



Western Interstate Energy Board

TO: Western Interstate Energy Board

FROM: Maury Galbraith, Executive Director

DATE: June 15, 2015

SUBJECT: **Proposed FY 2015-2016 WIEB Work Plan and Budget**

At the June 18 meeting, the Western Interstate Energy Board (“Board” or “WIEB”) will need to approve a budget and work plan for FY 2015-2016 that begins on July 1, 2015. Below are a review of the proposed WIEB FY 2015-2016 budget and an overview of the activities the budget supports.

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 2016 budget because there are shared expenses between the Board and WIRAB. WIRAB has agreed to the outlines of a calendar year 2016 budget proposal. The draft WIRAB budget proposal has been sent to NERC 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.

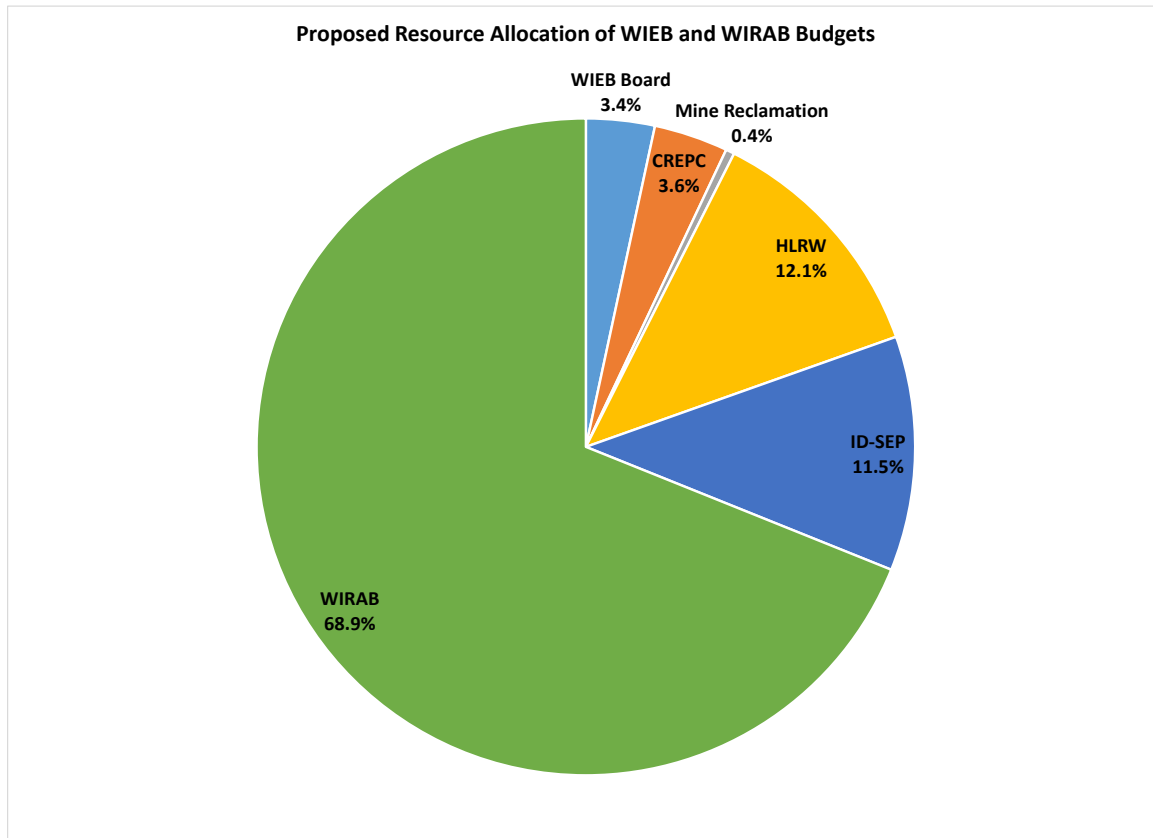
The proposed WIEB 2015-2016 budget reflects a new project with the Idaho Office of Energy Resources. The proposed budget also reflects continuation of a cooperative agreement between the Board and the U.S. Department of Energy on transportation of high-level radioactive waste and spent nuclear fuel, and a contribution from the Western Conference of Public Service Commissioners to support the Committee on Regional Electric Power Cooperation (CREPC). The five-year ARRA grant for interconnection-wide transmission planning was completed on April 29.

Program Overview

The proposed FY 2015-16 budget results in the following allocation of resources to the different WIEB programs and committees.

WIEB Program/Committee	2014-15 Budget	Proposed 2015-16 Budget	% Change
WIEB Board	\$ 55,507	\$ 55,575	0.1%
CREPC	\$ 60,000	\$ 60,000	0.0%
SPSC	\$ 1,258,427	\$ -	-100.0%
WREZ 3	\$ 112,960	\$ -	-100.0%
Mine Reclamation	\$ 15,000	\$ 7,000	-53.3%
HLRW	\$ 225,000	\$ 200,000	-11.1%
ID-SEP	\$ -	\$ 190,300	
Total	\$ 1,726,894	\$ 512,875	-70.3%
WIRAB	\$ 858,541	\$ 1,136,217	32.3%

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



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, 2015. The budget must provide revenues that meet or exceed projected expenditures.

Current Year (FY 2014-2015) Budget

At the last annual meeting in April 2014, the Board adopted an expense budget of \$1,726,894.

Income for FY 2014-2015 was expected to be \$1,846,887 – unrestricted income of \$225,500 (dues and interest) and restricted income of \$1,621,387 (grants and contracts).

Restricted income included:

- \$25,000 from the Western Conference of Public Service Commissioners;
- \$112,960 from the U.S. DOE Western Renewable Energy Zone Phase 3 grant;
- \$1,258,427 from the ARRA grant to support the State-Provincial Steering Committee; and
- \$225,000 from the U.S. 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 \$2,030,132, which is \$183,245 higher than forecast, primarily due to increased income from the grants to support the SPSC and WREZ3 as the contracts were completed. There was lower than expected receipts of state dues (-\$18,000) and lower interest. (See Table 1)

Currently projected expenditures for FY 2014-2015 are \$2,090,265 which is \$363,372 higher than originally projected due largely to higher subcontract expenses under the grant to support the SPSC. Salaries were also slightly higher and the deduction for WIRAB overhead was lower than expected. 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 2015-2016 Budget

The estimated income for FY 2015-2016 is \$640,800 (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 budget and income are much lower this year due to the end of the five-year ARRA grant that supported the State and Provincial Steering Committee.

Proposed Board expenditures for FY 2015-2016 are \$512,875. (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 accounts for:

- The retirement of Steve Ellenbecker and the hiring of a Deputy Director;
- The retirement of Alison Wilson and the hiring of a part-time Financial Manager; and
- The hiring of a new Reliability Analyst.

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.

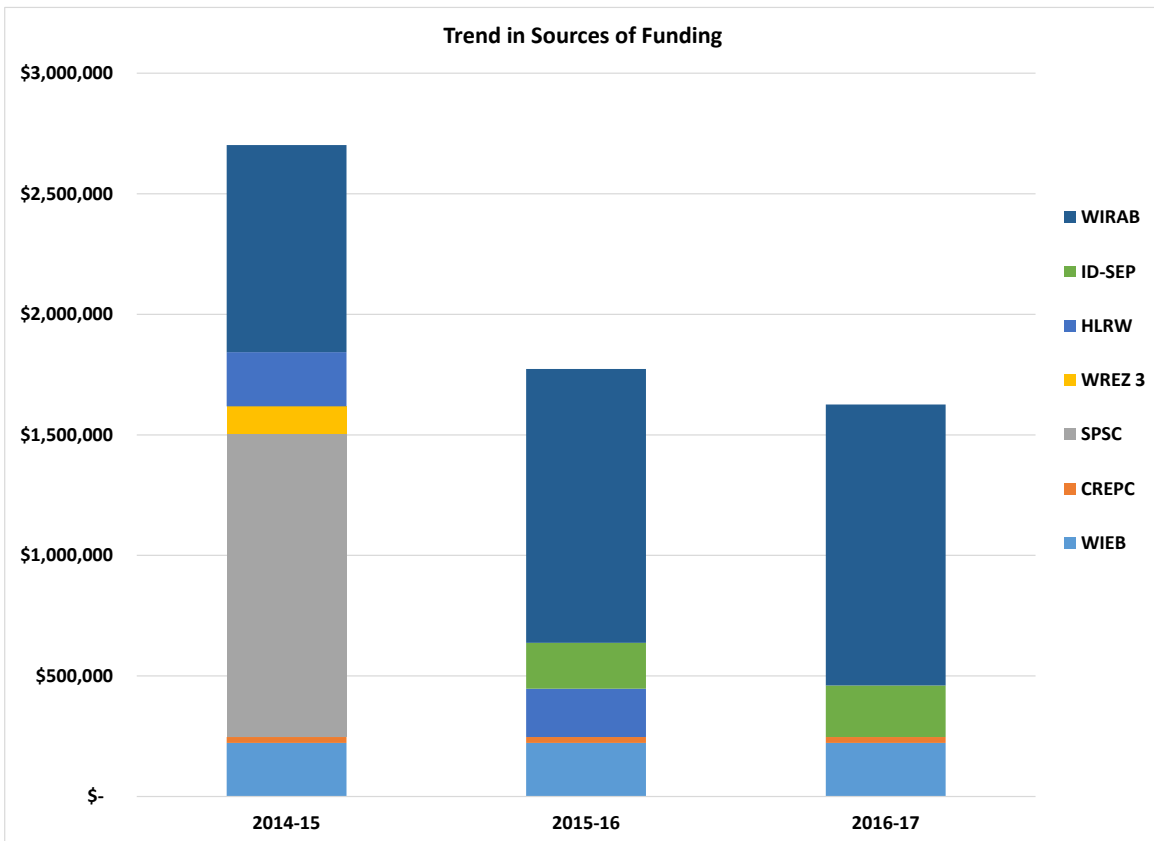
In Table 4, WIEB expenditures are divided between "core" and "non-core" expenses. This distinction is made to comply with a Board directive to test whether a minimum reserve is achieved. (See reserve discussion below.) For informational purposes, Table 4 also provides expected WIRAB expenditures in FY 2015-16.¹

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 2015-16 continues the 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. WIRAB funding is projected to replace 90 percent of the annual SPSC funding in FY 2015-16. By contrast, the Board's four-year cooperative agreement with DOE on transportation of HLW/SNF extends through June of 2016. While this grant may be extended, DOE's funding in this area could be reduced. The following graph illustrates this transition.

¹ The WIRAB budget is on a calendar year basis that matches the NERC budget period. Thus, the estimated expenditures in fiscal year 2015-2016 reflect the last half of the current WIRAB budget and the first half of the proposed 2016 WIRAB budget.



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.

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. The minimum level of reserves needed to cover annual membership dues for two years is \$444,000.

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. The level of reserves needed to cover core expenditures for two years is \$708,900.

Carryover funds to FY 2015-16 total \$1,847,734. The Board’s ongoing investments² are estimated to be \$143,007. Total reserves for FY 2015-2016 are \$1,990,741. The proposed budget maintains a reserve level that meets the Board’s minimum reserve policy and reserve goals.

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

Staff recommends that the Board:

- 1) Approve the proposed FY 2015-2016 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;**
- 5) Adopt, as a target, a minimum funding reserve equal to 2 times the annual membership dues of the Western Interstate Energy Board; and**
- 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

Table 2: FY 2014-2015 expenditures

Table 3: FY 2015-2016 estimated income

Table 4: FY 2015-2016 proposed expenditures

Table 5: Carryover and current Board investments

Western Interstate Energy Board
Fiscal Year 2014-2015
Projected Income

Table 1

	Board Budget Estimated Income	Received as of May 31, 2015	Projected Income June 30, 2015
<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	18,000	18,000
New Mexico	18,000		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	18,000	18,000
Wyoming	18,000	-	0
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>186,000</u>	<u>204,000</u>
Other			
Interest	3,500	1,095	1,300
Misc. (mtg. income, etc)	-	-	-
	<u>3,500</u>	<u>1,095</u>	<u>1,300</u>
Total Unrestricted	<u>225,500</u>	<u>187,095</u>	<u>205,300</u>
Restricted			
Western Conference PSC	25,000	25,000	25,000
WREZ 3	112,960	91,361	115,672 *
SPSC Trans planning	1,258,427	1,217,967	1,479,161 *
DOE HLW	225,000	144,890	190,000
Idaho/WIEB energy plan	-	5,500	15,000
Total Restricted	<u>1,621,387</u>	<u>1,484,717</u>	<u>1,824,832</u>
TOTAL INCOME	<u>1,846,887</u>	<u>1,671,812</u>	<u>2,030,132</u>

* These grants were completed on April 29, 2015.

	Approved Budget	Expenses as of May 31	Expected End of year Expenses	WIRAB (For Informational Purposes)		
				Average of CY14-15	as of May 31	Expected Expenses
MEETING EXPENSES				23,660	14,951	14,950
Board, CREPC, Reclamation	15,000	2,520	11,000			
SPSC Transmission Planning	85,000	66,407	66,407			
WREZ 3		247	247			
HLW cooperative agreement	10,300	4,140	7,000			
New ID-SEP contract	-	1,364	1,364			
	<u>110,300</u>	<u>74,678</u>	<u>86,018</u>			
STATE TRAVEL				32,250	16,216	18,000
Board Meetings	17,000	3,128	14,000			
SPSC Transmission Planning	95,000	74,233	74,233			
HLW cooperative agreement	16,000	6,891	12,000			
New ID-SEP contract	-	-	-			
	<u>128,000</u>	<u>84,252</u>	<u>100,233</u>			
SUBCONTRACTS						
SPSC Transmission Planning	609,542	910,444	910,444	150,000	108,401	108,401
WREZ 3	50,000	65,000	65,000			
HLW	-	1,681	10,000			
	<u>659,542</u>	<u>977,125</u>	<u>985,444</u>			
PERSONNEL and OFFICE EXPENSE						
Salaries	657,555	656,898	686,779	323,650	129,978	151,478
Payroll Taxes	78,987	58,773	64,000			
Health & Life Ins.	98,000	74,988	78,500			
401(k) Expense	73,590	59,411	62,869			
Liability & W. Comp. Ins.	9,500	9,418	9,418			
Payroll expense	2,800	2,538	2,800			
Auditing	13,000	10,200	12,300			
Staff Travel				23,000	17,450	20,000
WIEB, CREPC, Reclamation	13,000	8,376	10,000			
WREZ 3	1,800	973	1,800			
SPSC Transmission Planning	37,300	11,524	11,524			
HLW	14,000	13,648	15,000			
ID SEP		331	800			
Office Expense	40,000	16,403	19,000			
Equipment	9,000	2,381	3,000			
Office Rent	55,000	34,070	39,095			
Telephone	25,000	20,735	22,488	4,000	1,523	2,000
Contingency fund	2,500	20,500	20,500			
Subtotal	<u>1,131,032</u>	<u>1,001,166</u>	<u>1,059,873</u>			
TOTAL	<u>2,028,874</u>	<u>2,137,222</u>	<u>2,231,569</u>	<u>556,560</u>	<u>288,519</u>	<u>314,829</u>
Deduct/add WIRAB overhead	<u>(301,981)</u>	<u>(122,779)</u>	<u>(141,304)</u>	<u>301,981</u>	<u>122,779</u>	<u>141,304</u>
TOTAL EXPENSES	<u>1,726,893</u>	<u>2,014,443</u>	<u>2,090,265</u>	<u>858,541</u>	<u>411,298</u>	<u>456,133</u>

1. WIEB salaries are higher (and WIRAB lower) due to the retirement of 2 employees (Doug and Steve) and Rebecca leaving. These employees were paid their accumulated vacation and sick leave. Total salaries are \$142,950 below budget.
2. WIRAB payroll taxes, medical insurance, retirement, rent and other expenses are calculated as WIEB expenses then deducted as overhead
3. Repayment due to DOE audit of previous \$900,000 HLW grant

Western Interstate Energy Board
 Fiscal Year 2015-2016
 Estimated Income

Table 3

	<u>Board Budget Estimated Income</u>	<u>WIRAB 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	
	222,000	
Other		
Interest	3,500	
Misc. (mtg. income, etc)	-	
	3,500	
Total Unrestricted	225,500	
Restricted		
Western Conference PSC	25,000	
WREZ 3	-	
SPSC Trans planning	-	
DOE HLW	200,000	1
Idaho-SEP energy planning	190,300	2
Total Restricted	415,300	
TOTAL INCOME	\$ 640,800	\$ 1,136,217

1 Cooperative agreement ends 6/30/16

2 Idaho and WIEB recived funding for Multistate Western Collaboration on Energy Planning
 in January 2015

	WIEB			WIRAB
	Total	Core ¹	Non-core	(For Informational purposes) average of CY 2015 & 2016
MEETING EXPENSES				46,660
Board, CREPC, Reclamation	15,000	15,000	-	
Idaho SEP	30,300	-	30,300	
HLW cooperative agreement	10,300	-	10,300	
	<u>55,600</u>	<u>15,000</u>	<u>40,600</u>	
STATE TRAVEL				41,825
Board Meetings	15,000	15,000	-	
SPSC Transmission Planning	-	-	-	
HLW cooperative agreement	16,000	-	16,000	
	<u>31,000</u>	<u>15,000</u>	<u>16,000</u>	
SUBCONTRACTS	-			150,000
PERSONNEL and OFFICE EXPENSE				
Salaries	422,930 ²	252,530	170,400	435,400
Payroll Taxes	69,300 ³	55,378	13,717	
Health & Life Ins.	88,000 ³	65,662	22,338	
401(k) Expense	64,375 ³	51,595	12,780	
Liability & W. Comp. Ins.	12,000	4,500	7,500	
Payroll expense	3,300	1,600	1,700	
Auditing	13,000	7,500	5,500	
Staff Travel		0	-	41,825
WIEB, CREPC, Reclamation	13,000	13,000	-	
Idaho SEP	10,500	0	10,500	
SPSC Transmission Planning	0	0	-	
HLW	14,000	0	14,000	
Office Expense	35,000 ³	21,000	14,000	
Equipment	9,000	4,000	5,000	
Office Rent	58,000 ³	40,000	18,000	
Telephone	25,000	12,000	13,000	6,877
Contingency fund	2,500	2,500	0	
Subtotal	<u>839,905</u>	<u>531,265</u>	<u>308,435</u>	
TOTAL	<u>926,505</u>	<u>561,265</u>	<u>365,035</u>	722,587
Deduct/add WIRAB overhead	<u>(413,630)</u>	<u>(206,815)</u>	<u>(206,815)</u>	413,630
TOTAL EXPENSES	<u>512,875</u>	<u>354,450</u>	<u>158,220</u>	1,136,217

1. The Board requested the budget reflect core and non-core expenses in order to determine essential expenses if contracts are cancelled.
2. 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.
3. WIRAB payroll taxes, medical insurance, retirement, rent and other expenses are calculated as WIEB expenses then deducted as overhead

Table 5: Carry-over and Current Board investments

The estimated carry-over to fiscal year 2015-2016 is \$1,847,734. 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	***9512	0.1%	\$114,949	11 months	9/22/15
“	***7149	0.5 %	\$114,277	19 months	12/18/16
Colo. State Bank & Trust	***0545	0.18 %	\$105,930	9 months	12/22/15
“	****9894	0.18 %	\$157,941	9 months	7/9/15

Ongoing Investments

Institution Name	Number	Rate	Amount as of 3/31/10	Duration	Date of Maturity
U.S. T. Bill	****0DZ8	8.875	\$ 11,935	30 years	08/15/17
Intermediate Bond Fund of America	****6521		\$131,072	ongoing	
Total			\$143,007		