



Estimated Financial Impacts 2024-2028

Finance Subcommittee (FSC)

June 26, 2024 - Advisory Committee Meeting

Financial Impacts 2024-2028 Executive Summary

- MISO developed a five-year cost estimate using an array of assumptions. MISO flexed the most critical assumptions to arrive at a range of potential cost profiles and members' rates from 2024 through 2028.
- Over the next five years (2024-2028) MISO base operating expenses estimate ranges show annual compound growth from a 5.4% to 7.2% depending on underlying assumptions.
 - Salaries and benefits and computer maintenance make up 78% of MISO's cost profile today and are expected to be the main cost pressure points in the future
- MISO's 3-year (2020-2023) annual average historical cost growth of 6.9% reflects significant investments to attract and retain key internal staff in a highly competitive labor market as well as address the reliability imperative and operational challenges.
 - The overall impact was tempered by efficiency gains which reduced cost increases by 25% on average
- Assuming a flat load profile of 717 TWh the MISO tariff rate over the next five years show an annual compound growth from 4.7% to 9.0% based on a range of expense profiles, rates are substantially influenced by interest rates.
 - If load increases/decreases, rates will be impacted
- MISO has considered a broad range of inputs in forecasting the next five years financial performance. However, as with any forecast we expect that there will be unknown influences that will impact our future including regulatory activities, member actions and external factors.

Reliability Imperative is Driving MISO Evolution

Reliability Imperative and operational challenges have been addressed and are in-process driving MISO's recent cost increases.

Market Redefinition

Achieved

- ✓ *Seasonal Requirements and Accreditation (first PRA May)*
- ✓ *Reliability-Based Demand Curve FERC filed October 2023*

In-Process

- *Accreditation Reforms*
- *Scarcity Pricing*

Transmission Evolution

Achieved

- ✓ *Tranche 1 approved and Competitive RFPs issued*
- ✓ *Futures refresh*
- ✓ *MISO-SPP GIQ study, \$464 M total funding*
- ✓ *GIQ reforms, shortened approval time*

In-Process

- *Tranche 2 (target 2024 approval)*
- *Tranche 3*
- *Futures Resource Expansion Tool*
- *Modernize MTEP project tracking and reporting*
- *Further GIQ reforms*

System Enhancements

Achieved

- ✓ *Energy Management Systems Upgrade*
- ✓ *Model Manager Phase 1 and 2*
- ✓ *Improved Customer interface systems*

In-Process

- *Day Ahead Market Clearing Engine*
- *Real Time Market Clearing Engine*
- *Azure Migration*

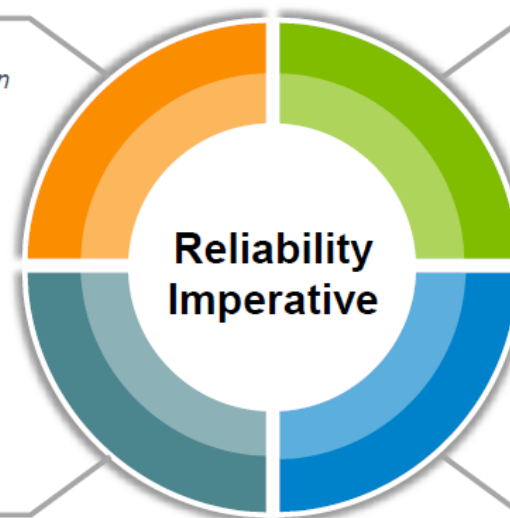
Operations of the Future

Achieved

- ✓ *Operator in training program developed*
- ✓ *Created uncertainty management team*

In-Process

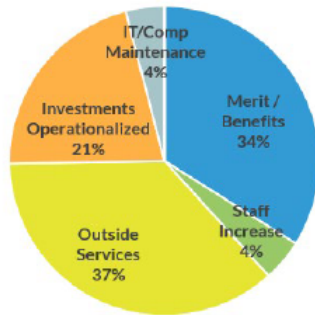
- *Develop predictive model*
- *Train first class of new operators*
- *Reserve procurement integrated with improved uncertainty management*



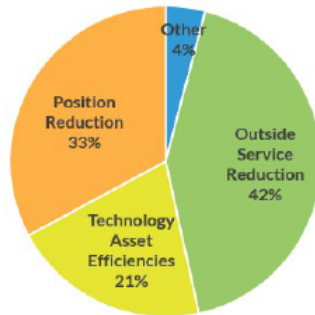
Historical Cost Reductions Offset Evolution Impacts

MISO over the past three years has been able to offset cost increases on average by 25% through cost reductions. Looking forward MISO has limited opportunities for cost reductions to absorb upward cost pressures.

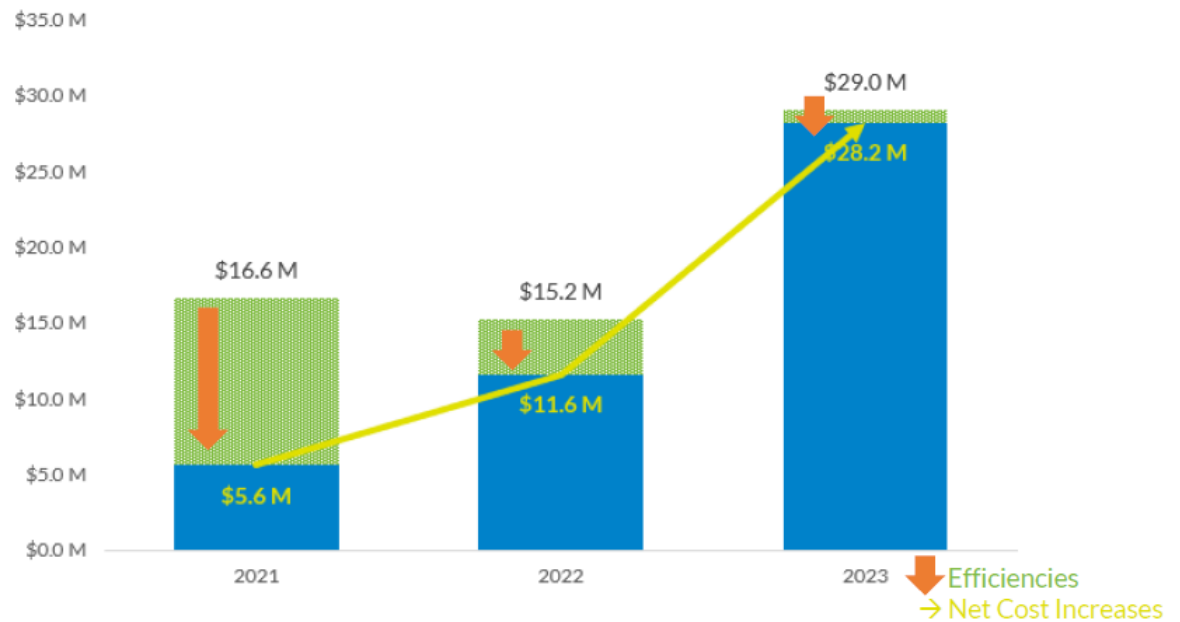
2021-2023 Cost Increases ~ Total \$45 M



2021-2023 Efficiencies ~ Total \$15 M



\$60.0 M in Historical Growth Offset by \$15.0 M of Efficiencies



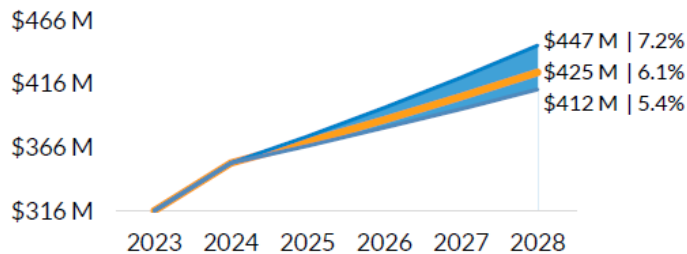
Estimated Cost Impacts of Evolution

MISO base operating expenses estimate ranges show annual compound growth from a 5.4% to 7.2% depending on underlying assumptions. This is a small reduction from the 3-year historical gross average annual increase of 6.9%.

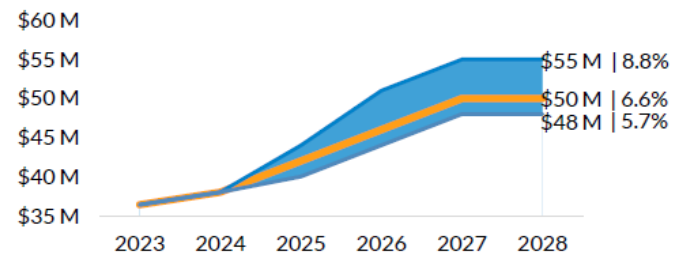
The estimated range for MISO rates based on a flat load show annual compound growth from 4.7% to 9.0%, which is substantially influenced by interest rates (2% decline interest rates reduces interest income \$20 M annually.)

■ High - Low Assumptions
 ■ Midpoint Assumption
 % Annual Compound Growth Rate

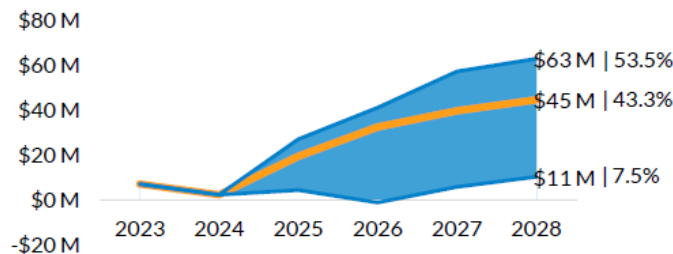
Total Base Operating Expenses



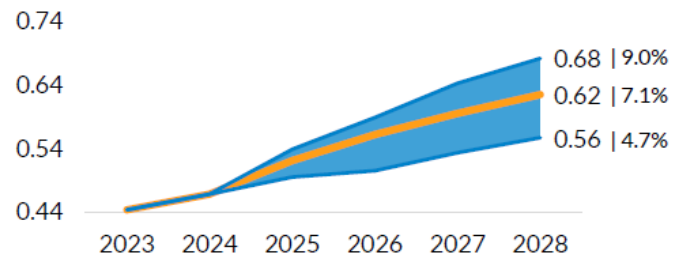
Project Investment



Other Operating Expenses



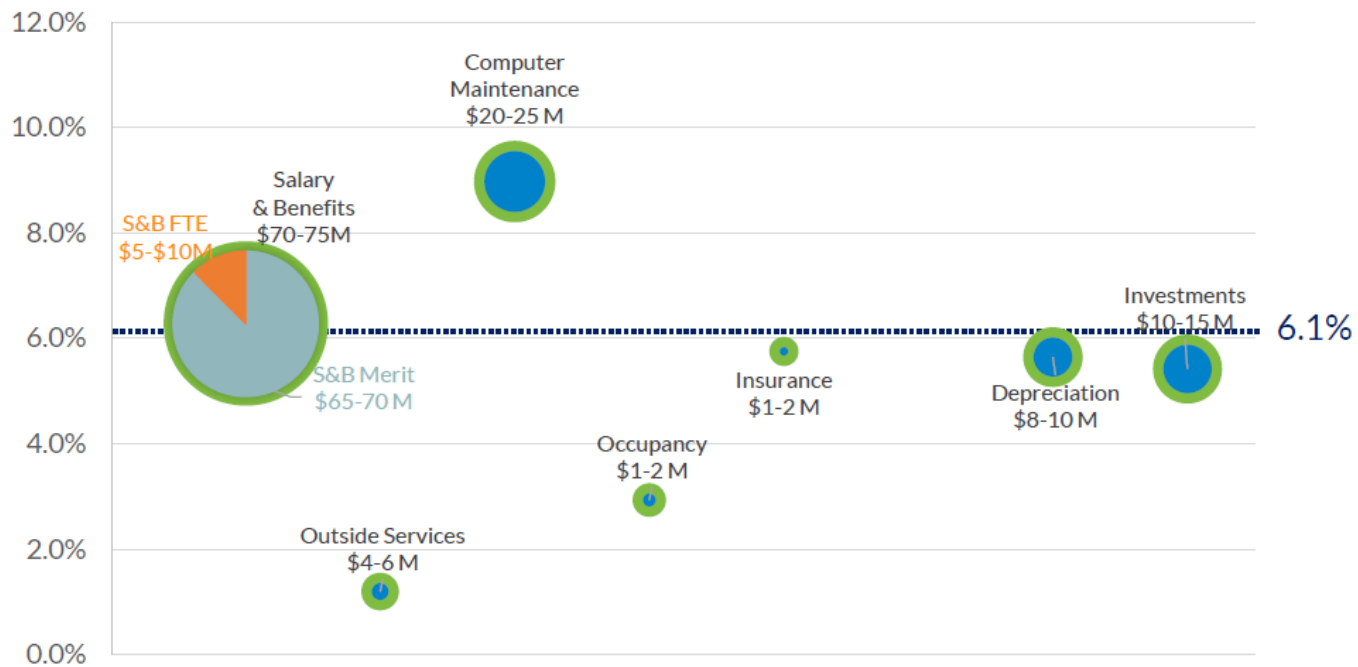
Estimated Tariff Rate (\$/MWhr)



Estimated Cost Impacts and Drivers

Expected evolution is currently estimated at the mid-point to increase MISO's base operating costs on average 6.1% annually from 2024-2028.

- Salaries and benefits and computer maintenance make up 78% of MISO's cost structure currently and are the highest-pressure points on increasing future costs.



All values rounded

Questions and Comments