

Introduction

Over the last two years, several events have highlighted risks to reliability and security: the August 2020 heat wave, the February 2021 cold weather event, the 2020 SolarWinds breach, and the 2021 log4j vulnerability, among others. What used to be considered low probability events have become more frequent and are coming at a pace and with a complexity that we have not seen before. WECC needs specific expertise and resources to keep pace and to work with its stakeholders to address emerging issues.

With these considerations in mind, the 2023 draft budget was developed to:

1. Ensure WECC is adequately resourced to perform the work required;
2. Maintain working capital reserves at adequate levels;
3. Honor the assessment stabilization work done in 2016 and 2019; and
4. Consider the residual impact on meetings and travel due to the lessons learned during the pandemic.

WECC's 2023 draft budget delivers on all of these items. The statutory budget is increasing approximately \$1.9 million (6.5%) from 2022 to 2023. WECC is proposing to add 7.5 statutory full-time equivalents (FTE), which are further detailed [below](#).

The 2023 assessment has been reduced to \$20.7 million (17.2%) due to penalties collected and partially released to offset assessments. WECC received \$18,840,000 in penalty sanctions between July 1, 2021, and today. Of this amount, WECC proposes to release \$10,140,000 in penalty sanctions to offset 2023 assessments. The remaining \$8,700,000 will be released in 2024. The rationale for releasing the penalties over two years is to avoid a steep decrease in assessments in one year and a sharp increase in the second year, while also releasing the funds in a reasonable timeframe.

Statutory working capital reserves are anticipated to be approximately \$10.5 million by December 31, 2022, which is over the Reserve Policy ceiling (one to three months operating expenses) by approximately \$3.1 million.

Reconciliation of 2022 to 2023 Statutory Budget—Major Drivers

Reconciliation of 2022 to 2023 DRAFT Statutory Budget - Major Drivers

in 000s

2022 Approved Budget	29,747
+ 7.5 FTE, 3% merit, labor float adj., changes in position levels, refinement of taxes/benefits	1,922
+ Consulting for 2023 Peak Reliability donation projects	595
- Consulting for 2022 Peak Reliability donation projects	(400)
+ Increase in computer licensing due to subscription-based services/tools, new security tools	293
+ CMEP consulting for tools and protection and controls standards	50
- Decrease in travel and meeting costs due to changes in audit logistics and virtual meetings	(283)
- Non-statutory overhead allocation	(269)
- Refreshes of storage array equipment completed in 2022	(57)
+ Other net changes	93
2023 DRAFT Budget	31,691
	6.5% increase

Reconciliation of Changes from First to Second Draft

Reconciliation of Draft #1 to Draft #2 2023 Statutory Budget - Major Drivers

in 000s

Draft #1 Total Statutory Budget	31,860
- Adjust Board search fees due to timing of term limits	(80)
- Align training costs to historical spending	(59)
- Reduction in Oversight consulting due to knowledge transfer efforts	(35)
- Reduction in meeting attendance estimates	(13)
+ Non-statutory overhead allocation update	10
+ Board retainer adjustment (per MAC resolution)	9
Draft #1 to #2 Change	(169)
Draft #2 Total Statutory Budget	31,691



Reconciliation of 2022 to 2023 Statutory Budget—By Category

	2022 Budget	2023 Budget	Variance \$ Incr(Decr)	Variance % Incr(Decr)	Primary Drivers
Funding					
Assessments	\$ 25,000,000	\$ 20,708,354	\$ (4,291,646)	-17.2%	Penalties offset assessments
Penalties	5,298,000	10,139,646	4,841,646	91.4%	Released from penalties collected
Other Income	304,201	248,100	(56,101)	-18.4%	
Total Funding	\$ 30,602,201	\$ 31,096,100	\$ 493,899	1.6%	
Expenses					
Personnel Expenses	\$ 23,898,506	\$ 25,820,130	\$ 1,921,624	8.0%	7.5 FTE, 3% merit pool, labor float adj, refined tax/benefit rates
Meeting Expenses	1,230,698	947,289	(283,409)	-23.0%	Adjustments to audit logistics, increase in virtual meetings
Operating Expenses	5,200,847	5,833,622	632,775	12.2%	Computer licensing, security tools, Peak projects, CMEP consulting
Indirect Expenses	(695,066)	(964,606)	(269,540)	38.8%	
Total Expenses	\$ 29,634,985	\$ 31,636,435	\$ 2,001,450	6.8%	
Fixed Assets	\$ 111,914	\$ 54,665	\$ (57,249)	-51.2%	Completed refresh of storage arrays
Total Budget	\$ 29,746,899	\$ 31,691,100	\$ 1,944,201	6.5%	
Change in Working Capital	\$ 855,302	\$ (595,000)	\$ (1,450,302)		
FTEs	152.5	160.0	7.5	4.9%	

Changes in FTEs from 2022 to 2023

In the 2023 budget, WECC is adding 7.5 statutory FTEs (9.5 FTEs in total) and realigning some positions within program areas due to changing organizational needs and priorities driven by the environment in which WECC is operating.

Compliance Monitoring and Enforcement

Two new FTEs are added to the Compliance Monitoring and Enforcement Program (CMEP). One vice president, Reliability and Security Oversight, is added to provide key leadership in the continued development of a risk-informed CMEP to mitigate reliability and security risks to the interconnection. One cybersecurity risk engineer is added to increase bench strength, mitigate bandwidth constraints, and address an increasing workload related to assessing inherent and operational risk to reliability associated with the Cybersecurity Infrastructure Protection (CIP) standards. A total of 1.75 FTEs is transferred from CMEP to Legal and Regulatory to realign job responsibilities and support the development and enhancement of the Strategic Engagement group.

Reliability Assessment and Performance Analysis

Three FTEs are added to the Reliability Assessment and Performance Analysis (RAPA) Program. In recent years, as the Reliability Assessment Committee's Study Program has become more robust in developing studies aimed at addressing WECC's Reliability Risk Priorities, more staff time has been needed to complete the work. One senior engineer is added to help develop these studies. Two senior resource adequacy analysts are added to more fully analyze and understand the increasing risks of resource adequacy, one of the Reliability Risk Priorities, and to increase engagement in subregional



resource adequacy programs. Additionally, 0.80 FTE is transferred from RAPA to Legal and Regulatory to provide administrative and project support to the Strategic Engagement group.

Training and Outreach

An additional 0.5 FTE is added to the Training and Outreach Program to ensure WECC's insights and analyses are received and understood by a wide array of stakeholders and decision-makers, and to make sure that relevant work products are reaching appropriate stakeholders promptly. WECC will use this partial FTE to convert the 0.5 FTE added in the 2022 Business Plan and Budget to a full-time position.

Corporate Services

One associate systems administrator and one information security analyst are added to the Information Technology Program, to provide administration and security monitoring of increased enterprise security tools. These positions, in conjunction with other security personnel, work to continually improve WECC's security posture and to protect the increasing volume of stakeholder data housed in our systems.

Additionally, the following transfers affect Corporate Services:

- 1.75 FTEs, 0.8 FTE, and 0.20 FTE are transferred from CMEP, RAPA, and General and Administrative (G&A), respectively, to Legal and Regulatory to realign job responsibilities, provide administrative and project assistance, and create the cooperation that will allow Strategic Engagement to develop and improve every aspect of WECC; and
- 0.50 FTE is transferred from Finance and Accounting to G&A to assist with administrative tasks.

Non-Statutory

Two program analysts are added to the non-statutory program due to program growth, increasing account holder audit requirements, and software administration needs.

