

Overview of NCPA Operating Budget - FY16/17



Facilities Committee Meeting
March 16, 2016

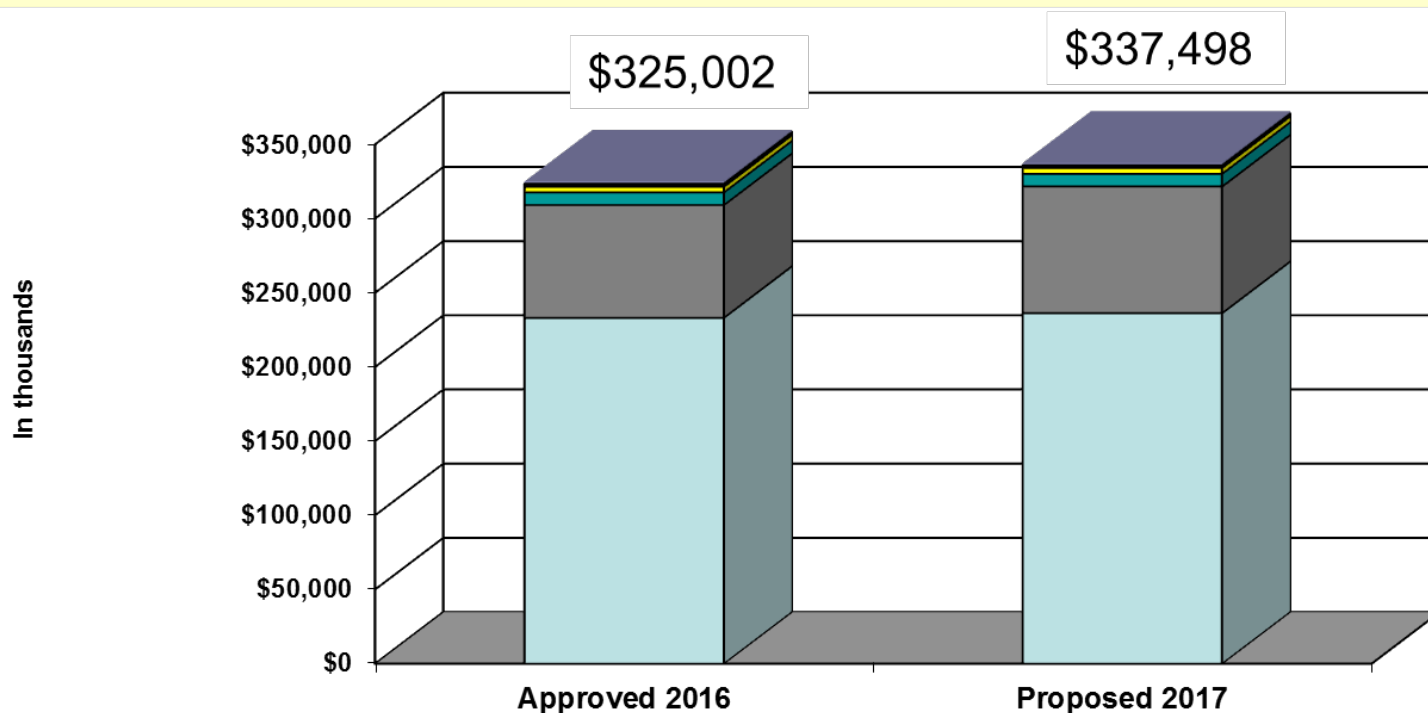
NCPA Commission Budget Direction – FY 2017

Operating costs
limited to
2.4% increase
for
FY 2017

- NCPA FY 2017 non-personnel budget proposed to come in above FY 2016 by 2.3%; below the target;
- Labor costs up 8%
- Addition of 1.5 FTE headcount for new services (1 FTE in Settlements and 0.5 FTE in HR)

Proposed Budget (Net) FY 17

Proposed FY 2017 Budget, net of revenues, reflects an increase of \$12.5 million or 3.8% from FY 2016, primarily from higher transmission costs and reduced revenues from sales to the CAISO




Generation Resources	Transmission	Power Management
Legislative & Regulatory	Judicial Action	Settlements
Risk Management	Integrated Systems Support	Pass through Costs

**NORTHERN CALIFORNIA POWER AGENCY
ANNUAL BUDGETS**

3/11/2016

GENERATION RESOURCES

NCPA Plants
 Member Resources - Energy
 Member Resources - Natural Gas
 Western Resources
 Market Power Purchases
 Load Aggregation Costs
 Net GHG Obligations
TOTAL GENERATION RESOURCES

FISCAL YEAR ENDED JUNE 30		
Approved		Proposed
2016	Inc/(Dec)	2017
\$ 67,692,045	\$ 3,475,903	\$ 71,167,948
39,011,876	6,625,818	45,637,694
850,359	825,079	1,675,438
19,838,319	152,657	19,990,976
42,913,205	(3,610,842)	39,302,363
59,831,915	(3,819,954)	56,011,961
3,029,825	(489,915)	2,539,910
233,167,544	3,158,746	236,326,290

TRANSMISSION - Independent System Operator

76,011,752	9,346,732	85,358,484
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MANAGEMENT SERVICES

Legislative & Regulatory
 Judicial Action
 Power Management
 Power Management - Direct to Programs
 Energy Risk Management
 Settlements
 Integrated Systems Support

3,840,703	91,066	3,931,769
625,000	-	625,000
9,737,415	149,897	9,887,312
(1,228,543)	(99,237)	(1,327,780)
204,394	7,901	212,295
667,384	72,996	740,380
532,573	(221,509)	311,064
14,378,926	1,114	14,380,040
1,444,264	(10,687)	1,433,577
325,002,486	12,495,905	337,498,391

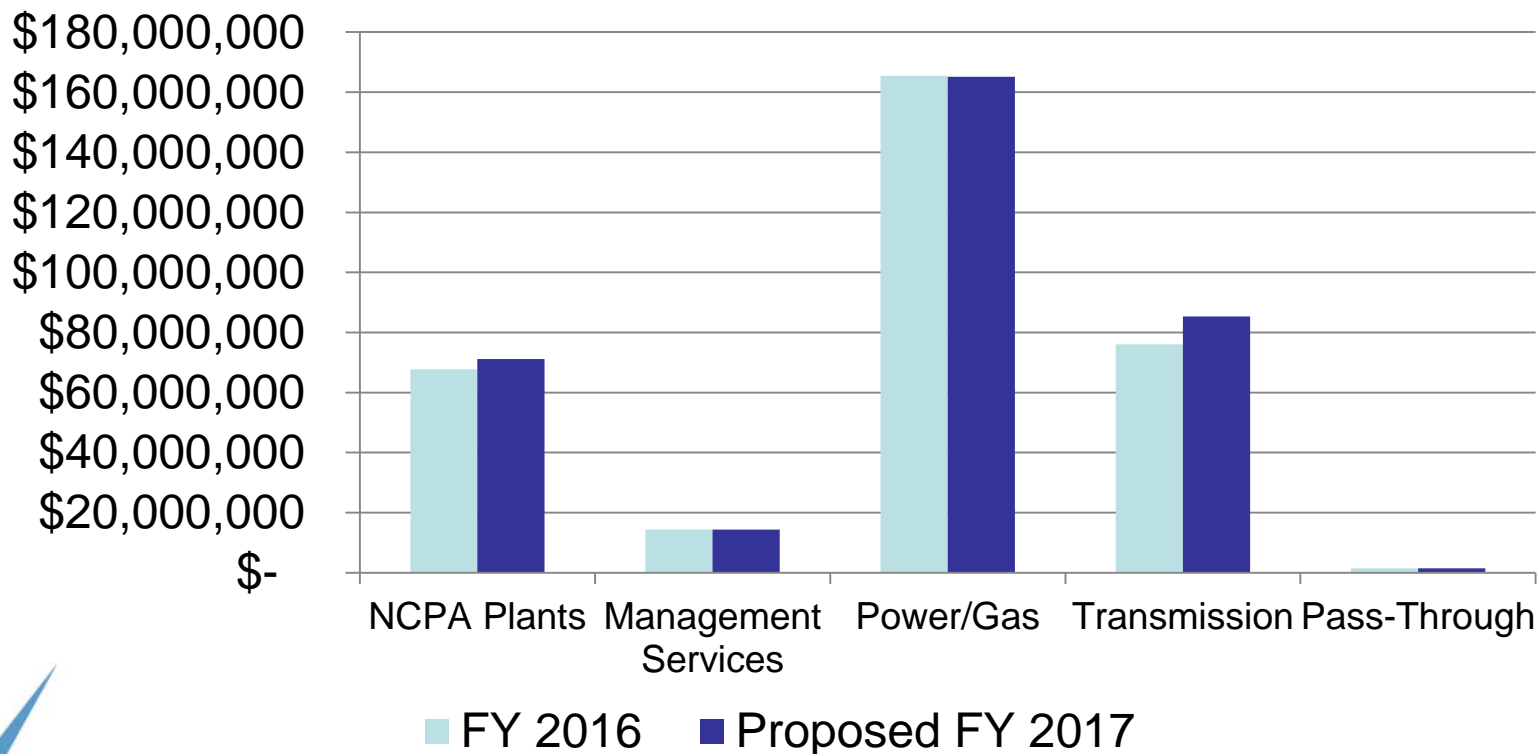
PARTICIPANT PASS THROUGH COSTS (TANC, DUES, ETC)

TOTAL NET ANNUAL BUDGET COST

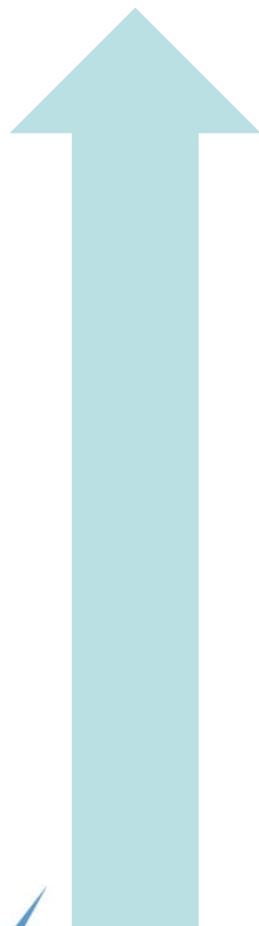
3.8% Increase

Program Cost Comparisons (net of revenue)

- NCPA net plant costs are up \$3.5 million or 5.0% due to lower revenues (\$4.2mm)
- Management Services budget is flat
- Power costs are down slightly, \$300 thousand or 0.2%
- CAISO transmission costs are up substantially, \$9.3 million or 12.2%
- Pass-through costs are flat as well



Major Drivers of Budget Changes



Labor up 8.0%
(\$2.7mm)

Operations up 2.3%
(\$0.7mm)

CAISO TAC charges
up (\$9.3mm)

Debt Service up
(\$260k)

New budget category
for LEC – CAISO buy
back energy (\$1.7mm)

Sales to CAISO for
energy & ancillary
services down
(\$4.2mm)



Lower purchased power
and load aggregation
costs (\$0.3 mm)

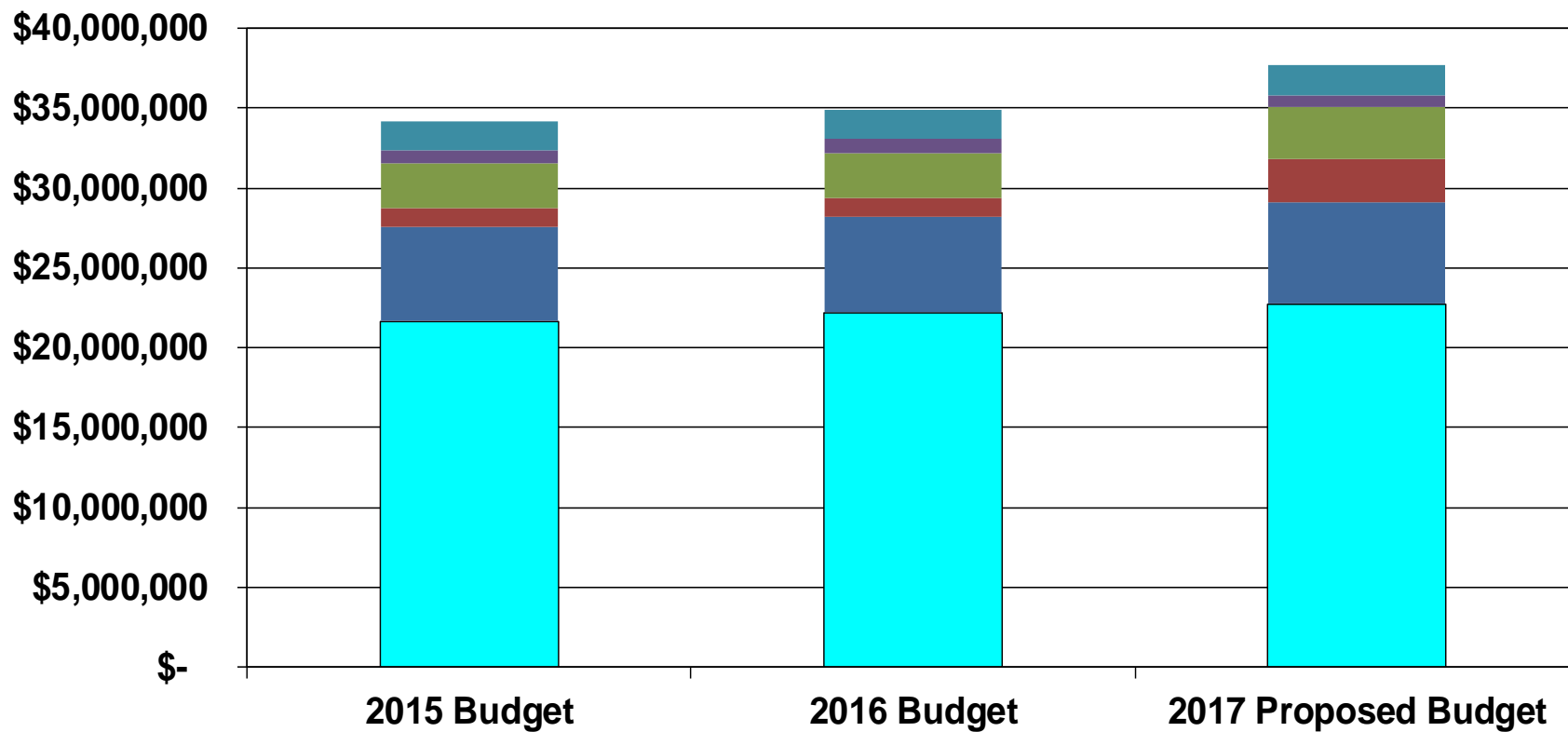
Fuel costs are down
(\$5.6 mm)

Reduced Plant projects
(\$200k)

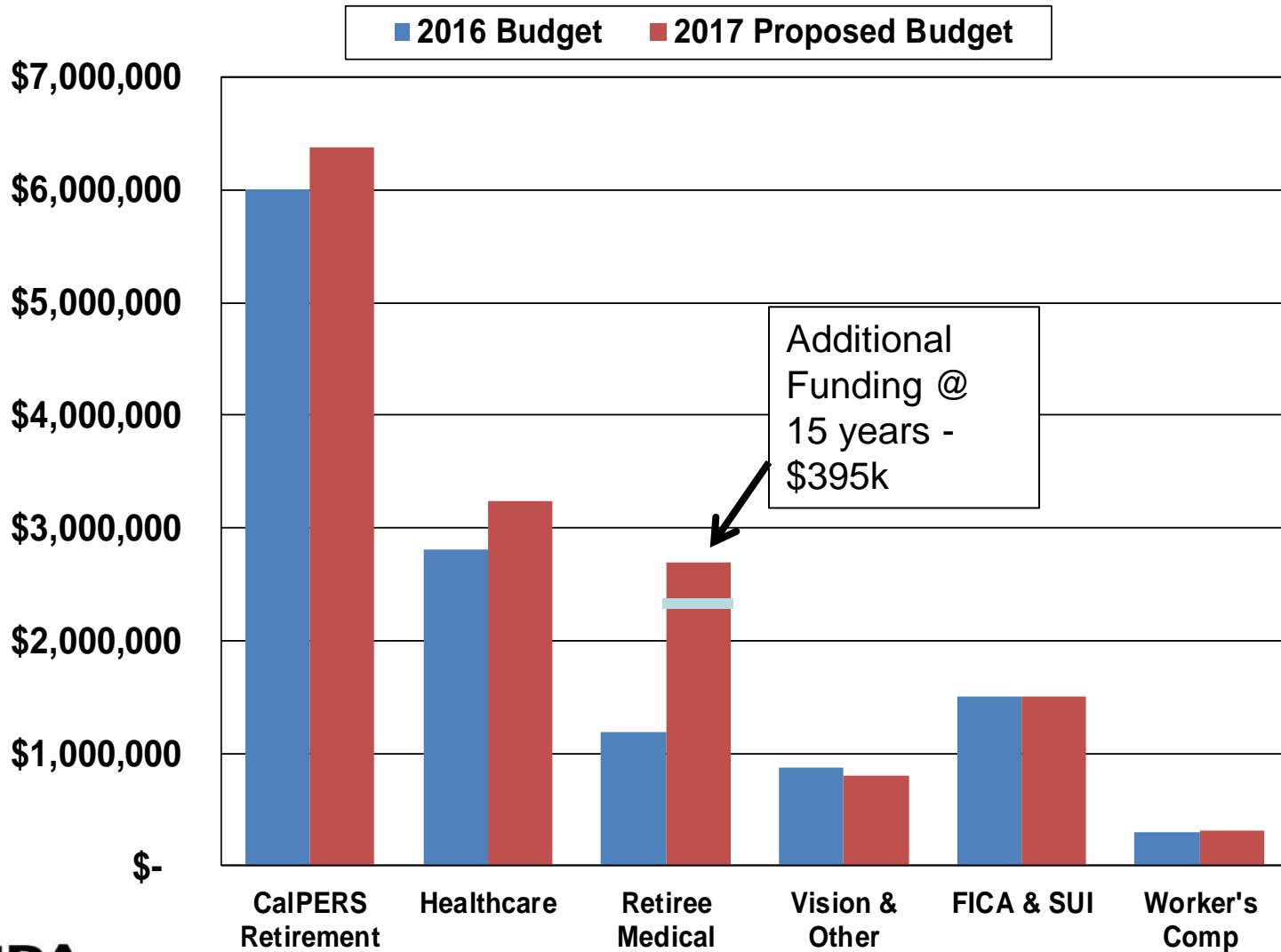
Reduced Property
insurance & other costs
(400k)

Salaries and Benefits Comparison to Prior Years

Salaries and Benefits are above prior year budget (8%). Key drivers include negotiated salary increases with the unions (2.3%), an increase of 1.2% for CalPERS Pension contribution, increased contribution for Retiree Medical Plan and a 15% increase in health care premiums



Benefit Increases from 2016



Proposed staffing changes for full time positions; net addition 1.5 FTE

Action	FTE	Project/Program	Position
Add	1.0	Power Settlements	Accountant/Analyst I (if additional customers are added)
Delete	0.5	Human Resources	Delete Human Resources Assistant (1/2 year) used for succession planning
Add	1.0	Human Resources	Human Resources Assistant – for additional support in HR
Net change	1.5		

Cost Allocation Updates

- Administrative & General
 - No changes from last year
- Power Management
 - Changes to Nexant Cost Allocation
 - Reinstate PIRP treatment for Hour ahead and CAISO Schedule counts and maintain IT Unit complexity for PIRP resources at “1” (March 4 Commission meeting)
 - Adjust Prescheduling labor allocations based on updated time study conducted by NCPA (March 4 Commission meeting)
- Legislative & Regulatory
 - No changes from last year



What's Not Included or Will Change?

- Shift of IS labor from A & G to Power Management programs (0.5 FTE)
- Increase funding at LEC for DCS project (\$100k)
- Increase funding at LEC for ammonia protection system and reduce STIG budget (\$91k)
- TANC budget is not yet published
- Finalize funding for OPEB obligation based on proposed funding plan
- A & G Allocations will be revised based on above changes and corrections found during review