

Comments and Recommendations:

The Member Advisory Committee (MAC) Budget Subcommittee (MBS) participated in a WECC staff draft 2023 budget overview webinar on February 28, 2022. The MBS looks forward to having the opportunity to review the entire Business Plan and Budget document.

The MBS will participate in stakeholder webinars, review stakeholder comments, and modify its Comments and Recommendations throughout the months of March, April, and May 2022 to develop a set of recommendations on the WECC Business Plan and Budget for 2023. The recommendations will be posted, and the MBS will seek approval of the recommendations at the May MAC Special Meeting. Unless new information from the stakeholder comment period is obtained and alters the recommendations, the May approved recommendations will become the basis for the comments presented to the Board for their June 2022 approval vote.

The MBS reached consensus on the Comments and Recommendations, as provided below.

COMMENTS

- a) Collaboration and Quality of Work. The MBS wishes to thank and acknowledge WECC staff's continued commitment to and collaboration with the MAC/MBS on work documented in the WECC Business Plan and Budget for the business year 2023. The Business Plan and Budget outlines the anticipated organizational structure necessary to fulfill WECC's needs and obligations as part of the ERO Enterprise and its commitment to support the members of the Western Interconnection in Canada, Mexico, and the United States. WECC's Executive and Financial staff documented a quite thorough and an illustrative plan for 2023. WECC staff provided timely materials and was extremely detailed in their efforts to clearly outline responsibilities and future work products. WECC staff helped to establish and respond to questions in the MBS meetings and readily engaged in discussion in which they promptly provided additional insight or clarity into the matters discussed.
- b) Original WECC Budget and Assessment

The proposed 2023 budget is being increased by \$2.1 Million or 7.1% from the 2022 budget. This will set the budget to \$31.860 Million. This change provides for:

- a. Additional 7.5 FTE (2.95 to Operational Programs, 4.55 to Corporate Services) to existing headcounts bringing total to 160 FTE; thus personnel, compensation, and benefits are projected to increase \$1.94 Million.
- b. Use of the Peak Reliability funds of \$595,000 for continued development of data projects and useful software tools.
- c. Increase in computer licensing due to subscription-based services/tools, new security tools, increase of \$254,000.
- d. CMEP consulting over protection and controls standards, increase of \$85,000
- e. Decrease in travel and meeting costs (\$271,000).
- f. Refreshes of storage array equipment completed in 2022 (\$60,000).
- g. Other net changes totaling (\$30,000).
- h. The budget continues to follow a modified zero-based budgeting approach, which was recognized as an acceptable method that starts with existing personnel followed by each department within WECC justifying its expenses by analyzing its needs for its specific functions.

In the last year, WECC collected additional fines and penalties as a part of their ongoing auditory and enforcement activities. As a result of these additional collections, those monies are going to be used to further reduce assessments to the Western Interconnection entities. In the 2023 BP&B, WECC is proposing to use a portion of the collected fees instead of the full amount. The remainder of the collected fees will be used in the 2024 period with the expectation to keep overall assessments flatter over the coming years. It was viewed that this would be more stabilizing than a one-time disbursement and a substantive return in the following year if they followed the plan to credit only in one year. Therefore, in 2023, WECC has indicated that they will use \$9.7 Million for the assessment. This reduces the amount to be assessed to \$21.9 Million. For the prior six years, WECC has used monies to maintain levelized assessments at \$25 Million.

c) April Revised WECC Budget and Assessment

The revised proposed 2023 budget is being increased by \$1.9 Million or 6.5% from the 2022 budget. This will set the budget to \$31.691 Million. This change provides for:

- a. Additional 7.5 FTE (2.95 to Operational Programs, 4.55 to Corporate Services) to existing headcounts bringing total to 160 FTE; thus personnel, compensation, and benefits are projected to increase \$1.92 Million.
- b. Use of the Peak Reliability funds of \$595,000 for continued development of data projects and useful software tools.
- c. Increase in computer licensing due to subscription-based services/tools, new security tools, increase of \$293,000.
- d. CMEP consulting over protection and controls standards, increase of \$50,000



- e. Decrease in travel and meeting costs (\$283,000).
- f. Refreshes of storage array equipment completed in 2022 (\$57,000).
- g. Other net changes totaling (\$93,000).
- h. The budget continues to follow a modified zero-based budgeting approach, which was recognized as an acceptable method that starts with existing personnel followed by each department within WECC justifying its expenses by analyzing its needs for its specific functions.

In the last year, WECC collected additional fines and penalties as a part of their ongoing auditory and enforcement activities. As a result of these additional collections, those monies are going to be used to further reduce assessments to the Western Interconnection entities. In the 2023 BP&B, WECC is proposing to use a portion of the collected fees instead of the full amount. The remainder of the collected fees would be used in the 2024 period with the expectation to keep overall assessments flatter over the coming years. It was viewed that this would be more stabilizing than a one-time disbursement and a substantive return in the following year if they followed the plan to credit only in one year. Therefore, in 2023, WECC has indicated that they will use \$10.1 Million for the assessment. This reduces the amount to be assessed to \$20.7 Million. For the prior six years, WECC has used monies to maintain leveled assessments at \$25 Million.

- d) Supplemental Information of Value. A 6.5% increase is significant enough to warrant a thorough review. In the short term, the budget increase accompanied by an even larger reduction in assessments may seem reasonable. But the MBS hopes to better understand the long-term impacts of the proposal. At this time the MBS has identified the following items in which additional descriptive information could be helpful in its assessment:
 - a. Mexican Assessment Concern: Over the last few years, a concern for payment of assessments has arisen within Mexico. The Mexican government has been developing a revised policies that may raise concerns on their portion of the WECC assessment. Mexican entities have not been paying their assessments for the last couple of years. Changing policies may threaten future payments. WECC has been trying to work with the proper authorities to resolve concerns and to ensure that reliability within the Mexican states tied to WECC remains stable. As a result of continued uncertainty, WECC may need to pass along unpaid assessments to the rest of the Western Interconnection while they negotiate a solution. WECC continues to monitor the situation and will report to the MBS as needed.
 - b. Human Resources: FTE and Vacancies: WECC has identified a total of 7.5 new full-time equivalent positions that it wishes to include in its Business Plan and Budget. WECC reported the net assignments in the Overview presentation made on February 28. There are 2.95 FTE in the Program Areas while there are 4.55 FTE in the Corporate activities. As of the beginning of March 2022, WECC reports that actual headcounts are below the assigned FTE levels in the various departments. The MBS discussed the impacts of the staffing changes and believes that the work to be performed is consistent with the WECC business plans and priorities identified by the Board. That said, there were concerns expressed over the future cost of the additional

positions, absent the offsetting penalty dollar contributions, and how that would represent potentially unsustainable costs.

Program Area	2022 BP&B				2023 Draft BP&B				1-Yr Change (2023 to 2022)		4-Yr Change (2023 to 2020)	
	New	Transfer	Net	Final	New	Transfer	Net	Draft	Value	%	Value	%
Reliability Standards	-	-	-	3.00	-	-	-	3.00	-	0.0%	-	0.0%
Compliance Monitoring and Reliability Assessment and Performance Analysis	3.00	2.00	5.00	67.75	2.00	(1.75)	0.25	68.00	0.25	0.4%	7.00	11.5%
Training and Outreach	-	0.50	0.50	2.00	0.50	-	0.50	2.50	0.50	25.0%	1.00	66.7%
Situation Awareness and Infrastructure Security	-	-	-	2.00	-	-	-	2.00	-	0.0%	1.00	100.0%
Operational Programs	3.00	1.00	4.00	110.55	5.50	(2.55)	2.95	113.50	2.95	2.7%	9.00	8.6%
Technical Committees	-	-	-	-	-	-	-	-	-	#DIV/0!	-	#DIV/0!
General and Administrative	-	(1.00)	(1.00)	17.70	-	0.30	0.30	18.00	0.30	1.7%	1.50	9.1%
Legal and Regulatory	1.00	(0.50)	0.50	7.75	-	2.75	2.75	10.50	2.75	35.5%	3.50	50.0%
Information Technology	-	-	-	9.00	2.00	-	2.00	11.00	2.00	22.2%	3.00	37.5%
Human Resources	-	-	-	4.00	-	-	-	4.00	-	0.0%	-	0.0%
Finance and Accounting	-	0.50	0.50	3.50	-	(0.50)	(0.50)	3.00	(0.50)	-14.3%	-	0.0%
Corporate Services	1.00	(1.00)	-	41.95	2.00	2.55	4.55	46.50	4.55	10.8%	8.00	20.8%
Total FTEs	4.00	-	4.00	152.50	7.50	-	7.50	160.00	7.50	4.9%	17.00	11.9%

Program Area	Starting Point 2018	2019 BP&B				2020 BP&B				2021 BP&B			
		New	Transfer	Net	Final	New	Transfer	Net	Final	New	Transfer	Net	Final
Reliability Standards	3.00	-	-	-	3.00	-	-	-	3.00	-	-	-	3.00
Compliance Monitoring	59.00	-	1.00	1.00	60.00	-	1.00	1.00	61.00	1.00	0.75	1.75	62.75
Reliability Assessment	38.00	-	1.00	1.00	39.00	-	(1.00)	(1.00)	38.00	-	(0.70)	(0.70)	37.30
Training and Outreach	1.30	-	0.70	0.70	2.00	-	(0.50)	(0.50)	1.50	-	-	-	1.50
Situation Awareness and Infrastructure Security	1.00	-	-	-	1.00	-	-	-	1.00	-	1.00	1.00	2.00
Operational Programs	102.30	-	2.70	2.70	105.00	-	(0.50)	(0.50)	104.50	1.00	1.05	2.05	106.55
Technical Committees	-	-	-	-	-	-	-	-	-	-	-	-	-
General and Administrative	16.75	-	0.30	0.30	17.05	-	(0.55)	(0.55)	16.50	2.00	0.20	2.20	18.70
Legal and Regulatory	7.00	-	(1.00)	(1.00)	6.00	-	1.00	1.00	7.00	1.00	(0.75)	0.25	7.25
Information Technology	8.70	-	-	-	8.70	-	(0.70)	(0.70)	8.00	1.00	-	1.00	9.00
Human Resources	4.00	-	(1.00)	(1.00)	3.00	-	1.00	1.00	4.00	0.50	(0.50)	-	4.00
Finance and Accounting	4.25	-	(1.00)	(1.00)	3.25	-	(0.25)	(0.25)	3.00	-	-	-	3.00
Corporate Services	40.70	-	(2.70)	(2.70)	38.00	-	0.50	0.50	38.50	4.50	(1.05)	3.45	41.95
Total FTEs	143.00	-	-	-	143.00	-	-	-	143.00	5.50	-	5.50	148.50

- c. Comparability to the NERC vision of 3-year horizon planning
 - i. WECC is not fully aware of the expectations for the change to a 3-year horizon for the ERO Business Plan and Budget and we will be reaching out to NERC financial and accounting staff to see what future needs and expectations will be.
- d. Peak Fund use – WECC staff outlined the current 2022 data projects that the Peak Funds are being used for and offered that presently there are no known future expenditures in the 2023 Budget for these projects. However, current programming dollars for the programs that the Peak Funds are being used to replace current programs do have funding and may likely cover future needs of the programs from the 2022 program changeovers. WECC also outlined the 2023



project will continue to build upon the data collection and modeling needs, as well as supporting the development of a new Plexos software platform.

- e. Future projections or assumptions related to penalty revenue, ideally with some kind of high and low predictions.
- f. Potential long-term impacts of the 6.5% proposed budget increase on future assessment needs, considering the high/low projections/assumptions for future penalty revenue, should we be looking to further alter the reserve policy. Currently, WECC's reserve policy is based upon 3-month operating expenses. The MBS discussed whether 3-months is still the appropriate period of time given the trend of the budget increases.

RECOMMENDATIONS

Based on the presentation of the draft 2023 Business Plan and Budget, the MBS did not achieve unanimous consensus on the 2023 WECC Business Plan and Budget. Some members felt that the Business Plan and Budget warranted support as brought forward in the original draft, while other members were concerned that the expansion of staff and the deviation away from the assessment stabilization activities that has been employed over the last several years were potentially problematic in the future.

The original proposal, WECC identified needs for adding 7.5 FTE to the current staffing, bringing staff up to a total of 160. Most of the additions are slated to return the RAPA group to prior staffing levels, IT support, and for Legal and Regulatory departments. The positions in RAPA were something the MAC and MBS had previously supported. On the calculations for assessments, under FERC direction, regional entities are to advance collected penalty dollars as early as possible as offsets to budgets. WECC is choosing to seek a waiver on that directive, as the use of all penalty dollars against the proposed budget would create a severe deviation in annual assessments historically employed by WECC.

Some members expressed or raised, based upon class members statements, the possibility that some of the requested positions could be absorbed within the current staffing construct and that the budgetary proposal included new positions fully entitled from the first day of the budgetary year and this could be difficult to sustain and could further create a financial burden for the future. Some of the MBS shared that could be partially mitigated with a slight modification within the assessment stabilization activities. Further, given the likelihood of further escalations in costs and expenses, use of the penalty dollars will provide for a better and more stabilizing future.

Some members seek more granularity and transparency on statutory funding, specifically as it relates to the increases in corporate services and justification for funding statutory activities as necessary and appropriate under Section 215.

Therefore, the MBS would like to offer the following recommendations:



MBS Comments and Recommendations

1. The MBS supports the WECC 2023 budget as presented but provides additional findings and recommendations. While recognizing the value of the positions being proposed by WECC are consistent with the risk priorities as identified within the Board, Management, and stakeholder processes, the MBS is mindful of the importance of maintaining a consistent and forward-looking approach to the overall budget and the annual assessment. The MBS suggests that WECC carefully manage the timing of filling vacant positions in conjunction with staff expansion to minimize the requirements for new FTEs in the future while accomplishing the full range of activities required under WECC's obligations and Board direction.
2. Since WECC has successfully managed its assessment stabilization activities for several years, the MBS advocates for a continuation of the protocol in the 2023 Business Plan and Budget. With WECC already asking for a waiver of the FERC policy on use of penalty dollars policy, the MBS believes that the waiver should reflect a further extension of time on the use of the collections to one or two more years as an offset to future budgets. Utilizing penalty dollars in later years can provide certainty for WECC and its stakeholders, and along with the ERO's move to a longer-term planning horizon, an extension on the use could likely provide all parties better visibility and transparency on the future budgets and assessments.
3. Considering current factors such as the limited duration of above-average penalty dollars and the ongoing resolution of assessments for the Mexican entity and recognizing the upward tendencies of the future budgets and assessments in the context of opportunities to improve reliability and resilience in a rapidly changing Western Interconnection, the MBS advocates that the FAC and WECC Board again review strengthening the reserve policy, which at present covers 1 to 3 months. We feel that this would be consistent with strategies employed by other Western Interconnection entities and would provide a level of sustainability in an unpredictable future over the coming years
4. Satisfactory resolution of any matters raised by members in written comments due May 13, 2022, which includes granting the MBS Chair and or the MBS to update these recommendations based upon comments received.

