

To: WPP Board
From: WPP Staff
Date: June 5, 2024
Meeting Date: June 13, 2024

Subject: Western Power Pool 2024-2025 Fiscal Year Budget

Recommended Action:

Staff recommends the Board of Directors approve the proposed Western Power Pool (WPP) Budget for the 2024-2025 Fiscal Year (July 1, 2024 - June 30, 2025).

Background:

WPP's fiscal year runs from July – June annually; the Board of Directors typically approves the corporate budget for the upcoming fiscal year at the board meeting preceding the end of the fiscal year.

In 2023, WPP Leadership and Staff conducted a series of “town hall” meetings with WPP member companies across the West, discussing a range of strategic considerations facing WPP and its members. In these meetings, members consistently expressed a need for WPP to acquire resources to address expansion of existing programs and internal updates aimed at improving transparency, durability, and quality of the services WPP provides.

The following budget considers resource needs across the organization to ensure WPP is meeting program needs as well as infrastructure needs. The proposed resource additions contribute to a 13% increase to the WPP corporate budget compared to the 2023-2024 Fiscal Year Budget.

Throughout the month of May, WPP leadership presented the budget, the drivers for the increased costs, and the impacts to program costs, and took questions from member committees. The Transmission Planning Committee, Operating Committee, Reserve Sharing Group Committee, Western Frequency Response Group Committee, PNCA Coordinating Group, and the WRAP Resource Adequacy Participants Committee all reviewed and endorsed the portion of the proposed budget allocated to their respective member committees.

Proposed Resource Additions:

The following General and Administrative (GA) have been identified as resource additions – costs related to these additions are primarily included in the budget as allocated general and administrative costs, though some are direct billed on a project-by-project basis, as appropriate:

- Chief Financial Officer
- Senior Accountant – (replaces existing role, currently filled by contract staff)
- Human Resources Administrator
- Clerk of the Board/Compliance Administrator
- IT Supervisor
- Software Developer
- Management Analyst – budgeting, program and project reporting, contract/workorder administration

Program Specific Roles:

The following roles are to be included in direct-billed costs to specific programs:

- Reserve Sharing Group/Operating Committee/Western Frequency Response Sharing Group
 - Senior Role – non-tariff programs
- Operating Committee
 - Technical Trainer
 - Video Editor
- Transmission Planning Committee/Regional Transmission Planning Services
 - Transmission Planning Intern
- Western Resource Adequacy Program
 - Policy Analyst
 - Senior Role – emphasis on Forward Showing
- Hydro Modeling
 - Headwater Benefits – facilitation and/or subject matter expertise

Cost Allocation Changes:

Two substantive changes in cost allocation methodology are being considered in this budget: cost of time related to training and annual GA costs.

In the past two budget cycles, training labor costs have been allocated as a mix of direct labor and GA costs, primarily being billed as the latter. As the training team looks to expand, update the portfolio of training content, and provide subscription services, it is important that WPP allocates these costs to those with access to the Source.Training platform. Moving forward, direct labor and expenses will be allocated to the Operating Committee (OC), Reserve Sharing Group (RSG), Transmission Planning Committee (TPC), and Western Frequency Response Sharing Group (WFRSG). With the expansion of the subscription service to the Source.Training platform, WPP will actively consider ways to apply future revenues to these costs to mitigate the impacts forecasted in the attached budget.

In an effort to meet requests for more predictability and consistency in monthly bills, WPP intends to improve how GA costs are charged to members. Prior to the 2024-2025 Fiscal Year, GA costs for the preceding month were allocated in monthly invoices based on direct labor allocation in that month. In specific circumstances (direct labor PTO or need for additional hours in project efforts), this practice led to unexpected swings in GA charges in some months for some projects. In the 2024-2025 Fiscal Year, Staff intends to bill GA costs based on an annual GA budget (1/12 each month). Each quarter, the remainder of the budget will be reviewed for an opportunity to true up to actual costs.

Conclusion: Staff recommends the Board of Directors approve 2024-2025 Fiscal Year Budget on June 13, 2024, based on:

- a. Expressed needs by members to increase WPP resources to address program expansion.
- b. Planned internal updates aimed at improving transparency, durability, and quality of the services WPP provides.
- c. Endorsement of the program components of the proposed budget by all impacted WPP member committees.

2024-25 Proposed Budget vs 2023-24 Approved Budget (Corporate View)

	2023-24 Approved Budget		2024-25 Proposed Budget		Budget Change (\$) 2023-24 -> 2024-25		Budget Change (%) 2023-24 -> 2024-25
	TOTALS		TOTALS				
Total Labor Hours		43,516		71,204		27,688	64%
Total Loaded Labor Cost	\$	5,317,812	\$	6,844,037	\$	1,526,225	29%
Board Fees	\$	208,350	\$	502,500	\$	294,150	141%
Rent& Occupancy	\$	245,151	\$	271,111	\$	25,960	11%
Equipment Rental	\$	3,240	\$	69,533	\$	66,293	2046%
OH Expenses	\$	46,880	\$	23,500	\$	(23,380)	-50%
G&A Admin	\$	211,430	\$	403,027	\$	191,598	91%
Professional Services	\$	161,620	\$	776,191	\$	614,571	380%
Total GAIT Expenses	\$	876,671	\$	2,045,862	\$	1,169,191	133%
TOTAL GAIT + Labor	\$	6,194,483	\$	8,889,899	\$	2,695,415	44%
Direct Project Costs	\$	7,218,034	\$	6,380,229	\$	(837,805)	-12%
Total Expenses	\$	13,412,517	\$	15,270,128	\$	1,857,611	14%

2023-24 Board Level Summaries & Variances

Program	Approved Budget	Proposed Budget	Budget Change (\$)	Budget Change (%)
	2023-24	2024-25	2023-24 -> 2024-25	2023-24 -> 2024-25
	TOTAL	TOTAL	TOTAL	TOTAL
Operating Programs	\$ 2,665,067	\$ 4,432,996	\$ 1,767,929	66%
RSG	\$ 1,432,731	\$ 2,227,182	\$ 794,451	55%
OC	\$ 590,774	\$ 1,543,013	\$ 952,239	161%
SRSG	\$ 268,593	\$ -	\$ (268,593)	
PNCA	\$ 206,837	\$ 23,785	\$ (183,052)	-89%
WFRSG	\$ 146,339	\$ 166,417	\$ 20,078	14%
Interim RA	\$ 19,793	\$ -	\$ (19,793)	
Training Subscription	\$ -	\$ 140,825	\$ 140,825	
Headwater Benefits	\$ -	\$ 331,774	\$ 331,774	
Transmission Planning Services	\$ 1,510,450	\$ 1,269,532	\$ (240,918)	-16%
TPC	\$ 413,257	\$ 453,255	\$ 39,998	10%
NG	\$ 556,952	\$ 334,158	\$ (222,794)	-40%
Area 40	\$ 142,694	\$ 134,610	\$ (8,084)	-6%
TPS	\$ 397,547	\$ 41,311	\$ (356,236)	-90%
TPS PCM	\$ -	\$ 215,780	\$ 215,780	
WestTec	\$ -	\$ 90,417	\$ 90,417	
WRAP	\$ 9,237,000	\$ 9,567,601	\$ 330,601	4%
WRAP-PMF	\$ 974,000	\$ 1,062,602	\$ 88,602	9%
Program Administration	\$ 810,500	\$ 690,368	\$ (120,132)	-15%
WRAP Portion of WPP Board of Directors	\$ 163,500	\$ 372,235	\$ 208,735	128%
WRAP-SIME	\$ 8,263,000	\$ 8,504,998	\$ 241,998	3%
Program Administration	\$ 2,431,500	\$ 2,900,855	\$ 469,355	19%
WRAP Portion of WPP Board of Directors	\$ 163,500	\$ 372,235	\$ 208,735	128%
Program Operation Overhead and Staffing	\$ 4,296,000	\$ 4,366,909	\$ 70,909	2%
Program Operations Technology	\$ 200,000	\$ 200,000	\$ -	0%
Legal Services	\$ 672,000	\$ 465,000	\$ (207,000)	-31%
Independent Evaluator	\$ 500,000	\$ 200,000	\$ (300,000)	-60%
WPP TOTAL	\$ 13,412,517	\$ 15,270,128	\$ 1,857,611	14%