



Western Interstate Energy Board

TO: Western Interstate Energy Board

FROM: Maury Galbraith, Executive Director

DATE: June 17, 2016¹

SUBJECT: **Proposed FY 2016-2017 Work Plan and Budget**

Under the provisions of the Western Interstate Nuclear Compact – the legal basis for the Western Interstate Energy Board (“Board” or “WIEB”) – the Board must approve a budget for the fiscal year beginning July 1, 2016. The budget must provide revenues that meet or exceed projected expenditures. This memorandum provides a detailed description of the proposed fiscal year (FY) 2016-2017 budget and an overview of the activities the budget supports.

The proposed WIEB budget for FY 2016-2017 is \$481,970. This is a decrease of \$30,905 (6%) from the current fiscal year budget.

The proposed budget reflects the continuation of the contract with the Idaho Office of Energy Resources under a State Energy Planning grant with the U.S. Department of Energy (U.S. DOE). This grant will end in February 2017. The proposed budget also reflects a new cooperative agreement between the Board and the U.S. Department of Energy on transportation of high-level radioactive waste and spent nuclear fuel. It also reflects the continued contribution from the Western Conference of Public Service Commissioners to support the Committee on Regional Electric Power Cooperation (CREPC).

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 2017 budget because there are shared expenses between the Board and WIRAB. The FERC approved WIRAB budget for calendar year (CY) 2016 is \$1,370,274. The proposed WIRAB budget for CY 2017 is \$1,229,080.²

¹ This document was revised on June 22, 2016 to reflect the WIEB Board decision described in footnote 3.

² This amount has been revised from the \$1,369,704 proposed in WIRAB’s draft budget dated May 18, 2016 to

The WIRAB budget proposal has been sent to NERC and posted for public comment. WIRAB will submit a final proposed budget to NERC in early July. 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 or early November.

Current FY 2015-2016 Financial Position

At the last annual Board meeting in June 2015, the Board adopted its budget based on an income projection of \$640,800. Actual income for FY 2015-2016 is expected to be \$623,324. Table 1, attached to this memorandum, shows the income results for fiscal year 2015-2016. The difference in income is due to lower than expected membership dues (from Arizona and Wyoming) and higher than expected funding under the U.S. DOE cooperative agreement on the transportation of high-level radioactive waste (HLW) and spent nuclear fuel (SNF). Unrestricted income from membership dues and interest totaled \$189,200. Restricted income from grants and contracts totaled \$434,124. Restricted income included:

- \$25,000 from the Western Conference of Public Service Commissioners;
- \$219,124 from the U.S. DOE under the cooperative agreement on transportation of high-level radioactive waste (HLW) and spent nuclear fuel (SNF); and
- \$190,000 from the U.S. DOE and the Idaho Office of Energy Resources under a State Energy Planning grant.

At the June 2015 meeting, the Board adopted a budget for expenditures of \$512,875. Actual expenditures for FY 2015-2016 are projected to be \$512,586. Lower than expected expenditures for personnel and office expense, meeting expense, and state travel were offset by a lower than expected deduction from WIRAB for overhead expense. Table 2 shows total WIEB outlays offset by the overhead attributable to WIRAB.

Proposed FY 2016-2017 Budget

The proposed FY 2016-2017 budget is based on an income projection of \$594,500. Table 3 shows the income projection for fiscal year 2016-2017. The income projection assumes:

- No increase in membership dues (\$18,000 for state members, \$8,000 for associate provincial members);

more accurately reflect expected personnel expenses in 2017.

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- That all states and provinces (except WY and AZ) continue to pay membership 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 of expenditures for FY 2016-2017 is \$481,970. Table 4 shows the detailed budget proposal. The following table compares the proposed FY 2016-17 budget to the current year budget by expense category.

Expense Category	2015-16 Budget	Proposed 2016-17 Budget	% Change
Meeting Expense	\$ 55,600	\$ 90,300	62.4%
State Travel Expense	\$ 31,000	\$ 31,000	0.0%
Personnel Expense	\$ 659,905	\$ 623,197	-5.6%
Office Expense	\$ 180,000	\$ 184,500	2.5%
Subtotal	\$ 926,505	\$ 928,997	0.3%
Deduct WIRAB Overhead	\$ (413,630)	\$ (447,027)	8.1%
Total Expenditures	\$ 512,875	\$ 481,970	-6.0%

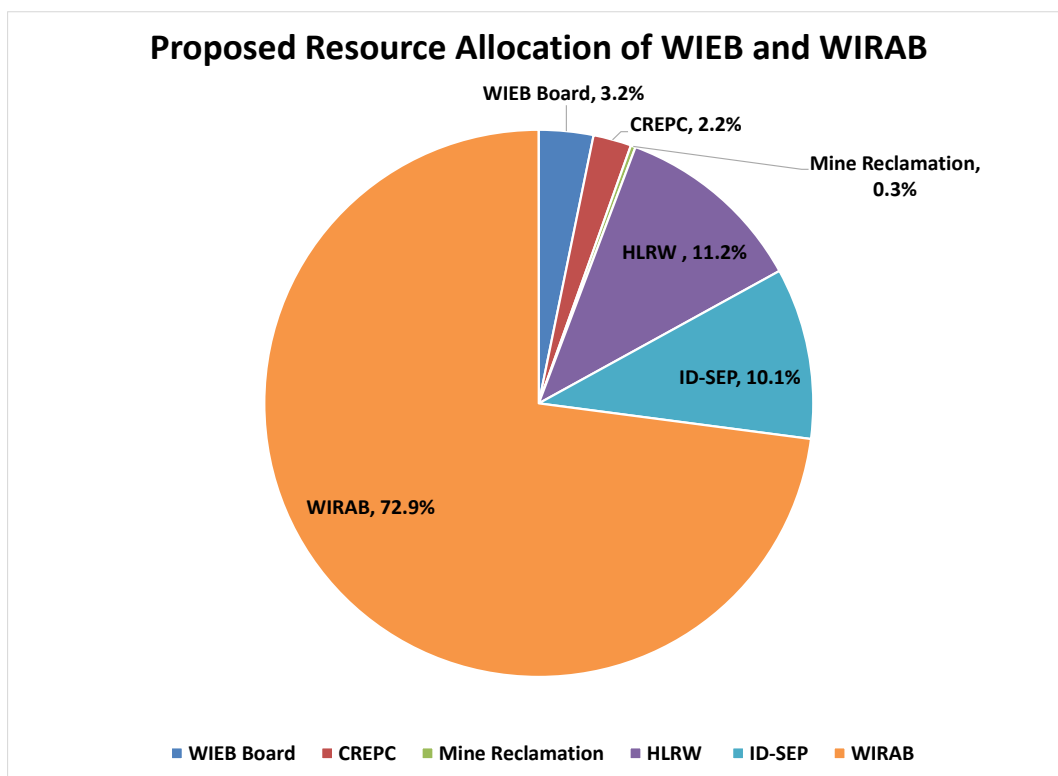
The difference in personnel expense reflects the retirement of Doug Larson and Steve Ellenbecker, the hiring of Eric Baran, and changes in actual cost-of-living and merit salary increases. The proposed FY 2016-17 budget assumes a 2.0 percent cost-of-living increase and an overall average merit salary increase of 2.0%. The budget proposes to increase the reimbursement of travel expenses from one person per state/province to two person per state/province to attend CREPC and WIEB Board meetings. No registration fee would be charged for CREPC or Board meetings.

The next table shows the same comparison by WIEB committee/program.

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WIEB Committee/Program	2015-16 Budget	Proposed 2016-17 Budget	% Change
WIEB Board	\$ 55,575	\$ 56,970	2.5%
CREPC	\$ 60,000	\$ 40,000	-33.3%
Mine Reclamation	\$ 7,000	\$ 5,000	-28.6%
HLRW	\$ 200,000	\$ 200,000	0.0%
ID-SEP	\$ 190,300	\$ 180,000	-5.4%
Total Expenditures	\$ 512,875	\$ 481,970	-6.0%

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



The FY 2016-17 budget successfully completes a transition from funding under the ARRA grant, to support the activities of the State-Provincial Steering Committee (“SPSC”), to a future with funding from WIRAB to support work to improve the reliability of the Western Interconnection.

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 \$530,227.

Carryover funds to FY 2016-17 total \$1,302,227. The estimated value of the Board's short-term investments is \$493,097. The value of the Board's long-term investments is estimated to be \$143,007. Total reserves for FY 2016-2017 are \$1,938,331. The proposed budget maintains a reserve level that meets the Board's minimum reserve policy and reserve goals. Table 5 shows the composition of reserves and Table 6 shows the reserve policy calculations.

WIEB Budget Recommendations

WIEB staff recommends that the Board approve the proposed FY 2016-2017 budget and work plan with the following authorizations:

- 1) Authorize the acceptance of funds in the areas of radioactive waste, regional electricity cooperation, mine reclamation, transmission planning, state energy planning, distributed energy resources, and emerging energy markets;
- 2) 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;
- 3) 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;

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- 4) Adopt, as a target, a funding reserve equal to 2 times the annual membership dues of the Western Interstate Energy Board;³ and
- 5) Authorize the Executive Director and Treasurer to act as the financial agent of the Western Interstate Energy Board.

Attachments:

- Table 1: FY 2015-2016 Income
- Table 2: FY 2015-2016 Expense
- Table 3: FY 2016-2017 Projected Income
- Table 4: FY 2016-2017 Proposed Expense
- Table 5: Carryover and Current Board Investments
- Table 6: Reserve Policy Calculations

³ The WIEB Board approved a motion to remove the word “minimum” from this authorization at its June 22, 2016 meeting. The funding reserve target is not a “minimum” target.

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Table 1.
Western Interstate Energy Board
Fiscal Year 2015-2016
Income

	Board Approved Budget	Received as of 4/30/2016	Projected as of 6/30/2016	WIRAB Income
<u>INCOME</u>				
Members				
Arizona	18,000	-	-	
California	18,000	18,000	18,000	
Colorado	18,000	8,000	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	12,000	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	-	-	
Associate Members				
Alberta	8,000	8,000	8,000	
British Columbia	8,000	8,000	8,000	
Saskatchewan	8,000	8,000	8,000	
	222,000	152,000	186,000	
Other				
Interest	3,500	2,825	3,200	
Misc. (mtg. income, etc)	-	-	-	
	3,500	2,825	3,200	
Total Unrestricted	225,500	154,825	189,200	
Restricted				
Western Conference PSC	25,000	25,000	25,000	
DOE HLW	200,000 ¹	196,581	219,124	
Idaho-SEP	190,300 ²	131,560	190,000	
Total Restricted	415,300	353,141	434,124	
TOTAL INCOME	\$ 640,800	\$ 507,966	\$ 623,324	\$ 803,410

1 This Cooperative Agreement ends September 30, 2016. A new 5-year agreement is being negotiated.

2 This State Energy Planning grant with the Idaho Office of Energy Resources ends in February 1, 2017.

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Table 2.
Western Interstate Energy Board
Fiscal Year 2015-2016
Expenditures

	Board Approved Budget	Expenses as of 4/30/2016	Projected as of 6/30/2016	WIRAB		
				(For Informational purposes)		
				FERC Approved Budget	Expenses as of 4/30/2016	Projected as of 6/30/2016
<u>MEETING EXPENSES</u>				58,000	50,745	62,835
Board, CREPC, Reclamation	15,000	5,013	11,000			
Idaho SEP	30,300	13,667	19,710			
HLW cooperative agreement	10,300	5,977	9,177			
Subtotal	55,600	24,657	39,887			
<u>STATE TRAVEL</u>				48,300	28,021	38,000
Board Meetings	15,000	-	10,000			
HLW cooperative agreement	16,000	8,418	8,500			
Subtotal	31,000	8,418	18,500			
<u>SUBCONTRACTS</u>				150,000	16,015	45,015
HLW cooperative agreement		20,041	24,000			
<u>PERSONNEL and OFFICE EXPENSE</u>						
Salaries	422,930	318,333	385,694	539,500	254,142	311,765
Payroll Taxes	69,300	42,841	55,448			
Health & Life Ins.	88,000	65,374	72,000			
401(k) Expense	64,375	42,106	52,309			
Liability & W. Comp. Ins.	12,000	8,193	8,193			
Payroll expense	3,300	2,277	2,860			
Auditing	13,000	10,200	12,100			
Staff Travel				48,300	37,635	42,500
WIEB, CREPC, Reclamation	13,000	11,980	12,500			
Idaho SEP	10,500	5,795	8,000			
HLW	14,000	13,555	16,000			
Office Expense	35,000	18,770	24,527			
Equipment	9,000	1,839	8,000			
Office Rent	58,000	46,410	50,862			
Telephone	25,000	13,325	21,000	8,254	3,500	4,000
Contingency fund	2,500					
Subtotal	839,905	600,997	729,493			
TOTAL	926,505	654,113	811,880	852,354	390,058	504,115
Deduct/add WIRAB overhead	(413,630)	(241,435)	(299,294)	517,920	241,435	299,294
TOTAL EXPENSES	512,875	412,678	512,586	1,370,274	631,493	803,410

Table 3.
Western Interstate Energy Board
Fiscal Year 2016-2017
Estimated Income

Unrestricted Income	Budget Estimated Income	WIRAB CY 2017 Income
Members		
Arizona	-	
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	-	
Associate Members		
Alberta	8,000	
British Columbia	8,000	
Saskatchewan	8,000	
	186,000	
Other		
Interest	3,500	
Misc. (mtg. income, etc)	-	
	3,500	
Total Unrestricted	189,500	
Restricted Income		
Western Conference PSC	25,000	
DOE HLW	200,000 ¹	
Idaho-SEP	180,000 ²	
Total Restricted	405,000	
TOTAL INCOME	\$ 594,500	\$ 1,229,080

1 This Cooperative Agreement ends September 30,2016. A new 5-year agreement is being negotiated.

2 This State Energy Planning grant with the Idaho Office of Energy Resources ends in February 1, 2017.

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Table 4
Western Interstate Energy Board
Fiscal Year 2016-2017
Proposed Budget

	WIEB			WIRAB (For Informational purposes)
	Total	Core ¹	Non-core	CY 2017
<u>MEETING EXPENSES</u>				60,900
Board, CREPC, Reclamation	40,000	40,000	-	
Idaho SEP	30,300	-	30,300	
HLW Coperative Agreement	20,000	-	20,000	
	<u>90,300</u>	<u>40,000</u>	<u>50,300</u>	
 <u>STATE TRAVEL</u>				49,750
Board Meetings	15,000	15,000	-	
HLW Coperative Agreement	16,000	-	16,000	
	<u>31,000</u>	<u>15,000</u>	<u>16,000</u>	
 <u>SUBCONTRACTS</u>	-			150,000
 <u>PERSONNEL and OFFICE EXPENSE</u>				
Salaries	380,687 ²	300,387	80,300	465,653
Payroll Taxes	67,284 ³	60,900	6,384	
Health & Life Ins.	98,000 ³	88,000	10,000	
401(k) Expense	63,476 ³	57,453	6,023	
Liability & W. Comp. Ins.	10,000	7,800	2,200	
Payroll expense	3,750	2,900	850	
Auditing	6,000	4,200	1,800	
Staff Travel				49,750
WIEB, CREPC, Reclamation	17,000	17,000	-	
Idaho SEP	13,000	0	13,000	
HLW Coperative Agreement	15,000	0	15,000	
Office Expense	35,000	27,000	8,000	
Equipment	9,000	7,000	2,000	
Office Rent	62,000 ³	62,000	-	
Telephone	25,000	20,000	5,000	6,000
Contingency fund	2,500	2,500	0	
Subtotal	<u>807,697</u>	<u>657,140</u>	<u>150,556</u>	
TOTAL	928,997	712,140	216,856	782,053
Deduct/add WIRAB overhead	(447,027)	(447,027)		447,027
TOTAL EXPENSES	<u>481,970</u>	<u>265,113</u>	<u>216,856</u>	<u>1,229,080</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 funds for merit increases. The calculation deducts expected WIRAB salaries.

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

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Table 5.
Western Interstate Energy Board
Fiscal Year 2015-2016
Carryover to New Fiscal Year

<u>Institution/Account</u>	<u>Rate</u>	<u>Duration</u>	<u>Amount</u>	<u>Date of Maturity</u>	<u>Carryover as of 6/30/2016</u>
<u>WIEB Bank Accounts</u>					
U.S. Bank Checking					\$ 85,000
U.S. Bank Savings 1					\$ 496,606
U.S. Bank Savings 2					\$ 456,935
Wells Fargo					\$ 263,686
Carryover Funds					<u>\$ 1,302,227</u>
<u>WIEB Short-term CDs</u>					
U.S. Bank Acct# ***9512	0.10%	11 months	\$ 114,949	9/22/2015	\$ 114,949
U.S. Bank Acct# ***7149	0.50%	19 months	\$ 114,277	12/18/2016	\$ 114,277
Colo. State Bank & Trust ***0545	0.18%	9 months	\$ 105,930	12/22/2015	\$ 105,930
Colo. State Bank & Trust ***9894	0.18%	9 months	\$ 157,941	7/9/2015	\$ 157,941
Short-Term Investments					<u>\$ 493,097</u>
<u>WIEB Ongoing Investments</u>					
U.S. T-Bill ***0DZ8	8.875%	30 years	\$ 11,935	8/15/2017	\$ 11,935
Int. Bond Fund of America ***6521		On-going	\$ 131,072		\$ 131,072
Long-Term Investments					<u>\$ 143,007</u>
Total Reserves					<u>\$ 1,938,331</u>

Table 6.
Western Interstate Energy Board
Fiscal Year 2015-2016
Reserve Policy Calculations

Annual Membership Dues	\$	222,000
Multiplied by 2 years	\$	444,000
Annual Core Expenditures	\$	265,113
Multiplied by 2 years	\$	530,226
Difference Core - Dues	\$	43,113
Multiplied by 2 years	\$	86,227
Carryover to FY 2016-17	\$	1,302,227
Carryover to Dues Ratio		2.9
Carryover to Core Expense Ratio		2.5
Carryover to Difference Core - Dues Ratio		15.1
Reserves to FY 2016-17	\$	1,938,331
Reserves to Dues Ratio		4.4
Reserves to Core Expense Ratio		3.7
Reserves to Difference Core - Dues Ratio		22.5