |
| Debt Service from Prior Year Financings | <u>\$ 38.2</u> | <u>\$ 48.2</u> | <u>\$ 10.0</u> |
| Cash Budget | \$ 205.8 | \$ 208.3 | \$ 2.5 |
| Less: Miscellaneous Revenues | \$ (4.9) | \$ (5.9) | \$ (1.0) |
| Less: Proceeds from Debt | \$ (33.3) | \$ (29.6) | \$ 3.7 |
| Less: Proceeds from budget underrun net volume undercollections | \$ - | \$ (10.6) | \$ (10.6) |
| Add: Interest on Debt | <u>\$ 0.6</u> | <u>\$ 0.3</u> | <u>\$ (0.3)</u> |
| Rate Schedule #1 Revenue Requirement | \$ 168.2 | \$ 162.5 | \$ (5.7) |

2019 Budget vs. Actual Variance Explanations

| | <u>Year-End Variance</u> |
|--|---|
| <u>Capital</u> | The year-end underrun of \$1.2M is primarily due to budget transfers to Computer Services of \$0.9M and to Professional Fees of \$0.3M to fund maintenance cost in support of the Network Infrastructure Upgrade project, Amazon Web Services for the Enterprise Information Management Data Integration project and extended Ranger maintenance. |
| <u>Professional Fees</u> | The year-end underrun of \$5.1M is primarily due to the Enterprise Information Management Data Integration project revised deployment schedule and project restructuring resulting in savings of \$3.7M, savings on the Energy Storage Resource project of \$1.0M and savings on various projects and initiatives totaling \$1.0M, partially offset by an overrun on the EMS/BMS Upgrade project of \$0.5M, driven by the project schedule. |
| <u>Building Services</u> | The year-end underrun of \$0.7M is primarily due to savings of \$0.3M in Dues & Subscriptions and other minor underruns on various budget lines. |
| <u>Computer Services</u> | Budget transfers from Capital of \$0.9M are offset by savings on various hardware and software maintenance contracts. |
| <u>Debt Service From Prior Year Financings</u> | The year-end overrun of \$10.0M is due to additional principal payments on outstanding debt, funded with proceeds from the prior year budget cycle. |
| <u>Misc. Revenues</u> | The year-end overrun of \$1.0M is primarily due to higher than anticipated interest earnings. |
| <u>Proceeds from Debt</u> | The year-end underrun of \$3.7M is primarily due to savings on the Enterprise Information Management Data Integration and Energy Storage Resource projects and corresponding reduced Budget Facility loan draw downs of \$4.0M, partially offset by additional loan draws on the EMS/BMS Budget Facility of \$0.3M, driven by the project schedule. |
| <u>Proceeds from Prior Year Budget Cycle</u> | The \$10.6M in proceeds from the prior year budget cycle was utilized to fund additional principal payments on outstanding debt. |

The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefits to consumers by:

- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policy makers, stakeholders and investors in the power system



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