

FY2022 Work Plan Notes

**Intertie Project and Parker-Davis Project
Fiscal Year 2022 Work Plan Meeting
July 9, 2020**

FY20 O&M

Parker-Davis Project

- ADMSM and ENVTM were previously included in SUBSM. We continue to evaluate the proper charging for each of these categories. The combined execution is 48%.
- Environmental costs are executing higher than previous years. This is a result of Transmission Lines and Substation Maintenance working closely with Environmental to improve the efficiency of the environmental review process. There has been a prioritization of projects, which resulted in higher labor and contract costs this year.
- Transmission Lines Maintenance is currently executing at 45%. The contract for Integrated Vegetation Management will still be awarded this year.
- STUDM is executing at 117%. We are reviewing costs and looking to move some costs to capital. More information on this is in the FY22 review.
- BILLM is currently executing at 19%. This is due to vacancies in Power Billing, Meters and Settlements.
- SAFEM is currently executing at 32%. Facility inspections (conducted in a group) are being postponed due to COVID. The annual craft safety week will be virtual, with some vendors unable to provide virtual training.
- Three quarters of expense for Service Facility were recorded in June.
- COMMB is executing at 254%. This is a result of the Common SCADA vendor project being carried over from FY19.
- In the construction program, projects were shifted due to outages being cancelled. More information on those projects will be presented at the upcoming Ten-Year Plan Meeting.
- Purchase Power and Wheeling is projecting to execute at \$13.9M.

Intertie Project

- BILLM is currently executing at 24%. This is due to vacancies in Power Billing, Meters, and Settlements.
- FINAM is currently executing at 44%. This is due to audit and multi-project costs still to post this year.
- Three quarters of expense for Service Facility were recorded in June.
- MOVP is executing at 15%. We are reviewing the need for new test equipment this year.
- Construction execution is on track for the Liberty Cap Bank project. We have made appropriations available for labor costs. The total project budget has not changed, the prepayment budget will be reduced to reflect use of appropriations.
- Purchase Power and Wheeling is projecting to execute at \$3M.

FY22 Work Plan Formulation

We completed the initial calculations of the FY22 Work Plan in April. These initial calculations showed upward pressure on the rates. We know you are all under cost pressure, so we worked to contain our costs as much as possible. We completed a thorough review of the O&M program to determine what was essential to complete as well as what support costs could be shifted to capital. Because it's amortized, the cost shift to capital is less rate impacting. Our formulation process normally takes 5 months to complete, but we were able to achieve these cuts in only 6 weeks. Thanks to the budget staff for all the work they put in to make this possible. We are proud of the results – with inflation at 3-4% and the Administrator's budget guidance at 2% - our final Work Plan is 1% decrease for Parker-Davis and only 1% increase for Intertie.

Parker-Davis Project

- ADMSM/ENVTM/SUBSM increased 21% FY21-22 due to the Mead substation security contract moving from SAFEM to SUBSM.
- LINCM/SUBCM decreased as a result of the shift to capital overhead
- BILLM increased 8%. Power Billing has been realigned to Settlements. We have had a chronic problem with vacancies, so we have increased the grades to make positions more competitive.
- FINAM has increased due to audit and multi-project costs.
- MRKTM has increased. Navajo Generating Station is now offline, and costs are being spread across the other projects. Funding is also included for Parker-Davis remarketing, which will be kicking off in early to late fall of 2020.
- SVCFM has decreased as we were able to consolidate contracts and reduce costs.
- LINSB is driving the Capital O&M program decrease. The wood pole program is on hold in FY22 as we look at completing the line segment replacement for Parker-Blythe in the construction program using internal forces. You will hear more about this at the upcoming Ten-Year Plan meeting.
- The construction program is based on the Ten-Year Plan submission in October 2019. There are changes due to COVID, and we will continue to update the budget based on the TYP.
- The Purchase Power and Wheeling authority request has increased to line up with recent execution. This is an authority request, not an execution target.

Intertie Project

- ADMSM/ENVTM/SUBSM increased 18% due to the Mead substation security contract moving from SAFEM to SUBSM
- LINCM/SUBCM decreased as a result of the shift to capital overhead



- BILLM increased 48%. Power Billing has been realigned to Settlements. We have had a chronic problem with vacancies, so we have increased the grades to make positions more competitive.
- SVCFM has decreased as we were able to consolidate contracts and reduce costs.
- LINSB is a placeholder for potential Mead-Phoenix Project capital projects.
- There are currently no construction projects in the Ten-Year Plan for FY22.
- The Purchase Power and Wheeling authority request has been decreased to line up with recent execution. This is an authority request, not an execution target.

DSW Indirects

- Service Facility decreased 22% due to our ability to consolidate contracts.
- ESNRP increased 183%. This is a result of our focused shift of capital support from O&M to the “C” Rate.

Cash Flow as of June 30, 2020

- Construction outflows are based on the Ten-Year Plan that was submitted in October. There will be changes because of the projects shifting.
- Return to Treasury has been updated. We added a line so you can clearly see the automatic non-prepayment return vs the prepayment return.
- With current projections, we will have a return in FY2023 and will not be able to replenish our cash to meet the Reserve Balance Strategy.
- We’ll review cash projections again when the Ten-Year Plan is finalized and present the results at the December meeting.

