

2027 Draft Budget Overview

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Statutory Budget Introduction

Those who plan, operate, and care about the reliability of the Western Interconnection continue to confront numerous and rapidly evolving challenges – increasingly recurrent extreme natural events, large-scale generator retirements to meet aggressive clean energy goals, massive amounts of new generators that present new technological and dispatchability challenges, evolving and increasing cybersecurity and physical threats, the risks and opportunities posed by artificial intelligence (AI), and the proliferation of data centers and other technologies, with their accompanying large demand for electricity. The 2027 Business Plan and Budget assumes that all these challenges will continue, as will the challenges in the labor market, where the competition for talent and the increasing costs to attract and retain a highly skilled workforce remain. Given the rapidly evolving state of AI, this budget assumes status quo relating to process improvements. Any potential efficiencies gained due to WECC's 2026 adoption of AI are not assumed in the 2027 budget.

Given this industry context, the 2027 draft statutory budget was developed with these things in mind:

1. Ensuring WECC is adequately resourced to meet its delegated responsibilities, to mitigate the increasing risks to reliability, and to meet the resulting demands placed on the organization
2. Recognizing the growing complexity and pace of change in the industry
3. Maintaining working capital reserves at adequate levels

WECC's 2027 draft budget is developed based on operational needs and meeting the terms of our Delegation Agreement without presupposing the availability of penalties to offset assessments. The statutory budget is \$42.0 million and is increasing approximately \$1.9 million (4.7%) from 2026 to 2027. The major drivers of the proposed net budget increase are nine full-time equivalent (FTE) additions, merit and market adjustment pools, a one-time gas-electric interdependence study (funded with Peak Reliability Donation Reserves), and an increase in the indirect allocation of overhead expenses to the non-statutory program. Excluding the one-time study expense funded by the Peak Donation Reserves, the budget increase is 2.2%.

The 2027 assessment increases \$2.9 million (8.0%) to \$38.5 million due to the increase in budgeted expenditures and a reduction in the use of reserves to offset assessments. An 8% increase is in line with prior assessment stabilization work and MAC Budget Subcommittee recommendations. Additionally, there have been no penalties collected to date to offset 2027 assessments; therefore, the draft 2027 budget is funded mostly by assessments, with the exception of a small amount of investment and workshop revenue, Peak Reliability Donation reserves, and working capital reserves. In prior years, in some cases, there were large penalties available to lower assessments.

Statutory reserves are anticipated to be approximately \$8.7 million by December 31, 2026, which is near the high end of the Reserve Policy ceiling of \$10.5 million (one to three months of operating

expenses). Per this draft of the 2027 Business Plan and Budget, management proposes using approximately \$1,145,000 of Peak Reliability Donation reserves and \$995,000 of working capital reserves to fund the 2027 budget.

In recent years, WECC has been working to improve its ability to project future years’ budgets presented in the annual business plan and budget. The total 2027 draft budget’s expenditures are currently \$267,000 less than our 2027 budget projection presented in the 2026 Business Plan and Budget.

Reconciliation of 2026 to 2027 Statutory Budget – Major Drivers

	2026 Budget	2027 Budget	Variance \$ Incr(Decr)	Variance % Incr(Decr)	Primary Drivers
Funding					
Assessments	\$ 35,657,280	\$ 38,509,860	\$ 2,852,580	8.0%	Budget increase, no penalties, assessment stabilization recommendation
Penalties	41,745	-	(41,745)	-100.0%	
Other Income	1,757,506	1,363,053	(394,453)	-22.4%	Lower interest rates, reduction of one R&S Workshop
Total Funding	\$ 37,456,531	\$ 39,872,913	\$ 2,416,382	6.5%	
Expenses					
Personnel Expenses	\$ 32,652,261	\$ 34,180,975	\$ 1,528,714	4.7%	9 FTE, 5% merit/market adj pool, refined tax/benefit rates
Meeting Expenses	1,655,128	1,552,548	(102,580)	-6.2%	Reduction of one R&S Workshop, increased travel costs and activity
Operating Expenses	7,153,710	7,838,874	685,164	9.6%	Gas-electric interdependence study, completion of WestTEC project
Indirect Expenses	(1,437,341)	(1,691,294)	(253,953)	17.7%	Increase in non-statutory FTE, increase in expense base for allocation
Total Expenses	\$ 40,023,758	\$ 41,881,103	\$ 1,857,345	4.6%	
Fixed Assets	\$ 109,116	\$ 132,187	\$ 23,071	21.1%	
Total Budget	\$ 40,132,874	\$ 42,013,290	\$ 1,880,416	4.7%	
Change in Working Capital	\$ (2,676,343)	\$ (2,140,377)	\$ 535,966		Lower use of reserves to offset assessments
FTEs	178.0	187.0	9.0	5.1%	

Proposed Statutory FTE Additions in 2027

In the 2027 budget, WECC is adding nine statutory FTEs (and three non- statutory FTEs) due to increasing organizational needs and priorities driven by the environment in which WECC is operating.

Compliance Monitoring and Enforcement

Seven FTEs are added to the Compliance Monitoring and Enforcement Program (CMEP) and the Organization Registration and Certification budgets in 2027.

- Four auditors are added due to increases in activity due to monitoring of new registrants and anticipated increases in expectations from NERC and FERC.
- One risk assessment engineer is added to assist in oversight planning and analysis activities.
- Two compliance program coordinators are added due to increased activities across registration and certification, entity monitoring, and enforcement due to new registrants.

Information Technology

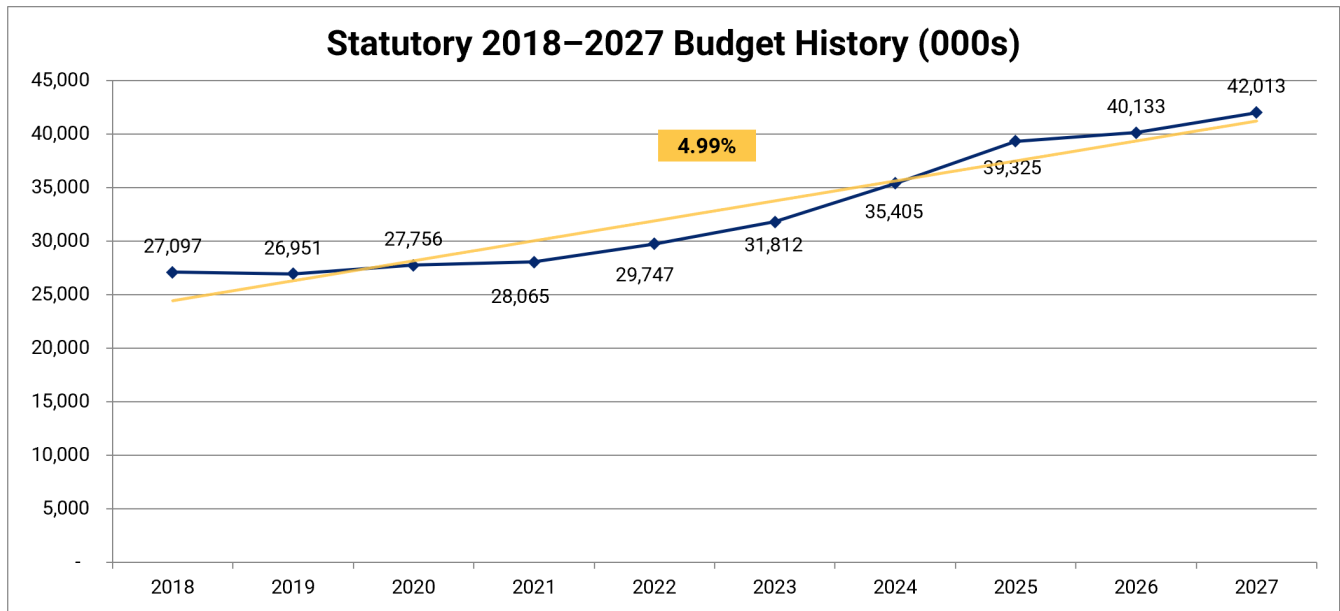
- One AI analyst is added to help translate business needs into data workflows for AI tools to improve processes and analytical capabilities.
- One data reporting analyst is added to provide and expand data management and reporting capabilities.



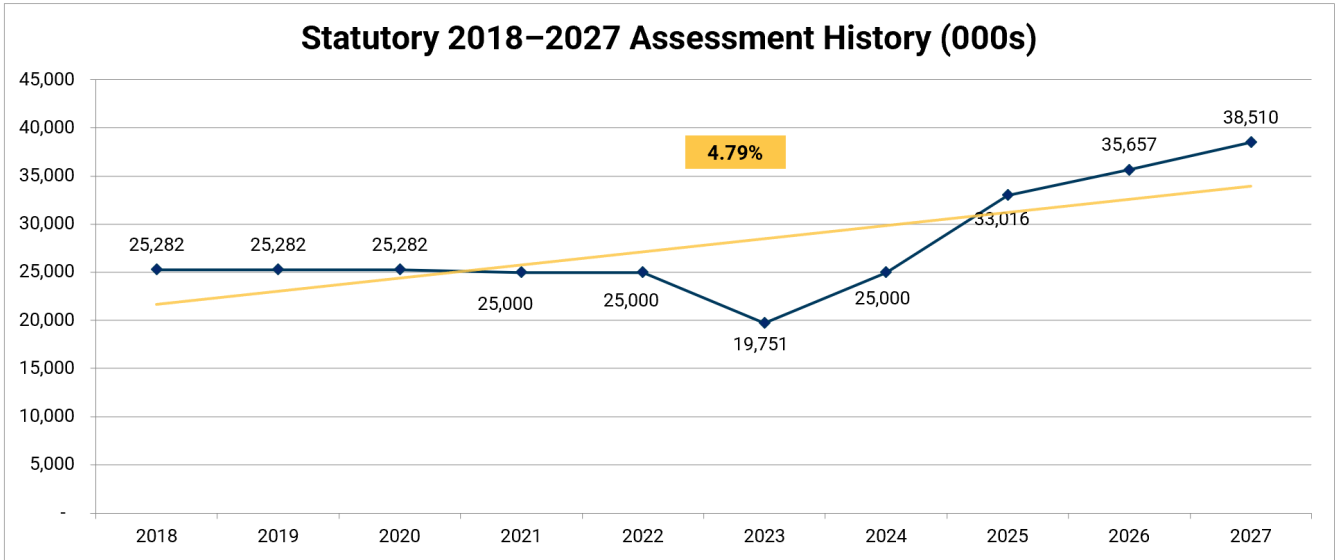
2027 Budget – Draft #1 to Draft #2 Comparison

	2027 Budget Draft #1	2027 Budget Draft #2	Variance \$ Incr(Decr)	Variance % Incr(Decr)	Primary Drivers
Funding					
Assessments	\$ 38,509,861	\$ 38,509,860	\$ (1)	0.0%	
Penalties	-	-	-	100.0%	
Other Income	1,610,303	1,363,053	(247,250)	-15.4%	Reduction of one R&S Workshop
Total Funding	\$ 40,120,164	\$ 39,872,913	\$ (247,251)	-0.6%	
Expenses					
Personnel Expenses	\$ 34,180,975	\$ 34,180,975	\$ -	0.0%	
Meeting Expenses	1,854,670	1,552,548	(302,122)	-16.3%	Reduction of one R&S Workshop and associated employee travel
Operating Expenses	7,848,124	7,838,874	(9,250)	-0.1%	
Indirect Expenses	(1,688,276)	(1,691,294)	(3,018)	0.2%	
Total Expenses	\$ 42,195,493	\$ 41,881,103	\$ (314,390)	-0.7%	
Fixed Assets	\$ 132,187	\$ 132,187	\$ -	0.0%	
Total Budget	\$ 42,327,680	\$ 42,013,290	\$ (314,390)	-0.7%	
Change in Working Capital	\$ (2,207,516)	\$ (2,140,377)	\$ 67,139	-3.0%	
FTEs	187.00	187.00	-	0.0%	

10-Year Statutory Budget and Assessments Trend



WECC’s 2027 budget increases 4.7% from 2026. Over the past decade, budget increases have varied depending on the operating environment and business needs each year, and the average annual increase is 4.99% over that period.



Before 2025, assessments were stable, with seven of the last 10 years being approximately \$25 million or less. When annualized over the past decade, the average assessment increase is 4.8%. The availability of penalties to offset assessments in that seven-year period created a scenario in which assessments did not fully fund the annual budgets for many years. In the current draft budget for 2027, the use of both Peak Donation Reserves and working capital reserves is proposed to offset assessment increases and fund projects that will contribute to BPS risk mitigation.

Non-Statutory Budget Introduction

The Western Renewable Energy Generation Information System (WREGIS), WECC’s only non-statutory program, is an independent, web-based tracking system for renewable energy certificates (REC), predominantly in the Western Interconnection, and has been housed at WECC since 2006. WREGIS is funded through activity-based fees charged to its users. Although aligned with WECC’s commitment to resource neutrality and interconnection-wide perspective, WREGIS’s core activities are not part of WECC’s core statutory business functions and are, therefore, considered non-statutory.

Over the last decade, the use of renewable energy and the need to have reliable, credible information for regulatory compliance and voluntary renewable usage has increased. States and provinces across North America are increasing both the amount of renewable energy they are requiring and the ways in which they count this energy for regulatory purposes. Current and proposed legislation around the West anticipates the increased use of renewable energy through the end of the decade and beyond. The WREGIS budget assumes that increased renewable energy penetration will drive increased utilization of WREGIS.

In addition, the 2027 budget is a transition year to an eventual separation of WREGIS into an independent company. This transition is expected to take place after the completion of Phase 2 software development work and is projected for January 1, 2028.

WREGIS's web-based tracking system currently operates using a third-party software solution. In October 2024, CleanCounts, the software provider since November 2022, notified WECC that it would not renew its software agreement with WECC at the end of the agreement's term, December 31, 2027.

The expiration of WECC's software agreement with CleanCounts created an opportunity for WECC and its board to evaluate how WREGIS can best meet the needs of its users and the programs it serves in the future. Following a significant review of potential paths forward, the long-term decision is that developing custom software and separating WREGIS from WECC is the best path forward.

At the direction of WECC's board, an RFP was issued, and Atomic Object was selected to create a greenfield attribute tracking software that is accurate, effortless, and empowering – a tool that saves time, reduces stress, builds trust, and provides users with a seamless experience. The software development project commenced in late 2025 and WECC anticipates that Phase 2 of the software development project will be completed by the middle of 2027. All expenditures incurred for both the software development and the establishment of the new entity will be funded by non-statutory program revenue and reserves.

WREGIS's 2027 draft budget is \$6.75 million and is increasing approximately \$2.1 million (45.6%) from 2026. The major drivers of the proposed net budget increase from 2026 are three full-time equivalent (FTE) additions, the conversion of some positions budgeted in 2026 to more highly compensated roles (CEO and two developers), consulting, and software development costs for Phase 2.

While the increase is significant over the 2026 non-statutory budget, it is important to note that the 2027 budget includes both the CleanCounts software licensing fees and an overhead allocation, totaling \$2.4 million. Without those expenses, which will not exist in a stand-alone WREGIS, the 2027 budget would have been \$4.5 million, which is on par with our current projections for first-year operations as a stand-alone entity.

User fees in 2027 increase \$820,000 (24.2%) to \$4.2 million due to the consistent year-over-year increases in activity levels in the system. The 2027 budget for user fees is 14% higher than 2025 actual user fee revenue. See the revenue chart on page 6.

Non-statutory working capital reserves are anticipated to be approximately \$3.2 million by December 31, 2026. Per this draft of the 2027 WREGIS budget, management proposes using approximately \$2.4 million of non-statutory working capital reserves to fund the 2027 budget.

Comparison of 2026 to 2027 and 2027 to 2028 Non-Statutory Budget

	2026 Budget	2027 Budget	Variance \$ Incr(Decr)	Variance % Incr(Decr)	2027 Budget	2028–YR 1 Budget	Variance \$ Incr(Decr)	Variance % Incr(Decr)
Funding								
User Fees	\$ 3,385,000	\$ 4,205,240	\$ 820,240	24.2%	\$ 4,205,240	\$ 4,457,554	\$ 252,314	6.0%
Other Income	182,500	127,500	(55,000)	-30.1%	127,500	100,000	(27,500)	-21.6%
Total Funding	\$ 3,567,500	\$ 4,332,740	\$ 765,240	21.5%	\$ 4,332,740	\$ 4,557,554	\$ 224,814	5.2%
Expenses								
Personnel Expenses	\$ 1,788,183	\$ 2,602,867	\$ 814,684	45.6%	\$ 2,602,867	\$ 3,185,776	\$ 582,909	22.4%
Meeting Expenses	51,480	50,785	(695)	-1.4%	50,785	105,000	54,215	106.8%
Operating Expenses	1,347,972	1,469,263	121,291	9.0%	1,469,263	1,025,320	(443,943)	-30.2%
Indirect Expenses	1,437,341	1,688,276	250,935	17.5%	1,688,276	-	(1,688,276)	-100.0%
Total Expenses	\$ 4,624,976	\$ 5,811,191	\$ 1,186,215	25.6%	\$ 5,811,191	\$ 4,316,096	\$ (1,495,095)	-25.7%
Fixed Assets	\$ 12,884	\$ 936,653	\$ 923,769	7169.9%	\$ 936,653	\$ -	\$ (936,653)	-100.0%
Total Budget	\$ 4,637,860	\$ 6,747,844	\$ 2,109,984	45.5%	\$ 6,747,844	\$ 4,316,096	\$ (2,431,748)	-36.0%
Change in Working Capital	\$ (1,070,360)	\$ (2,415,104)	\$ (1,344,744)		\$ (2,415,104)	\$ 241,458	\$ 2,656,562	
FTEs	16.0	19.0	3.0	18.8%	19.0	19.0	0.0	0.0%

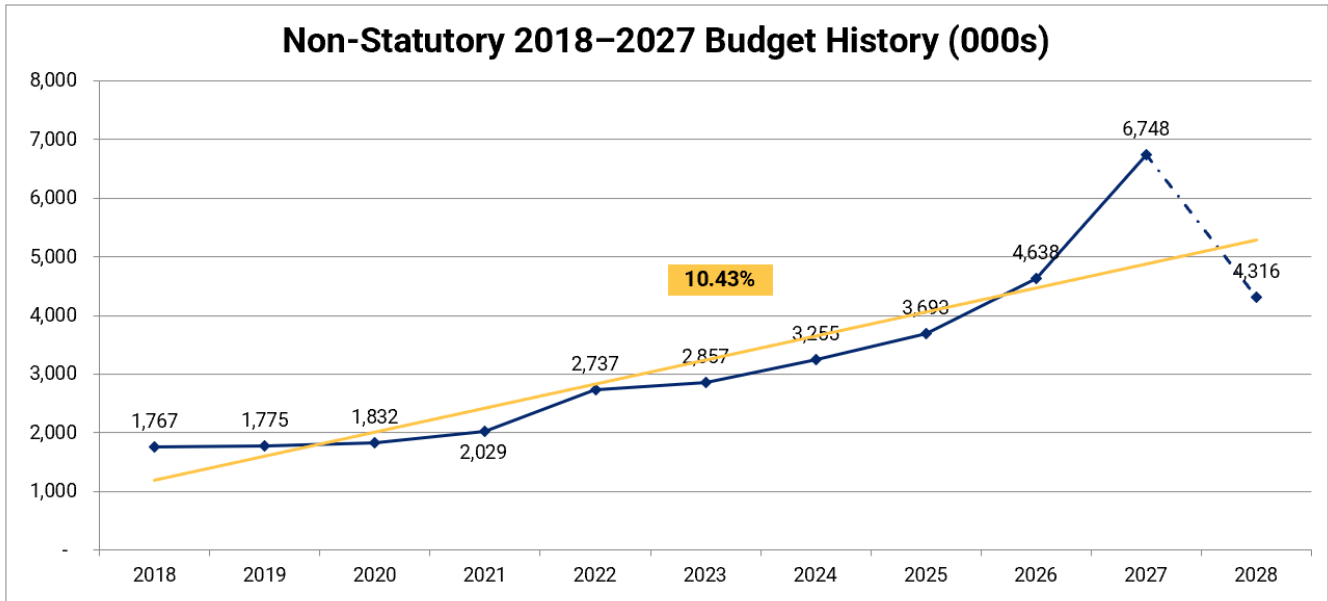
Between 2026 and 2027, WREGIS is funding its software development project, staffing up, and getting systems in place for a January 1, 2028, separation from WECC. In late 2025, a preliminary Year-1 stand-alone budget was prepared to estimate costs for the first year of operations for the new organization. That preliminary stand-alone budget has been refined during this budget cycle and is noted above as 2028–YR 1. The WREGIS budget decreases \$2.4 million between 2027 and 2028 due to the elimination of software licensing fees for the current software and the overhead allocation from WECC and as of this draft, WREGIS will be cash flow positive in YR 1. The first draft of the YR 1 budget last fall was \$900,000 higher than the current draft, mostly due to the refinement of personnel – both headcount and cost.

Proposed Non-Statutory FTE Additions in 2027

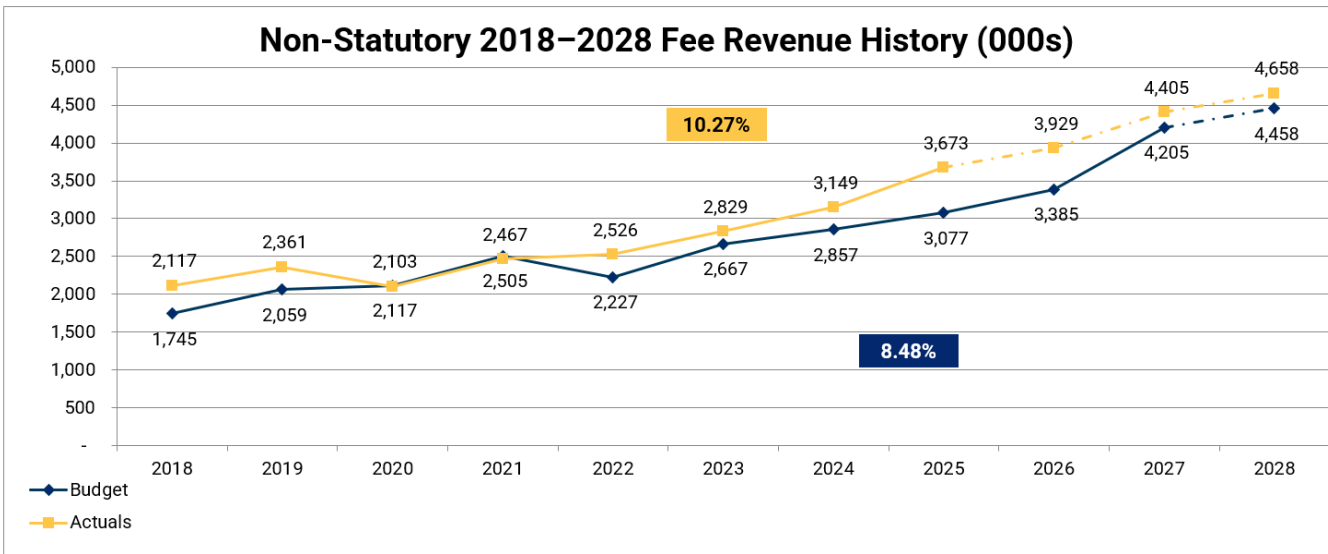
In the 2027 budget, WREGIS is adding 3.0 statutory FTEs in the last quarter of the year in preparation for the anticipated January 1, 2028, separation from WECC.

- One accounting role is added to manage the accounting and financial reporting.
- One system administrator is added to maintain the IT resources and focus on system maintenance, performance monitoring, user management, and troubleshooting.
- One marketing and communications role is added to plan, create, and deliver promotional materials, digital content, and communication strategies to increase engagement and brand awareness.

10-Year Budget and Revenue Trend



WREGIS's 2027 budget increases 45.5% from 2026 and, based on current 2028 estimates, drops 36% from 2027 in the first year it is a stand-alone organization. Over the past decade, budget increases have varied depending on the operating environment, system volumes, and business needs each year, and the average annual increase is 10.43% over that period, including the draft budget for 2028. Prior to 2027, the 10-year average was 11.5%.



This chart provides 10 years of fee revenue budget data and eight years of actual fee revenue data (with conservative estimates for 2026 and 2027 and projections for 2028) to provide insights into the trending of both. When annualized over the past decade, the average increase for the budget is 8.48% and actual fee revenue is trending higher at average growth of 10.27% per year.