



Western Interstate Energy Board

TO: Western Interstate Energy Board

FROM: Doug Larson, Executive Director

DATE: April 17, 2014

SUBJECT: **Proposed FY 2014-2015 WIEB Work Plan and Budget**

At the April 25 meeting, the Western Interstate Energy Board (“Board” or “WIEB”) will need to approve a budget and work plan for FY 2014-2015 that begins on July 1, 2014. Below are a review of the proposed WIEB FY 2014-2015 budget and an overview of the activities the budget supports. (Also see the separate [report on Board activities](#).)

Although the Board does not approve the budget of the Western Interconnection Regional Advisory Body (WIRAB), the Board should be cognizant of the proposed WIRAB calendar year 2015 budget because there are shared expenses between the Board and WIRAB. At its March 26 joint meeting with the State-Provincial Steering Committee, WIRAB agreed to the outlines of a Calendar Year 2015 budget proposal. The draft WIRAB budget proposal will be sent to NERC on May 2 and posted for public comment. WIRAB will submit a final proposed budget to NERC by the end of June. Following review, NERC will submit the WIRAB budget (and those of NERC and Regional Reliability Organizations such as WECC) to FERC for approval. FERC typically acts in late October/early November.

The proposed WIEB 2014-2015 budget reflects completion of tasks required under an American Recovery and Reinvestment Act (ARRA) grant for interconnection-wide transmission planning. The proposed budget supports the State-Provincial Steering Committee and the implementation of Phase 3 of the Western Renewable Energy Zone project until the end of the grant on April 29, 2015. The proposed budget also reflects continuation of a cooperative agreement between the Board and DOE on transportation of high-level radioactive waste and spent nuclear fuel, and a contribution from the Western Conference of Public Service Commissioners to support the Committee on Regional Electric Power Cooperation (CREPC).

Program Overview

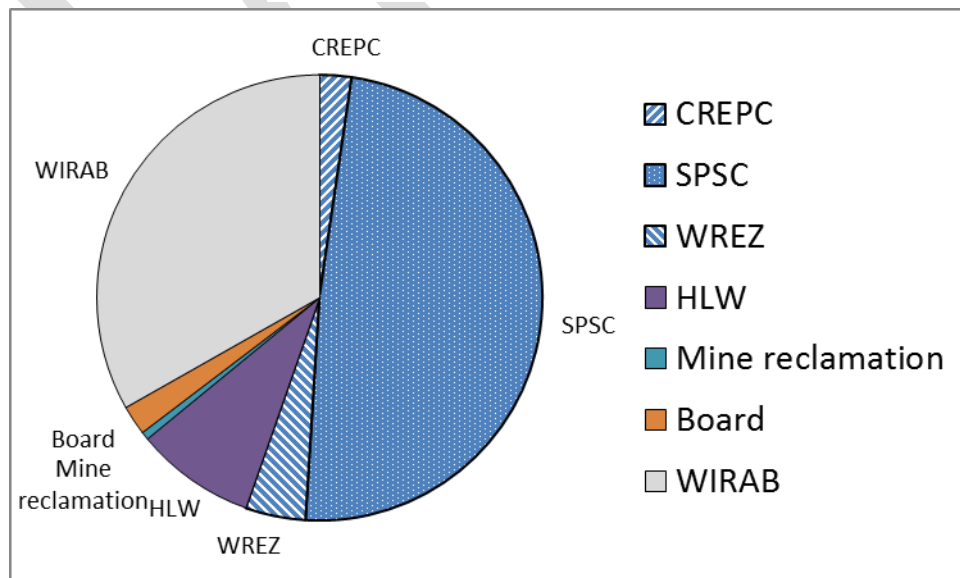
The proposed FY 2014-15 budget results in the following allocation of resources to different Western energy issues.

Summary of Work Plan, Budget and Revenue Sources

Program	2013-14	Proposed for 2014-15
I. Affordable and Reliable Energy Supplies		
A) Electricity		
1. Operation of CREPC, including market monitoring	\$32,300	\$60,000
2. SPSC	1,729,976	\$1,258,427
a. Transmission expansion planning (30% of effort)		
b. Integration of variable generation (20% of effort)		
c. Efficient use of the grid (20% of effort)		
d. Natural gas-electric interface (30%)		
3. WREZ Phase 3 (coordinated procurement of renewable generation)	\$74,607	112,960
B) Natural gas		
C) Gas-electric interdependency study in 2013-2014 (\$400,000). SPSC authorized \$100,000 in 2014-15 to study potential solutions.	(\$ under I.A.2.)	
II. Energy Byproducts		
A) High-level radioactive waste	\$235,300	\$225,000
B) Coal and uranium mine regulation and clean-up	\$7,260	\$15,000
III. Information sharing and analysis		
A) Sharing information and experience (e.g., Board meetings) and analysis and reporting of energy developments	\$50,565	55,507
TOTAL	\$2,129,758	\$1,726,894

The following graphic illustrates the allocation of resources when considering both the Board budget and the WIRAB budget.

Expenditures by Program



WIEB Budget

Under the provisions of the Western Interstate Nuclear Compact—the legal basis for the Board—the Board must approve a budget for the fiscal year beginning July 1, 2014. The budget must provide revenues that meet or exceed projected expenditures.

Current Year (FY 2013-2014) Budget

At the last annual meeting in June 2013, the Board adopted a budget of \$2,129,758. Income for FY2013-2014 was expected to be \$2,293,883 – unrestricted income of \$229,000 (dues and interest) and restricted income of \$2,064,883 (grants and contracts). Restricted income included: \$25,000 from the Western Conference of Public Service Commissioners; \$74,607 from the DOE Western Renewable Energy Zone Phase 3 grant; \$1,729,976 from a DOE grant to support the State-Provincial Steering Committee; and \$235,300 from a DOE grant on transportation of high-level radioactive waste (HLW) and spent nuclear fuel (SNF).

Actual revenue for the current year is projected to be \$1,949,122, which is \$344,761 lower than forecast, primarily due to reduced income from the grants to support the SPSC and WREZ3 due to lower than anticipated expenditure rates, and from lower than expected receipts of state dues and interest. Dues received from member states in FY 2013-14 are expected to be \$36,000 less than forecasted.

Currently projected expenditures for FY 2013-2014 are \$1,833,590 which is \$296,168 less than originally projected due largely to lower state/provincial travel and contract expenditures under the contract to support the SPSC and lower expenditures under the WREZ 3 contract. See Table 2, which shows total WIEB outlays offset by overhead attributable to WIRAB. (For informational purposes only, direct WIRAB expenses are shown in the right three columns.)

Proposed FY 2014-2015 Budget

The estimated income for FY 2014-2015 is \$1,846,887 (see Table 3). The proposed budget assumes no increase in dues (\$18,000 for state members, \$8,000 for associate provincial members), that all states and provinces pay dues, and that the Western Conference of Public Service Commissioners continues to contribute to support the work of CREPC at the level of \$25,000.

The proposed budget assumes \$112,960 in income to complete work on the WREZ 3 project and \$1,258,427 to complete the grant supporting the SPSC. The estimated income to support the SPSC and WREZ 3 was calculated by estimating the amount that will remain on July 1, 2014 and assuming all funds will be spent. The grant expires in April 2015.

Proposed Board expenditures for FY 2014-2015 are \$1,726,894. (See Table 4.) This significant decrease from the current year projected expenditures is due to the completion of work under the SPSC and WREZ 3 contracts. The proposed budget also phases out and replaces Alison Wilson with a part-time accounting position. The budget funds the Executive Director position at its current level.

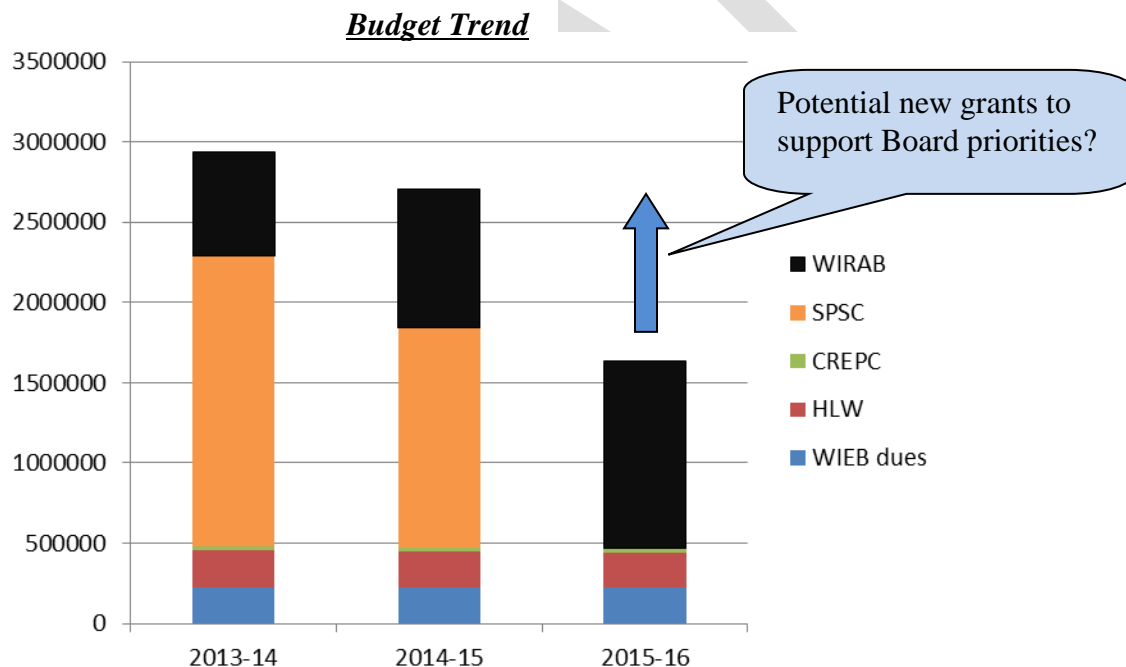
The budget also assumes a 2.8 percent cost of living increase and minimal funds for merit. The exact cost-of-living adjustments will depend on the increase in the consumer price index increase for the Denver region as reported by the Bureau of Labor Statistics. The Board’s Executive Committee will review merit and cost-of-living adjustments.

In Table 4, WIEB expenditures are divided between “core” and “non-core” expenses. This distinction is made to comply with a Board directive to test whether a minimum reserve is achieved. (See reserve discussion below.) For informational purposes, Table 4 also provides expected WIRAB expenditures in FY 2014-15.¹

The budget proposes to continue reimbursing travel expenses for one person per state/province to attend the meetings of the Board. No registration fee would be charged for Board meetings.

Multi-Year Budget Outlook

FY 2014-15 is a year of fiscal transition from a recent past, which included generous funding under the ARRA grant to support the SPSC, to a future in FY 2015-16 which does not include ARRA funding. By contrast, the Board’s four-year cooperative agreement with DOE on transportation of HLW/SNF extends through 2015-16. The following graph illustrates this transition.



In anticipation of a transition, such as that beginning in May 2015, the Board established a policy on reserves to help bridge the gap created by the loss of funding from a grant. The Board’s reserves of \$1,961,976 are well in excess of the minimum level established by the policy.

¹ The WIRAB budget is on a calendar year basis that matches the NERC budget period. Thus, the estimated expenditures in fiscal year 2014-2015 reflect the last half of the current WIRAB budget and the first half of the proposed 2015 WIRAB budget.

Policy on Appropriate Level of Reserves

In October 2000, the Board adopted a policy on the appropriate minimum level of carry-over funds between fiscal years that would enable the organization to continue to operate at its current funding level for two years without requiring income other than dues. Given the length of time in federal budget cycles and procurement, two years was deemed to be a reasonable amount of time in which to secure additional outside funding. At the April 2004 meeting, the Board also directed that the estimated expenses for the coming fiscal year be separated into core and non-core expenses in order to have a more complete picture of the costs that are related to short-term contracts. Core and non-core expenditures are shown in Table 4. By including the Board's ongoing investments² (estimated at \$243,875 at year end) and estimated carryover to FY 2014-2015, the proposed budget would maintain a reserve at the end of FY 2014-2015 that meets the Board's reserve goal.

Dues from member states and provinces: \$222,000 X 2 years =	\$444,000
+ Carryover	1,718,101
+ Investments	<u>140,865</u>
	2,302,966
Core expenses: \$481,810 X 2 =	\$963,620

Staff recommends that the Board:

- 1) **Approve the proposed FY 2014-2015 Board budget and work plan;**
- 2) **Authorize the acceptance of funds in the areas of radioactive waste, regional electricity cooperation, mine reclamation, transportation (including alternative fuels), energy efficiency and renewable energy, fossil energy, and cross-border energy trade;**
- 3) **Authorize the Executive Committee (Chairman, First Vice Chairman, Second Vice Chairman, and Treasurer) to approve, between meetings of the Board, the acceptance of funds in other areas, upon the written advice of members of the Board;**
- 4) **Authorize the Executive Committee to approve in the fall merit increases and the exact cost-of-living increase for employees based on the increase in the consumer price index for the Denver region; and**
- 5) **Adopt, as a target, a minimum fund reserve equal to 2 times the difference between the proposed annual budget for core Board functions and forecasted dues in the year.**
- 6) **Authorize the Executive Director, the Deputy Director, and Treasurer to act as the financial agent of the Western Interstate Energy Board.**

Please call me (303.573.8910) if you have any questions regarding the proposed budget.

Table 1: FY 2014-2015 projected income

² Investments include monies invested in a Treasury bill, bond mutual fund and related money market fund. See Table 5.

- Table 2: FY 2014-2015 expenditures
- Table 3: FY 2015-2016 estimated income
- Table 4: FY 2014-2015 proposed expenditures
- Table 5: Carryover and current Board investments

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Western Interstate Energy Board
Fiscal Year 2013-2014
Projected Income

Table 1

	<u>Board Budget Estimated Income</u>	<u>Received as of Mar. 31, 2014</u>	<u>Projected on June 30, 2014</u>
<u>INCOME</u>			
Members			
Arizona	18,000	18,000	18,000
California	18,000	18,000	18,000
Colorado	18,000	18,000	18,000
Idaho	18,000	18,000	18,000
Montana	18,000	9,000	18,000
New Mexico	18,000		
Nevada	18,000	18,000	18,000
Oregon	18,000	18,000	18,000
Utah	18,000	18,000	18,000
Washington	18,000	7,500	18,000
Wyoming	18,000		
Associate Members			
Alberta	8,000	8,000	8,000
British Columbia	8,000	8,000	8,000
Saskatchewan	8,000	8,000	8,000
	<u>222,000</u>	<u>166,500</u>	<u>186,000</u>
Other			
Interest	7,000	2,140	2,760
Misc. (mtg. income, etc)	-	-	-
	<u>7,000</u>	<u>2,140</u>	<u>2,760</u>
Total Unrestricted	<u>229,000</u>	<u>168,640</u>	<u>188,760</u>
Restricted			
Western Conference PSC	25,000	25,000	25,000
WREZ 3	74,607	1 21,711	46,711
SPSC Trans planning	1,729,976	1 1,006,381	1,453,351
New DOE HLW	235,300	170,453	235,300
Total Restricted	<u>2,064,883</u>	<u>1,223,545</u>	<u>1,760,362</u>
TOTAL INCOME	<u><u>2,293,883</u></u>	<u><u>1,392,185</u></u>	<u><u>1,949,122</u></u>

1 This amount was prorated over the 22 months remaining in these contracts except for the SPSC sub-contract amount, which was based on spending most of the sub-contract funds over 12 months.

Western Interstate Energy Board
Fiscal Year 2013-2014
Expenditures

Table 2

	WIEB			WIRAB		
	Budget Adopted June 2013	Expenses as of Mar. 31	Expected Expenses on June 30	(For Informational purposes)		
				Approved average CY 13/14 Budget 11,000	Expenses as of Mar. 31 11,890	Expected Expenses 18,000
<u>MEETING EXPENSES</u>						
Board, CREPC, Reclamation	15,000	9,141	15,000			
SPSC Transmission Planning	83,000	46,950	82,000			
New HLW cooperative agreement	10,300	3,546	4,500			
	<u>108,300</u>	<u>59,637</u>	<u>101,500</u>			
<u>STATE TRAVEL</u>						
Board Meetings	10,000	581	8,500	16,750	11,706	20,000
SPSC Transmission Planning	338,000	50,415	95,000			
New HLW cooperative agreement	22,000	4,244	9,000			
	<u>370,000</u>	<u>55,240</u>	<u>112,500</u>			
<u>SUBCONTRACTS</u>						
	-			112,500	53,231	100,000
SPSC Transmission Planning	783,400	448,122	798,522			
WREZ3			15,000			
Computer support	5,000		-			
	<u>788,400</u>	<u>448,122</u>	<u>813,522</u>			
<u>PERSONNEL and OFFICE EXPENSE</u>						
Salaries	647,536	498,357	652,536	252,950	177,847	255,000
Payroll Taxes	73,057	37,555	66,846			
Health & Life Ins.	95,000	69,354	81,754			
401(k) Expense	68,065	50,715	62,279			
Liability & W. Comp. Ins.	8,500	8,614	8,614			
Payroll expense	3,000	1,389	2,269			
Auditing	13,000	10,200	13,000			
Staff Travel				16,750	10,960	16,000
WIEB, CREPC, Reclamation	13,000	6,197	7,000			
WREZ 3	5,600	45	45			
SPSC Transmission Planning	39,500	23,476	33,000			
New HLW	13,500	11,151	14,000			
Office Expense	40,000	21,812	31,000			
Equipment	8,000	1,990	4,200			
Office Rent	47,000	35,453	47,675			
Telephone	25,000	13,746	19,000	2,350	417	1,200
Contingency fund	2,500					
Subtotal	<u>1,102,258</u>	<u>790,054</u>	<u>1,043,218</u>			
TOTAL	<u>2,368,958</u>	<u>1,353,053</u>	<u>2,070,740</u>	<u>412,300</u>	<u>266,051</u>	<u>410,200</u>
Deduct WIRAB overhead	<u>(239,200)</u>	<u>(165,398)</u>	<u>(237,150)</u>	<u>237,140</u>	<u>165,398</u>	<u>237,150</u>
	<u>2,129,758</u>	<u>1,187,656</u>	<u>1,833,590</u>	<u>649,440</u>	<u>431,449</u>	<u>647,350</u>

In October 2013, SPSC transferred funds from state travel to SPSC contracts, since state travel was not being spent
Proposed salaries include a 2 % cost of living adjustment and a small amount for potential merit increases.

WIRAB payroll taxes, medical insurance, retirement, rent and other expenses are calculated as WIEB expenses then deducted
as overhead.

Western Interstate Energy Board
 Fiscal Year 2014-2015
 Estimated Income

Table 3

	<u>Board Budget Estimated Income</u>	
<u>INCOME</u>		
Members		
Arizona	18,000	
California	18,000	
Colorado	18,000	
Idaho	18,000	
Montana	18,000	
New Mexico	18,000	
Nevada	18,000	
Oregon	18,000	
Utah	18,000	
Washington	18,000	
Wyoming	18,000	
Associate Members		
Alberta	8,000	
British Columbia	8,000	
Saskatchewan	8,000	
	<u>222,000</u>	
Other		
Interest	3,500	
Misc. (mtg. income, etc)	-	
	<u>3,500</u>	
Total Unrestricted	<u>225,500</u>	
Restricted		
Western Conference PSC	25,000	
WREZ 3	112,960	1
SPSC Trans planning	1,258,427	1
New DOE HLW	225,000	
Total Restricted	<u>1,621,387</u>	
TOTAL INCOME	<u>1,846,887</u>	

1 This is the estimated remaining amount. These contracts will be completed on April 29, 2015.

	WIEB			WIRAB
	Total	Core ¹	Non-core	(For Informational purposes) average of CY 2014 & 2015
MEETING EXPENSES				23,660
Board, CREPC, Reclamation	15,000	15,000	-	
SPSC Transmission Planning	85,000	-	85,000	
New HLW cooperative agreement	10,300	-	10,300	
	<u>110,300</u>	<u>15,000</u>	<u>95,300</u>	
STATE TRAVEL				32,250
Board Meetings	17,000	17,000	-	
SPSC Transmission Planning	95,000	-	95,000	
New HLW cooperative agreement	16,000	-	16,000	
	<u>128,000</u>	<u>17,000</u>	<u>111,000</u>	
SUBCONTRACTS				150,000
SPSC Transmission Planning	609,542 ²	-	609,542	
WREZ 3	50,000	-	50,000	
	<u>659,542</u>	<u>-</u>	<u>659,542</u>	
PERSONNEL and OFFICE EXPENSE				
Salaries	657,555 ³	213,086	444,469	323,650
Payroll Taxes	78,987 ⁴	43,207	35,780	
Health & Life Ins.	98,000 ⁴	65,662	32,338	
401(k) Expense	73,590 ⁴	40,255	33,335	
Liability & W. Comp. Ins.	9,500	4,500	5,000	
Payroll expense	2,800	1,600	1,200	
Auditing	13,000	7,500	5,500	
Staff Travel		0	-	23,000
WIEB, CREPC, Reclamation	13,000	13,000	-	
WREZ 3	1,800	0	1,800	
SPSC Transmission Planning	37,300	0	37,300	
HLW	14,000	0	14,000	
Office Expense	40,000	13,000	27,000	
Equipment	9,000	4,000	5,000	
Office Rent	55,000 ⁴	35,000	20,000	
Telephone	25,000	8,000	17,000	4,000
Contingency fund	2,500	1,000	1,500	
Subtotal	<u>1,131,032</u>	<u>449,810</u>	<u>681,222</u>	
TOTAL	2,028,874	481,810	1,547,064	556,560
Deduct/add WIRAB overhead	<u>(301,981)</u>	<u>(301,981)</u>	<u>(301,981)</u>	301,981
TOTAL EXPENSES	<u>1,726,894</u>	<u>179,830</u>	<u>1,245,084</u>	858,541

1. The Board requested the budget reflect core and non-core expenses in order to determine essential expenses if contracts are cancelled.
2. Based on estimated subcontract funds remaining in ARRA grant on July 1, 2014
3. Proposed salaries include a 2.8% cost of living adjustment and funds for merit increases. The calculation deducts expected WIRAB salaries prorated for one-half of CY 2014 and one-half of CY 2015.
4. WIRAB payroll taxes, medical insurance, retirement, rent and other expenses are calculated as WIEB expenses then deducted as overhead
5. WIRAB calculation

Table 5: Carry-over and Current Board investments

The estimated carry-over to fiscal year 2014-2015 is \$1,857,882. This includes amounts in WIEB bank accounts as well as the following short-term CDs.

Short-term CDs

Institution Name	Number	Rate	Amount	Duration	Date of Maturity
U.S. Bank	***0076	0.1%	\$102,128	9 months	
“	***9512	0.1 %	\$114,948	11 months	10/22/14
Colo. State Bank & Trust	***0545	0.18 %	\$105,648	9 months	06/30/14
“	****9894	0.18 %	\$157,731	9 months	10/12/14

Ongoing Investments

Institution Name	Number	Rate	Amount as of 3/31/10	Duration	Date of Maturity
U.S. T. Bill	****0DZ8	8.875	\$ 12,707	30 years	08/15/17
Intermediate Bond Fund of America	****6521		\$128,158	ongoing	
Total			\$140,865		