



# 2014 Draft Budget Overview

## Presentation to NERC Finance and Audit Committee

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# 2014 WECC Budget Overview

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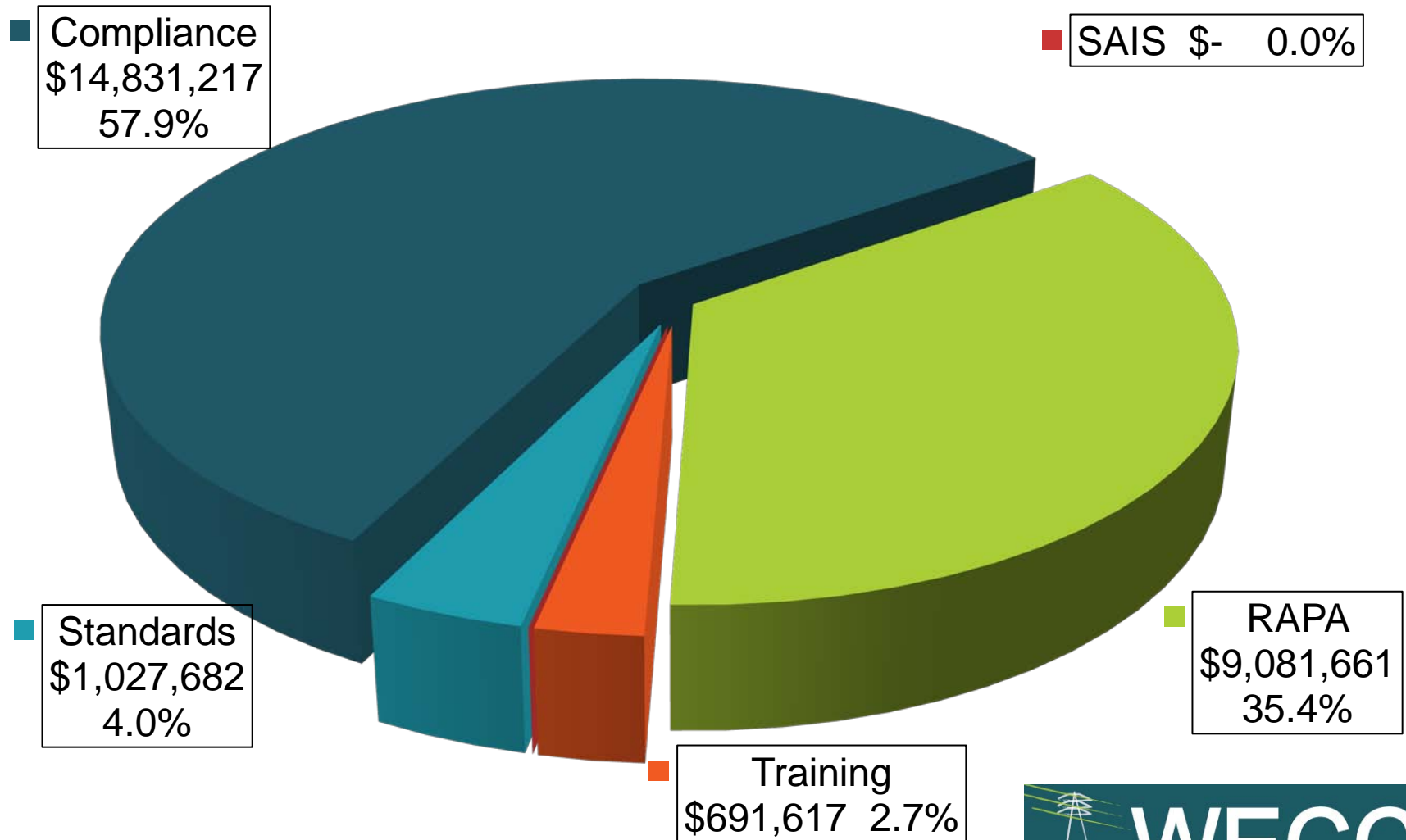
- Total budget decreases \$25.39MM
- Assessments
  - Decrease \$25.15MM
  - \$2.42MM of reserves to offset Assessments
- Other Funding
  - Grant revenue decreases \$2.29MM
  - Penalties decrease \$225K
- Headcount
  - Decreases by 108 (81.3 FTE)

# *Key Factors/WECC Assumptions*

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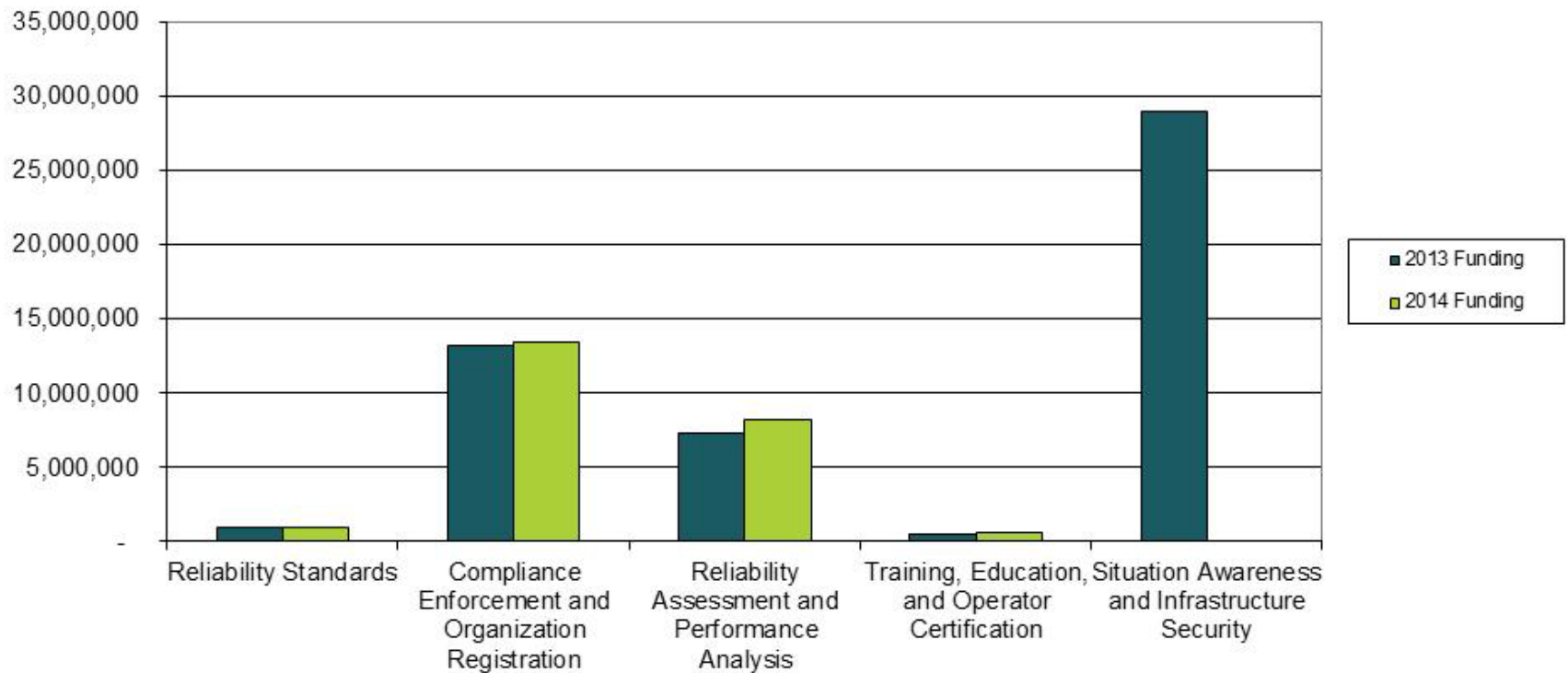
- **Bifurcation**
  - Effective 1/1/2014
  - SAIS separated into new company
- **Grants**
  - WISP transfers with RC to new entity
  - RTEP ends 12/2014
- **Program Areas**
  - Service levels remain flat
  - BES definition implementation
- **Personnel**
  - Labor float
  - Medical benefits increase 20%
  - Merit increase of 4%

# WECC Budget by Functional Area



# WECC Program Comparison

Comparison of 2014 to 2013 Budgeted Funding Requirements



# WECC 2013-2014 Budget Comparison

	2014	2013	Variance	% Variance	Explanation
Funding					
Assessments	15,815,695	40,962,547	(25,146,852)	-61.39%	
Penalties	2,742,299	2,966,850	(224,551)	-7.57%	
Other Income	4,655,237	7,095,695	(2,440,458)	-34.39%	WISP grant funding ends in 2013
Total Funding	<u>23,213,231</u>	<u>51,025,092</u>	<u>(27,811,861)</u>		
Expenses					
Personnel	15,773,968	31,239,871	(15,465,903)	-49.51%	Decrease in FTEs due to bifurcation
Meeting	2,472,154	3,110,747	(638,593)	-20.53%	WISP grant ends in 2013; bifurcation
Operating Expenses <sup>1</sup>	7,487,584	14,743,784	(7,256,200)	-49.22%	WISP grant ends in 2013; bifurcation
Indirect	(547,016)	(443,310)	(103,706)	23.39%	Fewer FTEs increases Non-stat allocation
Total Expenses	<u>25,186,690</u>	<u>48,651,092</u>	<u>(23,464,402)</u>		
Fixed Assets <sup>1</sup>	<u>445,487</u>	<u>2,374,000</u>	<u>(1,928,513)</u>	-81.23%	WISP grant ends in 2013; bifurcation
Total Budget	<u>25,632,177</u>	<u>51,025,092</u>	<u>(25,392,915)</u>	-49.77%	
Change in Working Capital	<u>(2,418,946)</u>	-	<u>(2,418,946)</u>		Use reserves in 2014 to offset Assessments

<sup>1</sup>Depreciation excluded from these values

# WECC FTE Comparison

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs* 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	3.5	3.5	4.0	0.0	4.0	0.5
Compliance and Organization Registration and Certification	50.5	50.5	58.0	0.0	58.0	7.5
Training and Education	1.5	1.5	2.0	0.0	2.0	0.5
Reliability Assessment and Performance Analysis	19.6	19.6	23.6	0.0	23.6	4.0
Situation Awareness and Infrastructure Security	85.0	85.0	0.0	0.0	0.0	(85.0)
<b>Total FTEs Operational Programs</b>	<b>160.0</b>	<b>160.1</b>	<b>87.6</b>	<b>0.0</b>	<b>87.6</b>	<b>(72.4)</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	7.6	7.6	9.5	0.0	9.5	1.9
General & Administrative	18.8	18.8	15.2	0.0	15.2	(3.6)
Information Technology	9.0	9.0	9.0	0.0	9.0	-
Legal and Regulatory	12.1	12.1	6.0	0.0	6.0	(6.1)
Human Resources	3.1	3.1	3.0	0.0	3.0	(0.1)
Finance and Accounting	5.7	5.7	4.7	0.0	4.7	(1.0)
<b>Total FTEs Administrative Programs</b>	<b>56.3</b>	<b>56.3</b>	<b>47.4</b>	<b>0.0</b>	<b>47.4</b>	<b>(8.9)</b>
<b>Total FTEs</b>	<b>216.3</b>	<b>216.4</b>	<b>135.0</b>	<b>0.0</b>	<b>135.0</b>	<b>(81.3)</b>

\* A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.



# *WECC Resource Adequacy*

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- All mission critical functions meeting expectations
- Program Area goals are reviewed and prioritized annually
- Targeted hiring of critical positions with high turnover rates



# *WECC Process Improvements & Cost Control Efforts*

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- Streamline audit processes to shorten duration and days on-site
- Leverage technology to streamline information flow and reduce manual and duplicative work
- Enhanced data relationship with NERC
- Continued enhancement of webCDMS

# *Alignment of RE and ERO*

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- Review high level objectives in ERO Strategic Plan
- Ensure goals are in alignment and support ERO objectives
- Allocate resources as appropriate

# *Working Capital*

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- Currently drafting a policy for reserve usage
  - How much to keep
  - How can it be used
  - How is excess returned
- \$5.8MM transferred from Non-statutory
- \$7.8MM transferred to RCCo
- \$5.6MM offset to 2014 Assessments
  - WECC \$2.4MM
  - RCCo \$3.2MM

# *RCCo Budget Overview*

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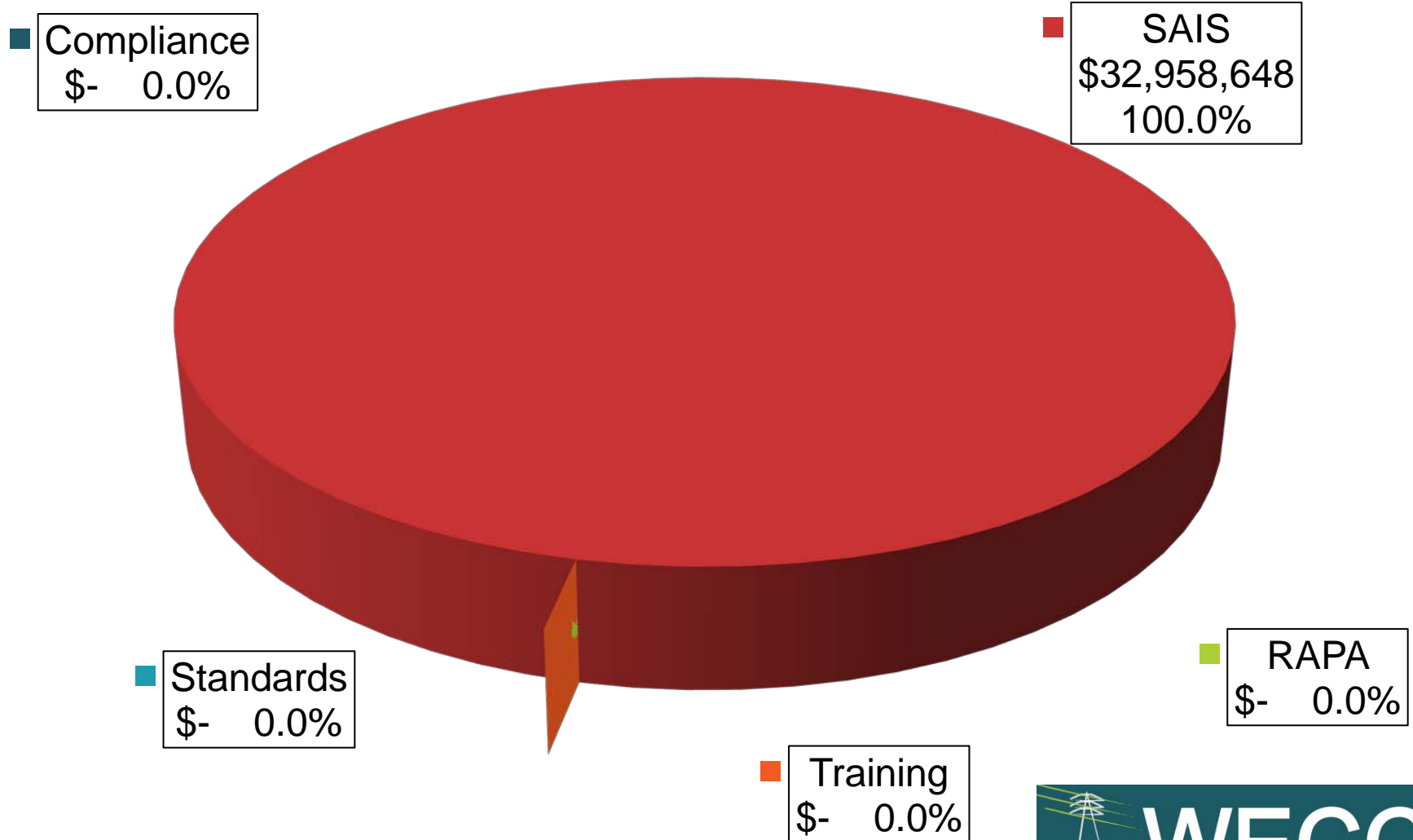
- Total direct budget increases \$9.93MM
- Assessments
  - \$3.23MM of reserves to offset Assessments
- Other Funding
  - Grant revenue decreases \$2.79MM
  - No penalties offset
- Headcount
  - Increases by 59 (64.0 FTE)

# *Other Key Factors/RCCo Assumptions*

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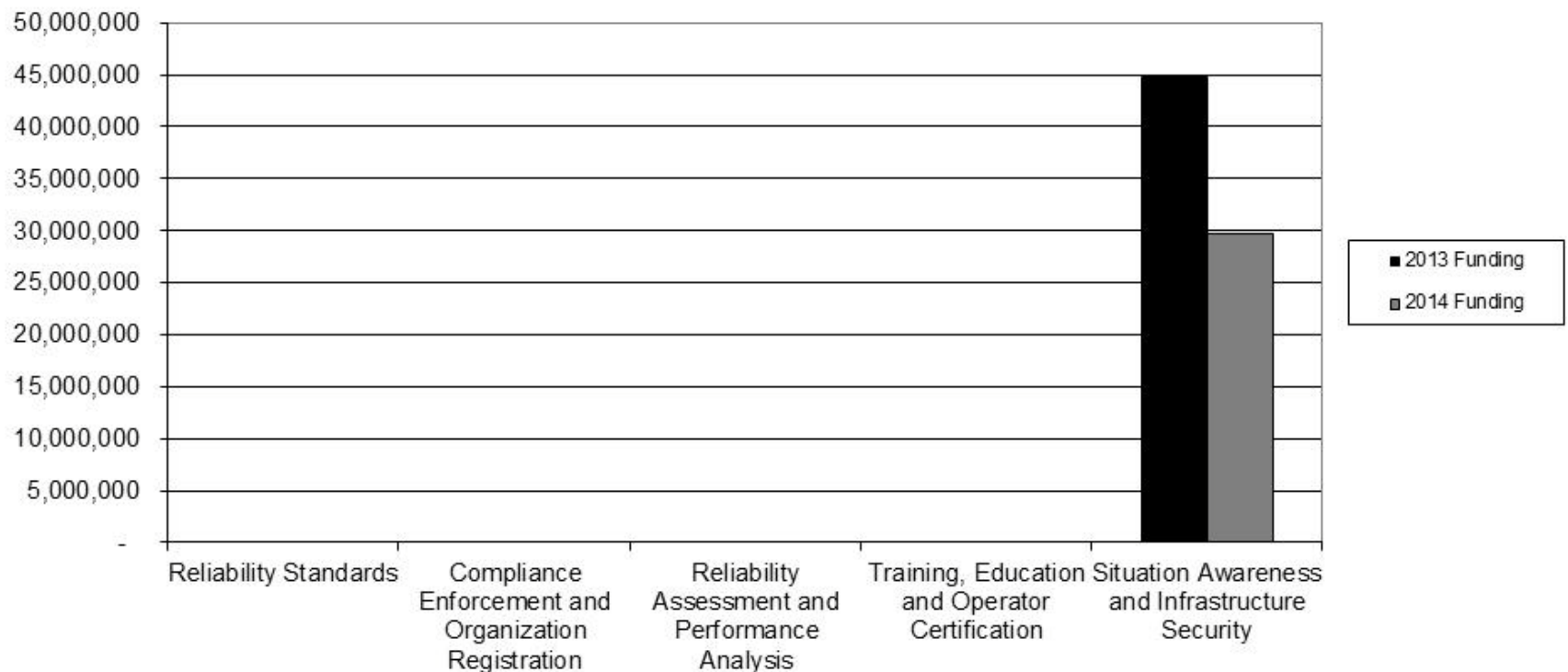
- **Bifurcation**
  - Effective 1/1/2014
- **Grants**
  - WISP funding ends 12/2013
- **Program Areas**
  - RCTF Recommendations
  - Enhanced Curtailment Calculator
  - New Administrative Services
- **Personnel**
  - Labor float
  - Medical benefits increase 20%
  - Merit increase of 4%

# RCCo Budget by Functional Area



# RCCo Program Comparison

Comparison of 2014 to 2013 Budgeted Funding Requirements



# RCCo Budget Comparison

	2014	2013	Variance	% Variance	Explanation
Funding					
Assessments	29,568,031	24,476,506	5,091,525	20.80%	
Penalties	-	1,575,157	(1,575,157)	-100.00%	No Penalties revenue in the RCCo
Other Income	156,000	2,942,585	(2,786,585)	-94.70%	WISP grant funding ends in 2013
Total Funding	<u>29,724,031</u>	<u>28,994,248</u>	<u>729,783</u>		
Expenses					
Personnel	19,397,409	12,986,645	6,410,764	49.36%	Increase in FTEs due to RCTF and bifurcation
Meeting	1,155,405	453,646	701,759	154.69%	Bifurcation; offsite Board and Committee mtgs
Operating Expenses <sup>1</sup>	10,193,834	7,713,675	2,480,159	32.15%	WISP grant ends in 2013; bifurcation
Indirect	-	6,278,766	(6,278,766)	-100.00%	2013 is WECC SAIS Program Area
Total Expenses	<u>30,746,648</u>	<u>27,432,732</u>	<u>3,313,916</u>		
Fixed Assets <sup>1</sup>	<u>2,212,000</u>	<u>1,561,516</u>	<u>650,484</u>	41.66%	Enhanced Curtailment Calculator
Total Budget	<u>32,958,648</u>	<u>28,994,248</u>	<u>3,964,400</u>	13.67%	
Change in Working Capital	<u>(3,234,617)</u>	<u>-</u>	<u>(3,234,617)</u>		Use reserves in 2014 to offset Assessments

<sup>1</sup>Depreciation excluded from these values



# RCCo FTE Comparison

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs* 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	0	0	0	0	0	0
Compliance and Organization Registration and Certification	0	0	0	0	0	0
Training and Education	0	0	0	0	0	0
Reliability Assessment and Performance Analysis	0	0	0	0	0	0
Situation Awareness and Infrastructure Security**	85.00	85.00	119.08	0	119.08	34.08
<b>Total FTEs Operational Programs</b>	<b>85.00</b>	<b>85.00</b>	<b>119.08</b>	<b>0.00</b>	<b>119.08</b>	<b>34.08</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	0	0	0	0	0	0.00
General & Administrative	0	0	12.00	0	12.00	12.00
Information Technology	0	0	3.00	0	3.00	3.00
Legal and Regulatory	0	0	7.00	0	7.00	7.00
Human Resources	0	0	3.00	0	3.00	3.00
Finance and Accounting	0	0	5.00	0	5.00	5.00
<b>Total FTEs Administrative Programs</b>	<b>0.00</b>	<b>0.00</b>	<b>30.00</b>	<b>0.00</b>	<b>30.00</b>	<b>30.00</b>
<b>Total FTEs</b>	<b>85.00</b>	<b>85.00</b>	<b>149.08</b>	<b>0.00</b>	<b>149.08</b>	<b>64.08</b>

\*A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

\*\*The 2013 values presented are from WECC's 2013 Business Plan and Budget to provide comparative figures.



# Total WECC and RCCo Budget Comparison

	2014	2013	Variance	% Variance
Funding				
Assessments	45,383,726	40,962,547	4,421,179	10.79%
Penalties	2,742,299	2,966,850	(224,551)	-7.57%
Other Income	4,811,237	7,095,695	(2,284,458)	-32.19%
Total Funding	52,937,262	51,025,092	1,912,170	
Expenses				
Personnel	35,171,377	31,239,871	3,931,506	12.58%
Meeting	3,627,559	3,110,747	516,812	16.61%
Operating Expenses <sup>1</sup>	17,681,418	14,743,784	2,937,634	19.92%
Indirect	(547,016)	(443,310)	(103,706)	23.39%
Total Expenses	55,933,338	48,651,092	7,282,246	
Fixed Assets <sup>1</sup>	2,657,487	2,374,000	283,487	11.94%
Total Budget	58,590,825	51,025,092	7,565,733	14.83%
Change in Working Capital	(5,653,563)	-	(5,653,563)	

<sup>1</sup>Depreciation excluded from these values

# Questions?

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