

# Disposition of Funds Remaining from 2017 Budget Cycle

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# Background

- NYISO's draft 2017 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 2018
- NYISO's 2017 financial statement audit was completed in March. Final 2017 budget vs. actual results are as follows:
  - A Rate Schedule 1 under-collection of \$0.4M
  - A spending under-run of \$4.6M
  - Total funds remaining from 2017 budget cycle of \$4.2M
- The Management Committee motion on October 26, 2016 that recommended the 2017 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 proposed to BPWG that NYISO retain these funds to pay down principal on outstanding debt.

- Overall, Market Participant feedback on NYISO's proposal for the disposition of funds remaining from the 2017 budget cycle has been favorable

# Next Steps

- NYISO will retain the remaining \$4.2M to pay down principal on outstanding debt beginning May 2018

**NYISO 2017 BUDGET VS.  
ACTUAL:  
RATE SCHEDULE 1 RECOVERIES**

# Summary of 2017 Rate Schedule 1 Recoveries

2017 MWH (in Millions) Comparison: Budget vs. Actual						
Invoice Month	Budgeted MWH	Actual MWH	Monthly Differential MWH	Cumulative Differential MWH	Monthly \$ Impact	Cumulative \$ Impact
Jan	13.7	13.6	(0.1)	(0.1)	\$ (0.1)	\$ (0.1)
Feb	12.4	11.8	(0.6)	(0.7)	\$ (0.5)	\$ (0.6)
Mar	12.8	13.1	0.3	(0.4)	\$ 0.3	\$ (0.4)
Apr	11.7	11.4	(0.3)	(0.7)	\$ (0.3)	\$ (0.6)
May	12.2	12.0	(0.2)	(0.9)	\$ (0.2)	\$ (0.8)
Jun	13.6	13.6	-	(0.9)	\$ -	\$ (0.8)
Jul	15.7	15.5	(0.2)	(1.1)	\$ (0.2)	\$ (1.0)
Aug	15.4	14.9	(0.5)	(1.6)	\$ (0.5)	\$ (1.5)
Sep	13.3	13.3	-	(1.6)	\$ -	\$ (1.5)
Oct	12.3	12.4	0.1	(1.5)	\$ 0.1	\$ (1.4)
Nov	12.0	12.2	0.2	(1.3)	\$ 0.2	\$ (1.2)
Dec	13.2	14.1	0.9	(0.4)	\$ 0.8	\$ (0.4)
<b>Total</b>	<b>158.3</b>	<b>157.9</b>	<b>(0.4)</b>			

# NYISO 2017 BUDGET VS. ACTUAL: BUDGETARY RESULTS

# 2017 Budget vs. Actual Results

<i>(\$ in millions)</i>	<u>ANNUAL AMOUNTS AS OF 12/31/17</u>		
<u>Cost Category</u>	<u>Original Budget</u>	<u>Actuals</u>	<u>Variance</u>
Capital	\$ 9.6	\$ 9.3	\$ (0.3)
Salaries & Benefits	\$ 88.9	\$ 90.0	\$ 1.1
Professional Fees (including Legal)	\$ 31.8	\$ 23.1	\$ (8.7)
Building Services	\$ 6.3	\$ 6.0	\$ (0.3)
Computer Services	\$ 15.8	\$ 17.2	\$ 1.4
Insurance	\$ 2.9	\$ 2.8	\$ (0.1)
Telecommunications	\$ 3.1	\$ 3.2	\$ 0.1
Other Expenses (BOD, Travel/Trng, NPCC Fees)	\$ 4.1	\$ 3.6	\$ (0.5)
<b>Current Year Needs</b>	<b>\$ 162.5</b>	<b>\$ 155.2</b>	<b>\$ (7.3)</b>
Debt Service from Prior Year Financings	\$ 27.2	\$ 34.8	\$ 7.6
<b>Cash Budget</b>	<b>\$ 189.7</b>	<b>\$ 190.0</b>	<b>\$ 0.3</b>
Less: Miscellaneous Revenues	\$ (3.0)	\$ (4.9)	\$ (1.9)
Less: Proceeds from Debt	\$ (39.1)	\$ (34.8)	\$ 4.3
Less: Proceeds from budget underrun and volume overcollections	\$ -	\$ (7.3)	\$ (7.3)
Add: Interest on Debt	\$ 0.6	\$ 0.6	\$ -
<b>Rate Schedule #1 Revenue Requirement</b>	<b>\$ 148.2</b>	<b>\$ 143.6</b>	<b>\$ (4.6)</b>



# 2017 Budget vs. Actual Variance Explanations

	<u>Year-End Variance</u>
<u>Salaries &amp; Benefits</u>	The year-end overrun of \$1.1M is primarily due to actual annual corporate incentive achievement at 131.5% versus the budget estimate of 100%.
<u>Professional Fees</u>	The year-end underrun of \$8.7M is primarily due to timing of the multi-year EMS/BMS upgrade of \$3.6M (offset with a corresponding reduction in loan proceeds), savings on various market design and project related consulting efforts of \$3.4M, savings on external legal fees of \$1.8M and savings on various planning study efforts of \$0.7M, partially offset by additional Market Monitoring costs of \$0.9M.
<u>Computer Services</u>	The year-end overrun of \$1.4M is primarily due to the acceleration of laptop and corporate workstation purchases into 2017 of \$0.7M, timing of the EMS/BMS upgrade of \$0.3M and higher than budgeted software maintenance costs of \$0.3M.
<u>Other Expenses</u>	The year-end underrun of \$0.5M is primarily due to savings on training and associated travel costs.
<u>Debt Service</u>	The year-end overrun of \$7.6M is due to additional principal payments on outstanding debt, offset with proceeds from a budget underrun and volume over collection from the prior year.
<u>Misc. Revenues</u>	The year-end overrun of \$1.9M is primarily due to higher than anticipated revenues generated from reimbursable planning studies of \$1.3M and interest income on cash deposits of \$0.5M.
<u>Proceeds from Debt</u>	The year-end underrun of \$4.3M is due to timing of the EMS/BMS project schedule and corresponding loan draw downs.

# Questions?

We are here to help. Let us know if we can add anything.

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- 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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