

Electric ISR Budget Framework - Reflects Open Meeting Decision

3/26/24

Soft Budget Limit : Overspending is subject to a one-year revenue requirement adjustment.

Revenue Requirement Adjustment : A one-year revenue requirement adjustment applies for overspending. The adjustment is applicable to the entire amount exceeding the Soft Budget Limit.

Overspend Buffer : The revenue requirement adjustment does not apply until the overspend exceeds 2.5% of the applicable Soft Budget Limit. If exceeded, the revenue requirement adjustment applies to the total amount of spend over the Soft Budget Limit (as opposed to the amount over 2.5%). (10% for Veg.Man. & VVO O&M; see lines 25-26)

Consolidated Soft Budget Limit on Capital:	118,620
Separately Tracked Major Projects:	12,749
Separately Tracked Fiber Study:	200
Total Capital Spending Budget:	131,569
Calculation of 2.5% Overspend Buffer	2,966

Consolidated Soft Budget Limit = Base Spending + System Capacity & Performance, minus Major Projects and Study

Major Projects : >\$5 million, Tracked and Addressed Separately
Fiber Study: Unrelated to Major Projects, Tracked Separately

Calculation of Capital Budget Components

	(a) <i>RIE Proposed FY 2025 Budget</i>	(b) RIE FY 2025 Budget with Adjustments	
Base Spending (Revised Att. 3)			
1 Customer Requests/Public Requ.	32,862	32,862	
2 Damage/Failure	17,813	17,813	
3 Asset Condition	51,045	51,045	
4 Non-Infrastructure	892	892	
5 Totals	102,612	102,612	
6 remove asset condition major projects (line 21): *	(6,498)	(6,498)	
7 remove separately tracked Fiber study cost (RR-16):	(200)	(200)	
8 Base Spending -- Net of major projects & study cost:	95,914	95,914	
System Capacity & Performance (SC&P) (Revised Att. 3)	38,303	38,303	
10 remove SC&P major projects (line 22): *	(6,251)	(6,251)	
11 SC&P, Net of Major Projects:	32,052	32,052	
12 PUC Budget Adjustments:	--	(9,346)	OM adjustment(s)
13 Total Adjusted SC&P	32,052	22,706	
14 SOFT BUDGET LIMIT (line 8 + 13)	127,966	118,620	
15 Add Back All Separately Tracked Major Projects (line 23)*	12,749	12,749	
16 Add Back Separately Tracked Fiber Study Cost	200	200	
17 TOTAL ISR BUDGET (excluding AMF)	140,915	131,569	
19 OM Adjustments:	* Total of All Major Projects >\$5 million (Att. PUC 5-2-2, page 4, lines 5-10; Att. 3 Revised.)		
20 DARP (\$5,957)	Asset Condition: 6,498		
21 CEMI-4 (\$1,389)	SC&P: 6,251		
22 ERR (\$2,000)	Total Major: 12,749		

O&M Spending Budgets

	Soft Budget Limit	Overspend Buffer	
24 Vegetation Management (Section 3, Book 1)	13,075	1,308	10% Buffer
26 VVO/CVR O&M (Section 4, Book 1, Bates 223)	365	37	10% Buffer
	I&M Budget (no overspend limit)		
27 Inspection and Maintenance (I&M) (Section 4, Bates 222)	700	n/a	10% Buffer

Electric ISR Budget Framework - Open Meeting Discussion Draft

3/25/24

Consolidated Soft Budget Limit on Capital:	127,966
Separately Tracked Major Projects:	12,749
Separately Tracked Fiber Study:	200
Total Capital Spending Budget:	140,915

Overspend Buffer	3,199
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Calculation of Capital Budget Components

	<i>RIE Proposed FY 2025 Budget</i>	RIE FY 2025 Budget with Adjustments	
Base Spending (Revised Att. 3)			
1 Customer Requests/Public Requ.	32,862	32,862	
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System Capacity & Performance (SC&P) (Revised Att. 3)	38,303	38,303	
10 remove SC&P major projects (line 22): *	(6,251)	(6,251)	
11 SC&P, Net of Major Projects:	32,052	32,052	
12 PUC Budget Adjustments:	--	0	adjustment(s) placeholder
13 Total Adjusted SC&P	32,052	32,052	
14 SOFT BUDGET LIMIT (line 8 + 13)	127,966	127,966	
15 Add Back All Separately Tracked Major Projects (line 23)*	12,749	12,749	
16 Add Back Separately Tracked Fiber Study Cost	200	200	
17 TOTAL ISR BUDGET (excluding AMF)	140,915	140,915	
18			
19			
20			
21			
22			
23			

* **Total of All Major Projects >\$5 million**
 (Att. PUC 5-2-2, page 4, lines 5-10; Att. 3 Revised.)

Asset Condition: 6,498
SC&P: 6,251
Total Major: 12,749

O&M Spending Budgets

	Soft Budget Limit	Overspend Buffer	
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Illustration of the Soft Budget Limit and Overspend Buffer

The mechanism is designed to mimic a regulatory lag in capital cost recovery equal to one year (when the buffer is exceeded).

1	Soft Budget Limit	100,000,000	
2	Overspend Buffer	2,500,000	2.5%
3		102,500,000	

Two Examples:

4	Total Spend Example #1	102,499,000	No Overspend Penalty Applies
5	Total Spend Example #2	102,501,000	Overspend Penalty Applies

Calculation of Overspend Penalty for Example #2:

6	Total Capital Cost Spend	102,501,000
7	Soft Budget Limit	100,000,000
8	Overspend Total	2,501,000

Using a proxy revenue requirement equal to one year of plant in service:

9	Overspend:	2,501,000
10	Rev. Req. Calc.	250,100 (Assuming Rev. Req. is 10% of cost)

11	Overspend Penalty:	250,100	This equals the revenue requirement calculation. The Company's revenue requirement in the reconciliation would be decreased by this amount.
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Separately Tracked Major Projects:	12,749
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Total Capital Spending Budget:	140,915

Calculation of 2.5% Overspend Buffer	3,199
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Consolidated Soft Budget Limit = Base Spending + System Capacity & Performance, minus Major Projects and Study

Major Projects : >\$5 million, Tracked and Addressed Separately

Fiber Study: Unrelated to Major Projects, Tracked Separately

The Soft Budget Limit mechanism is designed to mimic a regulatory lag in capital cost recovery equal to one year (when the buffer is exceeded).

Major Projects:

Identified Projects >\$5 million. These Major Projects will be tracked separately. Major Projects that have not yet commenced construction will be subject to Individual Soft Budget Limits. The Company will report its Construction Procurement Estimate (+/- 10%). This estimate would be used to establish the project-specific Individual Soft Budget Limit (not counted in the Consolidated Soft Budget Cap).