

WESTERN ENERGY IMBALANCE MARKET

Briefing on Budget Process

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EIM Governing Body Meeting

General Session

February 1, 2017



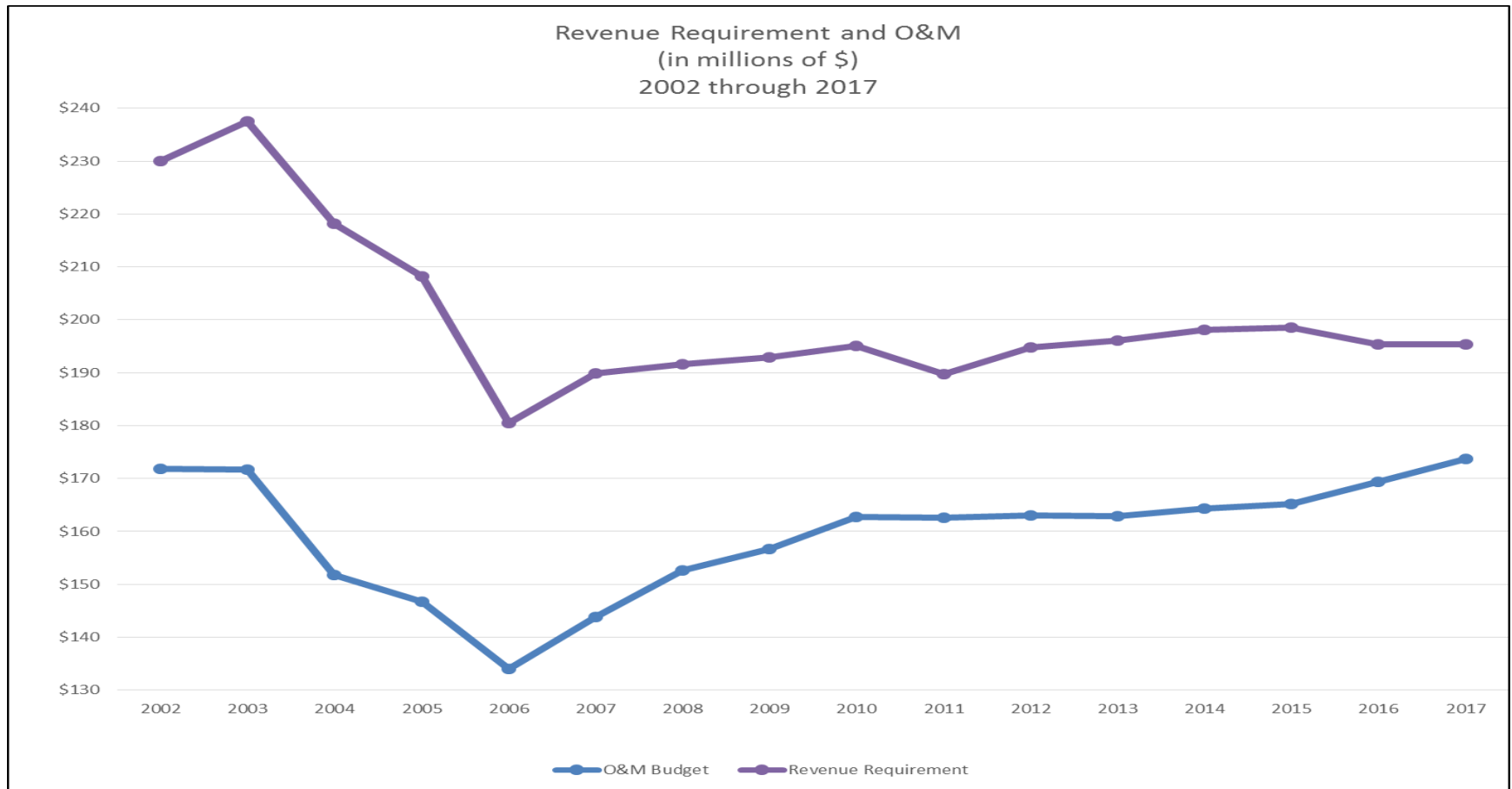
The budget development timeline extends from June through December

Events	Date
Introduction of budget process to stakeholders	June
Internal budgeting process - primary	June – August
Board review of preliminary budget (Executive Session)	August
Preliminary budget posted to public website	Early September
Stakeholder budget workshop	Late September
Internal budgeting process – secondary	Through November
Board decision on budget (General Session)	December
Following year's grid management charge rates posted	December

The budget process leads to the development of the revenue requirement

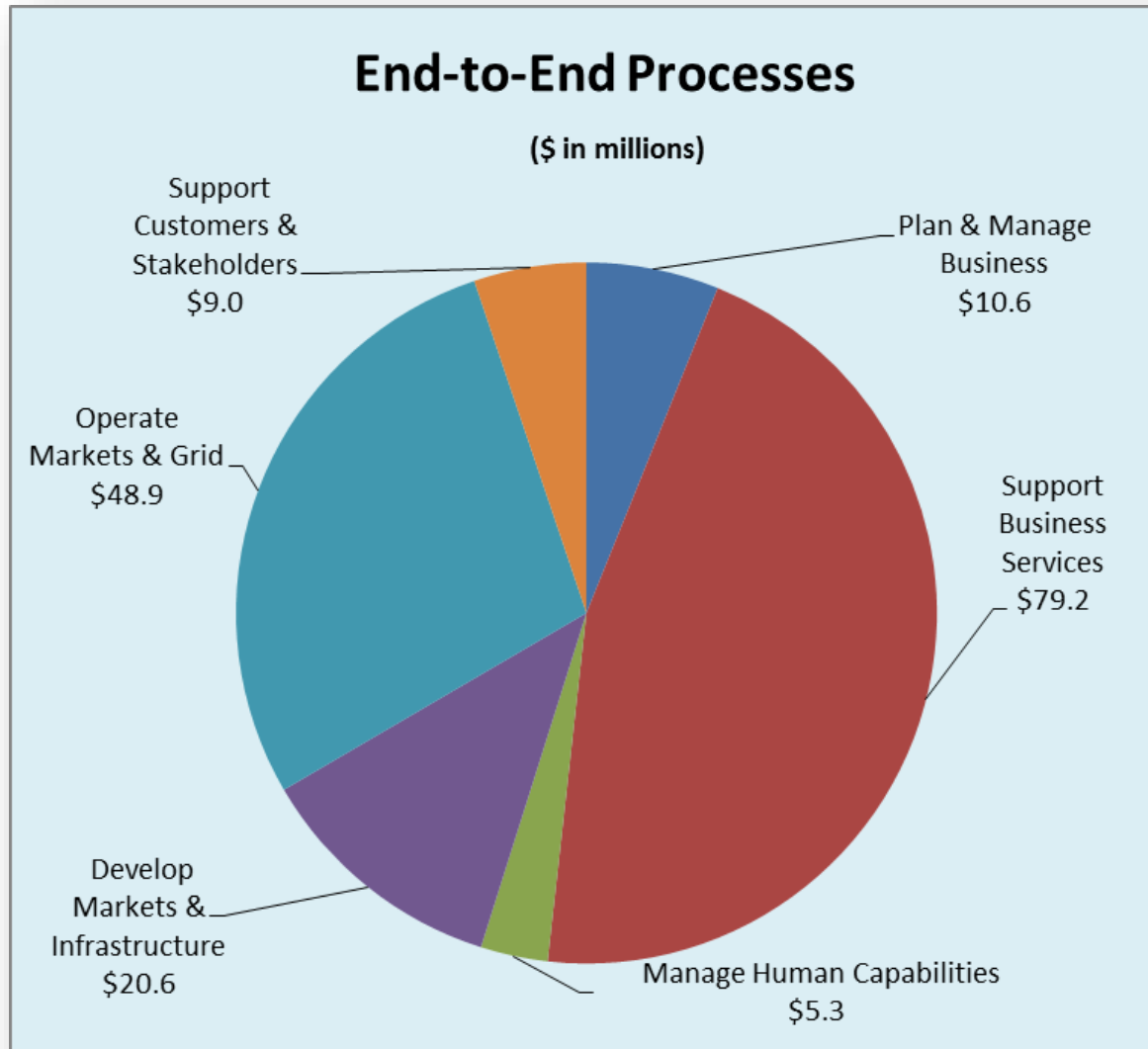
Revenue Requirement Components (\$ in millions)	2017 Budget	2016 Budget	Change
Operations & Maintenance Budget	\$173.6	\$169.3	\$4.3
Debt Service (including 25% reserve)	16.9	16.9	-
Cash Funded Capital	24.0	24.0	-
Other Costs and Revenues	(13.3)	(10.8)	(2.5)
Operating Costs Reserve Adjustment	(5.9)	(4.1)	(1.8)
Total Revenue Requirement	\$195.3	\$195.3	\$ -
Transmission Volume in TWh	240.7	242.7	(2.0)
Pro-forma bundled cost per MWh	\$0.811	\$0.805	\$0.006

Management remains committed to a stable revenue requirement



- Revenue requirement is 18% lower than its peak in 2003
- Average annual growth rate of 0.3% since 2007

We leverage an activity based costing structure for further transparency



Revenue requirement is spread to the three main service categories by cost of service study percentages

Grid Management Charges	Revenue Requirement %	2017 Rate per/MWh
Market Services	27%	\$0.0854
System Operations	70%	\$0.3025
CRR Services	3%	\$0.0059

The EIM Administrative Charge is then derived from the percentage of category costs associated with real-time market activities

Grid Management Charges	2017 Rate per MWh	Real-time market %	EIM Rate per MWh
Market Services	\$0.0854	61%	\$0.0521
System Operations	\$0.3025	45%	\$0.1361
CRR Services	\$0.0059	-	-

- 2017 Cost of Service Study

The 2017 annual capital/project budget is currently targeted at \$20 million

- Proposed revenue requirement contains a \$24 million cash funded capital component
- Total project approvals are targeted at \$20 million for further market enhancements and regular capital
- Detailed draft of projects is contained within the budget book
- Corporate Management Committee authorizes projects to proceed

Current proposed 2017 projects impacting EIM:

- Energy imbalance market enhancements
- Expand non-generator resources with proxy demand response and distributed energy resources options
- Greenhouse gas enhancement (secondary market)
- Load forecasting improvements
- Market application execution performance improvements
 - Day-ahead and Real-time markets
- Reducing time gap between real time pre-dispatch running time and binding interval
- Technology system improvement for production

Current proposed 2017 projects impacting EIM:

- Customer ISO market results interface improvements
- Open access same-time information system (OASIS) improvements
- External training program development – phase 2
- Energy imbalance market economic studies
- Metering rules enhancements
- Wind and solar forecasting improvements

The 2017 EIM Governing Body budget assumes a full year's activity

Account Description	2016 Actual Spend	2017 Annual Budget
EIM Governing Body Expenses	\$ 58,823	\$ 150,000
<i>Governing Body Member Travel Expenses*</i>	<i>\$ 29,867</i>	<i>\$ 75,000</i>
<i>Other Governing Body Related Expenses</i>	<i>\$ 28,956</i>	<i>\$ 75,000</i>
EIM Governing Body Compensation	\$ 117,750	\$ 235,000
Total	\$ 176,573	\$ 385,000

** The 2016 Governing Body Member travel expenses were incurred during the period of July through December.*