

Disposition of Funds Remaining from 2018 Budget Cycle

Cheryl L. Hussey

Vice President & Chief Financial Officer

Budget & Priorities Working Group

April 24, 2019 Rensselaer, NY



DRAFT – FOR DISCUSSION PURPOSES ONLY

©COPYRIGHT NYISO 2018. ALL RIGHTS RESERVED

Background

- NYISO's draft 2018 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 2019
- NYISO's 2018 financial statement audit was completed in March. Final 2018 budget vs. actual results are as follows:
 - A Rate Schedule 1 over-collection of \$4.8M
 - A spending under-run of \$5.8M
 - Total funds remaining from 2018 budget cycle of \$10.6M
- The Management Committee motion on October 25, 2017 that recommended the 2018 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 2018 budget cycle has been favorable

Next Steps

- NYISO will retain the remaining \$10.6M to pay down principal on outstanding debt beginning May 2019

**NYISO 2018 BUDGET VS.
ACTUAL:
RATE SCHEDULE 1 RECOVERIES**

Summary of 2018

Rate Schedule 1 Recoveries

2018 MWH (in Millions) Comparison: Budget vs. Actual						
Invoice Month	Budgeted MWH	Actual MWH	Monthly Differential MWH	Cumulative Differential MWH	Monthly \$ Impact	Cumulative \$ Impact
Jan	13.5	14.6	1.1	1.1	\$ 1.0	\$ 1.0
Feb	12.3	12.0	(0.3)	0.8	\$ (0.3)	\$ 0.7
Mar	12.7	12.8	0.1	0.9	\$ 0.2	\$ 0.9
Apr	11.5	11.8	0.3	1.2	\$ 0.2	\$ 1.1
May	12.1	12.4	0.3	1.5	\$ 0.3	\$ 1.4
Jun	13.7	13.4	(0.3)	1.2	\$ (0.3)	\$ 1.1
Jul	15.7	16.5	0.8	2.0	\$ 0.8	\$ 1.9
Aug	15.3	16.7	1.4	3.4	\$ 1.5	\$ 3.4
Sep	13.2	13.9	0.7	4.1	\$ 0.7	\$ 4.1
Oct	12.3	12.6	0.3	4.4	\$ 0.3	\$ 4.4
Nov	12.1	12.5	0.4	4.8	\$ 0.4	\$ 4.8
Dec	13.4	13.4	-	4.8	\$ -	\$ 4.8
Total	157.8	162.6	4.8			

NYISO 2018 BUDGET VS. ACTUAL: BUDGETARY RESULTS

2018 Budget vs. Actual Results

(\$ in millions)	ANNUAL AMOUNTS AS OF 12/31/18		
Cost Category	Original Budget	Actuals	Variance
Capital	\$ 10.2	\$ 6.3	\$ (3.9)
Salaries & Benefits	\$ 91.8	\$ 93.5	\$ 1.7
Professional Fees (including Legal)	\$ 26.6	\$ 26.2	\$ (0.4)
Building Services	\$ 6.4	\$ 6.3	\$ (0.1)
Computer Services	\$ 16.4	\$ 17.4	\$ 1.0
Insurance	\$ 2.9	\$ 2.7	\$ (0.2)
Telecommunications	\$ 2.9	\$ 3.0	\$ 0.1
Other Expenses (BOD, Travel/Trng, NPCC Fees)	\$ 4.0	\$ 3.6	\$ (0.4)
Current Year Needs	\$ 161.2	\$ 159.0	\$ (2.2)
Debt Service from Prior Year Financings	\$ 32.0	\$ 35.6	\$ 3.6
Cash Budget	\$ 193.2	\$ 194.6	\$ 1.4
Less: Miscellaneous Revenues	\$ (3.7)	\$ (6.0)	\$ (2.3)
Less: Proceeds from Debt	\$ (34.2)	\$ (34.9)	\$ (0.7)
Less: Proceeds from budget underrun net volume undercollections	\$ -	\$ (4.2)	\$ (4.2)
Add: Interest on Debt	\$ 0.4	\$ 0.4	\$ -
Rate Schedule #1 Revenue Requirement	\$ 155.7	\$ 149.9	\$ (5.8)



DRAFT – FOR DISCUSSION PURPOSES ONLY

©COPYRIGHT NYISO 2018. ALL RIGHTS RESERVED

2018 Budget vs. Actual Variance Explanations

	<u>Year-End Variance</u>
<u>Capital</u>	The year-end underrun of \$3.9M is primarily due to the acceleration of \$1.3M into 2017 in support of the Network Infrastructure Upgrade project, transfers to Computer Services for the EMS/BMS system upgrade and workstation upgrade projects of \$1.3M, transfers to various budget line items of \$0.5M and savings on various capital projects of \$0.5M.
<u>Salaries & Benefits</u>	The year-end overrun of \$1.7M is primarily due to actual annual corporate incentive achievement versus budget of \$0.8M and pension plan funding of \$0.8M.
<u>Professional Fees</u>	The year-end underrun of \$0.4M is primarily due to timing of the EMS/BMS system upgrade project of \$0.8M, offset by savings in market design consulting of \$0.6M, planning study support of \$0.5M and savings in external legal fees of \$0.4M.
<u>Computer Services</u>	The year-end overrun of \$1.0M is primarily due to the EMS/BMS system upgrade and workstation upgrade projects that were originally budgeted as Capital.
<u>Other Expenses</u>	The year-end underrun of \$0.4M is primarily due to savings in employee training and travel expenses.
<u>Debt Service</u>	The year-end overrun of \$3.6M 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 \$2.3M is primarily due to higher than anticipated revenues generated from reimbursable planning studies of \$1.2M and interest income on cash deposits of \$1.1M.
<u>Proceeds from Debt</u>	The year-end overrun of \$0.7M is due to timing of the EMS/BMS system upgrade project schedule and corresponding loan draw downs.

Questions?

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

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



www.nyiso.com