

TO: Western Interstate Energy Board

FROM: Doug Larson, Executive Director

DATE: April 26, 2012

SUBJECT: **Proposed FY 2012-2013 WIEB Work Plan and Budget**

At the upcoming May 2-3 meeting, the Western Interstate Energy Board (“Board” or “WIEB”) will need to approve a budget and work plan for FY 2012-2013 that begins on July 1, 2012. Below is a review of the proposed WIEB FY 2012-2013 budget. This should be read in conjunction with the proposed 2012-2013 WIEB work plan. Although the Board does not approve the budget of the Western Interconnection Regional Advisory Body (WIRAB), it should be cognizant of the proposed WIRAB calendar year 2013 budget because there are shared expenses between the Board and WIRAB. WIRAB will be considering a 2013 budget at its May 3-4 meeting which must be submitted to NERC in June. Staff has proposed that there be no increases in the WIRAB 2013 budget from the 2012 budget.

The proposed WIEB 2012-2013 budget reflects continuation of the Board implementing tasks pursuant to the DOE grant to WGA for interconnection-wide transmission planning (support of the State-Provincial Steering Committee and support to WGA on the implementation of Phase 3 of the Western Renewable Energy Zone project).

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, 2012. The budget must provide revenues that meet or exceed projected expenditures.

Current Year (FY 2010-2011) Budget

At the last annual meeting in June 2011, the Board adopted a budget of \$1,363,296. Income for FY2011-2012 was expected to be \$1,523,048 -- unrestricted income of \$231,000 (dues and interest) and restricted income of \$1,292,048 (grants and contracts). Restricted income included: \$25,000 from the Western Conference of Public Service Commissioners, \$8,400 from the closeout of a DOE wind grant, \$17,000 from the closeout of a WREZ Phase 2 grant; \$1,154,327 from a DOE grant to support the State-Provincial Steering Committee; and \$87,321 from the DOE Western Renewable Energy Zone Phase 3 grant.

Actual revenue for the current year is projected to be \$913,281, which is \$609,767 lower than last year’s forecast, primarily due to reduced income from the grant to support the SPSC and the WREZ 3 project. Actual revenue also reflects a new grant from the Nuclear Regulatory Commission not anticipated at the time the Board adopted the budget. (See Table 1.)

Dues received from member states are expected to be the same as forecasted.

Projected expenditures for FY 2011-2012 are \$753,999, which is \$609,297 less than projected due largely to lower state travel and contract expenditures under the contract to support the SPSC and less work on WREZ 3 than projected. (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 2012-2013 Budget

In estimating income for FY 2012-2013 (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 \$80,000 in income to support work on the WREZ 3 project and \$1,247,593 to support the SPSC. The estimated income to support the SPSC was calculated by dividing the remaining funds in the DOE grant as of June 30, 2012 by the remaining 34 months in the grant. The grant expires in April 2015. As the table below shows, based on past SPSC expenditures for state/provincial travel and consulting funds this assumption may not be realistic.

<i>Assumptions on SPSC Expenditures and Income</i>		
Expenditure item	Yearly spend rate in first 31.33 months of the grant (to June 30, 2012)	Assumed yearly spend rate for from June 30, 2012 to April 2015
WIEB staff support and overhead	413,424	452,585
Meetings	29,791	34,200
WIEB staff travel	28,659	77,700
State/provincial travel	96,585	332,660
Consulting funds	18,871	350,448
Total annual spend rate	587,330	1,247,593

Using the assumed SPSC expenditures shown in the third column, staff estimates income in FY 2012-2013 of \$1,631,143. (See Table 3). This income estimate does not include carryover funds from the current fiscal year, which are shown in Table 5.

Proposed Board expenditures for FY 2012-2013 are \$1,502,954. (See Table 4.) This significant increase from the current year projected expenditures is due to the assumptions of state/provincial travel and consulting services for the SPSC. The proposed budget:

- Maintains the existing staff;
- Replaces Alison Wilson with a part-time accounting position;
- Includes one new hire who would spend 75 percent of their time on WIRAB work and 25 percent on Board work; and
- Includes funds for an intern.

The budget also assumes a 2 percent cost of living 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.) In addition, WIRAB is forecasted to spend \$595,185.¹

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 meetings.

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 \$243,191 at year end) and estimated carryover to FY 2012-2013, the proposed budget would maintain a reserve at the end of FY 2012-2013 that meets the Board's reserve goal.

Dues from member states and provinces: \$222,000 X 2 years =	\$444,000
+ Carryover	1,576,000
+ Investments	<u>243,191</u>
	2,263,191
Core expenses: \$412,734 X 2 =	\$825,468

Staff recommends that the Board:

- 1) Approve the proposed FY 2012-2013 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.**

¹ The WIRAB budget is on a calendar year basis that matches the NERC budget period. Thus, the estimated expenditures on fiscal year 2012-2013 reflect the last half of the current WIRAB budget and the first half of the proposed 2013 WIRAB budget.

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

6) Authorize the Executive Director, 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 2011-2012 projected income

Table 2: FY 2011-2012 expenditures

Table 3: FY 2012-2013 estimated income

Table 4: FY 2012-2013 proposed expenditures

Table 5: Carryover and current Board investments

Western Interstate Energy Board
 FY 2011-2012

Table 1

Income

	Board Approved Budget	Received as of Mar. 31	Projected as of June 30
<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	18,000
Nevada	18,000	12,000	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	-	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>187,500</u>	<u>222,000</u>
Other			
Interest	9,000	5,160	7,500
Misc. (mtg. income, etc)	-	-	-
	<u>9,000</u>	<u>5,160</u>	<u>7,500</u>
Total Unrestricted	<u>231,000</u>	<u>192,660</u>	<u>229,500</u>
Restricted			
Western Conference PSC	25,000	25,000	25,000
Wind Strategy	8,400	8,701	8,701
WREZ 2	17,000	26,167	26,167
WREZ 3	87,321	19,725	25,000
Trans planning/SPSC	1,154,327	427,913	558,913
NRC nuclear issues	-	17,169	40,000
Total Restricted	<u>1,292,048</u>	<u>524,675</u>	<u>683,781</u>
TOTAL INCOME	<u><u>1,523,048</u></u>	<u><u>717,335</u></u>	<u><u>913,281</u></u>

Western Interstate Energy Board Fiscal Year 2011-2012
 Estimated Expenses

Table 2

	WIEB			WIRAB		
	Board Approved Budget	Expenses as of March 30	Projected Expenses June 30	Approved (for informational purposes)	Expenses as of March 30	Projected Expenses by June 30
<u>MEETING EXPENSES</u>				11,000	-	5,000
Board, CREPC, Reclamation, HLW WREZ	15,000	3,654	14,000			
SPSC Transmission Planning	35,000	10,916	25,000			
NRC nuclear issues	-	-	1,100			
	<u>50,000</u>	<u>15,120</u>	<u>40,650</u>			
<u>STATE TRAVEL</u>				12,000	6,115	11,000
Board Meetings	10,000	1,150	9,000			
WREZ		3,678	3,678			
→ SPSC Transmission Planning	440,000	70,558	85,000			
NRC nuclear issues	-	-	3,600			
	<u>450,000</u>	<u>75,386</u>	<u>101,278</u>			
<u>SUBCONTRACTS</u>				75,000	29,947	29,947
→ SPSC Transmission Planning	249,000	4,975	5,000			
Computer support	5,000	-	500			
	<u>254,000</u>	<u>4,975</u>	<u>5,500</u>			
<u>PERSONNEL and OFFICE EXPENSE</u>						
Salaries	471,969	383,222	494,559	245,900	133,705	194,147
Payroll Taxes	57,788 #	38,040	55,441			
Health & Life Ins.	80,000 #	56,473	72,890			
401(k) Expense	52,415 #	38,770	51,653			
Liability & W. Comp. Ins.	7,500	6,283	6,283			
Payroll expense	3,500	1,795	2,400			
Auditing	11,000	9,200	12,266			
Staff Travel				15,000	20,102	23,500
WIEB, CREPC, Reclamation	10,000	7,466	10,000			
WREZ 2	1,000	1,365	1,365			
Wind Strategy	1,000	0	0			
WREZ 3	10,000	0	0			
SPSC Transmission Planning	50,000	20,346	26,000			
NRC nuclear issues		1,365	3,000			
Contract travel	4,000	515	515			
Equipment	8,000	2,944	5,000			
Office expense	28,000	10,944	11,944	-		
Office Rent	42,000	30,450	40,668			
Telephone	22,000	12,982	14,500	2,500	1,006	1,500
Contingency fund	2,400	-	0			
Subtotal	<u>862,573</u>	<u>622,159</u>	<u>808,484</u>			
TOTAL	<u>1,616,573</u>	<u>717,640</u>	<u>955,912</u>	<u>361,400</u>	<u>190,875</u>	<u>265,094</u>
Deduct WIRAB overhead	(253,277)	(139,053)	(201,913)	253,277	139,053	201,913
TOTAL EXPENSES	<u>1,363,296</u>	<u>578,587</u>	<u>753,999</u>	<u>614,677</u>	<u>329,928</u>	<u>467,007</u>

1 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 2012-2013
 Estimated Income

Table 3

	Board Budget Estimated Income
<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	8,000
Misc. (mtg. income, etc)	-
	8,000
Total Unrestricted	230,000
Restricted	
Western Conference PSC	25,000
WREZ 3	80,000 1
SPSC Trans planning	1,247,593 1
NRC nuclear issues	48,550
Total Restricted	1,401,143
TOTAL INCOME	1,631,143

1 This amount prorated over the 34 months remaining in these contracts.
 SPSC is not spending state travel or subcontracts at estimated rate.

	WIEB			WIRAB
	Total	Core ¹	Non-core	(For informational purposes)
MEETING EXPENSES				11,000
Board, CREPC, Reclamation, HLW	15,000	15,000	-	
SPSC Transmission Planning	34,200		34,200	
NRC nuclear issues	1,100	-	1,100	
	<u>50,300</u>	<u>15,000</u>	<u>35,300</u>	
STATE TRAVEL				14,000
Board Meetings	10,000	10,000	-	
SPSC Transmission Planning	332,660		332,660	
NRC nuclear issues	4,600	-	4,600	
	<u>347,260</u>	<u>10,000</u>	<u>337,260</u>	
SUBCONTRACTS				75,000
SPSC Transmission Planning	350,448	-	350,448 ⁴	
Computer support	5,000	2,500	2,500	
	<u>355,448</u>	<u>2,500</u>	<u>352,948</u>	
PERSONNEL and OFFICE EXPENSE				
Salaries	542,314 ²	358,314	184,000	245,900
Payroll Taxes	63,451 ³	48,639	14,812	
Health & Life Ins.	80,000 ³	56,000	24,000	
401(k) Expense	56,866 ³	45,316	12,300	
Liability & W. Comp. Ins.	6,500	5,000	1,500	
Payroll expense	2,900	2,300	600	
Auditing	13,000	8,000	5,000	
Staff Travel				24,000
WIEB, CREPC, Reclamation	10,000	10,000	0	
WREZ ³	10,000		10,000	
SPSC Transmission Planning	77,700	0	77,700	
NRC nuclear issues	6,600		6,600	
Office Expense	29,000	17,050	9,950	
Equipment	8,000	8,000	0	
Office Rent	44,000 ³	35,000	9,000	
Telephone	20,000	13,000	7,000	2,500
Contingency fund	2,400	1,400	1,000	
Subtotal	<u>972,731</u>	<u>608,019</u>	<u>363,462</u>	
TOTAL	<u>1,725,739</u>	<u>635,519</u>	<u>1,088,970</u>	<u>372,400</u>
Deduct WIRAB overhead	<u>(222,785)</u>	<u>(222,785)</u>	<u>0</u>	<u>222,785</u>
	<u>1,502,954</u>	<u>412,734</u>	<u>1,088,970</u>	<u>595,185</u>

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 % cost of living adjustment and a small amount for potential merit increases.

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

4 \$275,000 was authorized or approved at the April 2012 SPSC meeting.

Table 5: Carry-over and Current Board investments

The estimated carry-over to fiscal year 2012-2013 is \$1,576,000. 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	0.20 %	\$114,277	9 months	
“	***9512	0.25%	\$114,915	11 months	12/22/12
Colo. State Bank & Trust	***0545	0.3 %	\$105,258	9 months	01/06/13
“	****9894	0.35 %	\$156,767	10 months	07/24/12

Ongoing Investments

Institution Name	Number	Rate	Amount as of 3/31/10	Duration	Date of Maturity
U.S. T. Bill	****0DZ8	8.875	\$ 14,043	30 years	08/15/17
Intermediate Bond Fund of America	****6521		\$125,943	ongoing	
Money Market	****7680	0.2	\$103,205	ongoing	
Total			\$243,191		