



**2019-20 Budget Scenarios  
Presented to Peak  
Member Advisory Committee**

**June 5, 2018**

# *Welcome*

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- Please mute your phones
- Use the Chat feature to send in your questions
- Will take questions from the webinar and the phone in the Q & A portion



# *Agenda*

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- Welcome/Introductions/Agenda Review
- Peak Direction and the Budget Process
- Budget Scenarios
- Operational and Technical Considerations for Reliability Coordination
- Comment and Commitment Process
- Q & A
- Review and Conclusion



# Timeline

Funding

<p><b>Jun 15</b> Updated versions of budget scenarios posted  (MAC budget review conference call – Date TBD)</p>	<p><b>Jul 1</b> Draft Funding Amount (DFA) posted for comment (both scenarios)</p>	<p><b>Jul 30</b> DFA comment period closes</p>	<p><b>Aug 6</b> Peak responses to DFA comments posted on website</p>	<p><b>Aug 27</b> Objections to Peak’s DFA responses due</p>	<p><b>Sep 4</b> Peaks posts proposed Funding Amount on website</p>
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TRC vs. Wind Down

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## Final Decision

September 18 – Board of Directors votes on proposed Funding Amount and ratifies Strategic Direction



PEAKRELIABILITY

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# *Peak Direction and Budget Process*

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- Competitive situation for RC services
- Funders to make commitment to remain with Peak or to seek other RC service provider
  - Need for clarity
  - Overall timing
- Comments
  - Substantive
  - Multiple areas (financial, operational, governance and technical)
  - All will be made public



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# 2019 Budget - Proposed

Budget Activities	Date
Budget version 1 available on internet	June 1
MAC Budget Meeting - version 1 review	June 5
Budget version 2 available on internet	June 15
MAC Budget conference call – version 2 review	TBD (June 22)
Draft Funding Amount (DFA) posted for comment on internet	July 1
DFA comment period closes	July 30
Proposed Funding Amount & DFA Responses to comments on internet	August 6
Objections to DFA responses due	August 27
Proposed Funding Amount posted for approval	September 4
Peak BOD Meeting – Approval of Proposed Funding Amount	September 18





# 2019 Budget Assumptions

Assumption	Flat Budget	Wind Down
Short Term Incentive Plan	In place for all employees	No accrual for 2019 – payment of 2018 STIP occurs Mar 2019
Vacancy rate	Across operational departments – 5.0%	None
FTEs	Similar to 2018	Reductions begin Sept 2019 – coincident with funding withdrawals
Healthcare costs	10% increase	10% increase
Retention/Severance	None	All employees – 6 months



# 2019 BP&B Scenario 1 – Flat to TRC

<b>Peak Reliability</b>		
	<b>2019</b>	<b>2020</b>
	<b>Flat Budget</b>	<b>TRC</b>
<b>Total Funding</b>	<b>\$ 46,657,217</b>	<b>\$ 32,645,540</b>
<b>Expenses</b>		
Personnel Expenses	\$ 33,789,268	\$ 20,129,561
Meeting Expenses	974,316	662,825
Operating Expenses	13,428,587	11,083,092
<b>Total Direct Expenses</b>	<b>48,192,171</b>	<b>31,875,478</b>
Indirect Expenses	-	-
<b>Total Expenses</b>	<b>48,192,171</b>	<b>31,875,478</b>
Incr(Dec) in Fixed Assets	(1,564,626)	(1,912,826)
<b>Total Budget</b>	<b>\$ 46,627,545</b>	<b>\$ 29,962,652</b>
<b>Change in Working Capital</b>	<b>\$ 29,672</b>	<b>\$ 2,682,888</b>
<b>FTEs</b>	174.0	117.0
<b>HC</b>	174.0	117.0



# 2019 BP&B Scenario 1 – RC Function

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## Peak Reliability 2020 Transitional Reliability Coordination

Core Reliability Coordination Services	\$ 23.5
Optional Reliability Services	2.3
Interconnection Shared Services	2.9
	<u>\$ 28.7</u>
Reliability Services currently offered	<u>1.3</u>
<b>Total Budget</b>	<u><u>\$ 30.0</u></u>



# 2019 BP&B Scenario 1 – YOY Changes

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- 2019 essentially the same as 2018
- 2020 decrease of \$16.6m from 2019
  - Move tools and functions out of RC Operations to optional Reliability Services (see TRC document)
  - Reductions in workforce costs = \$13.1m
  - Reduce Board members & activities = \$0.5m
  - Reduce office space = \$1.0m
  - Reduce outside consulting, services, and computer maintenance & licensing = \$1.5m



# 2019 BP&B Scenario 2 – Wind Down

<b>Peak Reliability</b>		
	<b>2019</b>	<b>2020</b>
	<b>Wind-Down</b>	<b>Wind-Down</b>
<b>Total Funding</b>	<b><u>\$ 57,762,901</u></b>	<b><u>\$ 6,000,000</u></b>
<b>Expenses</b>		
Personnel Expenses	\$ 41,695,235	\$ 1,719,928
Meeting Expenses	965,316	35,000
Operating Expenses	<u>13,332,275</u>	<u>7,800,626</u>
<b>Total Direct Expenses</b>	<b><u>55,992,826</u></b>	<b><u>9,555,554</u></b>
Indirect Expenses	<u>-</u>	<u>-</u>
<b>Total Expenses</b>	<b><u>55,992,826</u></b>	<b><u>9,555,554</u></b>
Incr(Dec) in Fixed Assets	<u>(1,399,626)</u>	<u>(3,288,126)</u>
<b>Total Budget</b>	<b><u>\$ 54,593,200</u></b>	<b><u>\$ 6,267,428</u></b>
<b>Change in Working Capital</b>	<b><u>\$ 3,169,701</u></b>	<b><u>\$ (267,428)</u></b>
<b>FTEs</b>	174.0	3.8
<b>HC</b>	174.0	15.0



# 2019 BP&B Scenario 2 – YOY Changes

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- 2019 increases by \$3.9m
  - Retention/severance costs \$5.2m
  - Offset by \$1.3m of reductions in capital spending, meeting expenses and general office expenses
- 2020 budget decreases to \$6.2m
  - All operations cease Dec. 31, 2019
  - Only corporate level support for wind down of corporation remains for 3 months



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# Operational and Technical Considerations for Reliability Coordination

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- Document purpose:
  - Describe what it takes to perform the RC function in the West
  - Highlight key components of Peak's transitional RC service offering
  - Provide a tool for entities shopping for RC services
- Document will be posted today





# *Independence, Leadership and Partnership*

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- Over the past decade Peak (and the WECC RC) with the BAs and TOPs have accomplished much:
  - Operational excellence
  - SOL/IROL evolution
  - Real-time tools advancement, innovation
  - Consensus building and collaboration
- Key ingredient for Peak's success - independent, impartial reliability operator
- The West is more reliable!



# *Operations Experience*

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- January 1, 2019 – 10 years of operation
- Appropriate staffing for maintaining situational awareness:
  - Study and real-time function for each area
  - Shift lead
  - Real-time Operations Engineer function
- All RCISOs operate all parts of the system
- Multitude of events such as:
  - Fires, SOLs, IROs, cascading outages and restoration



# *Technology*

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- Peak's core tools are mature, accurate and provide high levels of situational awareness
  - State estimator and real-time contingency analysis – available > 99.95% of the time
  - ECC, WIT, Synchrophasors, HAA – support the greater good of the entire West
  - Automation and innovation have made Peak more effective in enhancing reliability
  - Continuous improvement of technology through metrics, quality assessments and event analysis



# *People and Know how*

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- What makes Peak successful?
  - People with a passion for reliability
  - People with a strong base of RC experiences
  - People with a passion for collaboration
  - People with a strong commitment to continuous improvement
  - People with a strong commitment to culture of compliance
- Peak's employees know how to perform the RC function at the highest level



# *Key Takeaways*

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- Peak's RC Technical Spec document discusses both what we do and how we do it
- Goal is to help inform:
  1. What it takes to perform the RC function in the West
  2. What is contained in Peak's transitional RC service offering
- Peak team available to meet and more directly discuss this document and Peak's transitional RC



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# Comment and Commitment Process

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## **TRC vs. Wind Down Comments and LOI – Objectives**

- Facilitate discussion
- Determine differences and common Interests
- Provide a clear path to a stable future for RC services
- Provide certainty for all stakeholders
- Protect and enhance the reliability of the Western Interconnection



# Comment and Commitment Process

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- Financial
- Operational Impacts
- Technical Implications
- Governance
- Competing RC Alternatives
- Implementation Timeline
- Impact of emerging Markets





# Comment and Commitment Process

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**PEAKRELIABILITY**

# Q & A

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**PEAKRELIABILITY**

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# *Review and Conclusion*

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- Currently Posted
  - Budget scenarios
  - TRC vs. Wind Down Comment form
  - Presentation
  - Overall timeline
  - Operational and Technical Requirements for Reliability Coordination Document

