

2015 Business Plan and Budget

Peak Reliability

Approved by:
Peak Board of Directors

Date:
June 5, 2014

Table of Contents

Introduction	3
Organizational Overview.....	3
Membership and Governance	4
Statutory Functional Scope.....	5
2015 Peak Business Objectives	5
2015 Overview of Cost Impacts.....	5
Personnel Analysis	6
2014 Budget and Projection and 2015 Budget Comparisons	7
Section A — 2015 Business Plan.....	9
Situation Awareness and Infrastructure Security Program	9
Administrative Services	14
Technical Committees and Member Forums	15
General and Administrative	18
Legal and Regulatory.....	21
Information Technology	24
Human Resources	27
Finance and Accounting	30
Section B — Supplemental Financial Information.....	34
Reserve Balance	34
Penalty Sanctions.....	35
Supplemental Funding.....	36
Personnel Expenses.....	37
Consultants and Contracts	39
Office Rent.....	40
Office Costs	41
Professional Services	42
Other Non-Operating	43
Section C — 2015 Non-Statutory Business Plan and Budget	45
Section D — Additional Consolidated Financial Statements	51
2015 Consolidated Statement of Activities by Program.....	51
Appendix A: Organizational Chart.....	52
Appendix B: 2015 Budget & Projected 2016 and 2017 Budgets.....	53

Introduction

TOTAL RESOURCES (in whole dollars)			
	2015 Budget	U.S.	Mexico
Statutory FTEs *	161.7		
Non-statutory FTEs	1.0		
Total FTEs	162.7		
Statutory Expenses	\$ 40,490,722		
Non-Statutory Expenses	\$ 416,796		
Total Expenses	\$ 40,907,518		
Statutory Inc(Dec) in Fixed Assets	\$ (1,564,000)		
Non-Statutory Inc(Dec) in Fixed Assets	\$ (26,000)		
Total Inc(Dec) in Fixed Assets	\$ (1,590,000)		
Statutory Working Capital Requirement**	3,230,000		
Non-Statutory Working Capital Requirement	89,855		
Total Working Capital Requirement	3,319,855		
Total Statutory Funding Requirement	\$ 42,031,236		
Total Non-Statutory Funding Requirement	\$ 456,000		
Total Funding Requirement	\$ 42,487,236		
Statutory Funding Assessments	\$ 41,953,236	\$ 41,301,094	\$ 652,142
Non-Statutory Fees	\$ 456,000	\$ 456,000	\$ -
NEL ****	746,689,670	735,082,752	11,606,918
NEL%	100.00%	98.45%	1.55%

*An FTE is defined as a full-time equivalent employee.

**Refer to the Statutory Reserve Analysis on page 34 in Section B.

****NEL is defined as Net Energy for Load.

Organizational Overview

At its December 2013 meeting, after eighteen months of outreach and input from its stakeholders and members, the Western Electricity Coordinating Council (WECC) Board of Directors approved the bifurcation of WECC into the Regional Entity (WECC) and the Reliability Coordinator Peak Reliability (Peak). On February 12, 2014, the Federal Energy Regulatory Commission (FERC) issued its final Order¹ approving the bifurcation of WECC. Peak is registered for and fulfills the duties of the Reliability Coordinator (RC) and the Interchange Authority (IA), as defined by the North American Electric Reliability Corporation (NERC), and agreed upon by FERC, for Peak's RC Area in the Western Interconnection.

¹ RR13-10-001 and RR13-12-001 - <http://www.ferc.gov/CalendarFiles/20140212175906-RR13-10-001.pdf>

Peak is a 501(c)(4) entity operating in the “best interest of the public welfare.” Peak’s mission is fully described in the Peak Bylaws² to, “support and promote social welfare by endeavoring to ensure reliability by providing Real-time Interconnection-wide oversight of the Bulk Electric System (BES) within Peak’s footprint, coordinating necessary Real-time and seasonal planning and modeling, and ensuring that data critical to the reliable and efficient operation of the BES is shared appropriately.”

The mission goes on to say, “Peak will create value by delivering cost-effective services and engaging in efficient and non-discriminatory practices. Upon approval by the Peak Board of Directors, Peak will perform additional functions that promote BES reliability and support.”

Membership and Governance

Peak has 121 companies who are members³ of Peak, divided into the following six membership classes:

1. Large Transmission Owners
2. Small Transmission Owners
3. Generation Owners and Operators
4. End Users
5. Representatives of State and Provincial Governments
6. Members at Large

Peak membership is open to any person or entity that has an interest in the reliable operation of the Western Interconnection BES.

Peak is governed by a seven-member Independent Board of Directors. The seven Independent Directors are not affiliated with any Peak member, any Registered Entity within the Western Interconnection, or any Compliance Enforcement Authority with jurisdiction over Peak’s activities. The Peak Board is elected by the Peak Membership and the Directors are compensated for their time.

Input comes to the Peak Board from the member organizations, through recommendations from the Peak Member Advisory Committee (MAC) and from other interested parties. The MAC is comprised of member representatives elected by the member Classes. The MAC advises the Board regarding matters referred to the MAC by the Board; and advises the Board on other matters as the MAC deems appropriate. The MAC consists of fifteen elected Members and includes three representatives elected by each of Classes 1 through 5. As set forth in the Peak Bylaws, each of Member Classes 1 through 5 may subdivide into up to three subdivisions for purposes of electing a Class’ MAC Members.⁴

² Peak Bylaws -

https://www.peakrc.com/Business/Peak%20Reliability%20Bylaws%20with%20appendices_final.pdf

³ As of May 21, 2014.

⁴ Peak Bylaws, Section VII.A.

Statutory Functional Scope

Peak is listed on the NERC Compliance Registry to perform the RC and IA functions as statutory activities.

2015 Peak Business Objectives

Peak's business objectives for 2015 position Peak as the catalyst for system reliability by:

1. Providing comprehensive real-time monitoring, clear real-time communications and coordination, robust operations planning processes and detailed studies and analyses to identify and evaluate mitigation strategies for system risks.
2. Enhancing system reliability through the advancement of new tools and data.
3. Providing stakeholder value through Peak core services, tools, and data.
4. Promoting a culture of compliance, safety and fiscal prudence.
5. Establishing a stable funding mechanism for Peak.

2015 Overview of Cost Impacts

Peak's proposed 2015 statutory budget is \$38.9 million, a \$6.0 million (18.1 percent) increase from its 2014 statutory budget⁵. The primary drivers of the increase are the recommendations from the WECC Board-appointed Reliability Coordination Task Force (RCTF).

Working Capital Reserves increase in 2015. This increase is a result of the depletion of reserves in 2014 that were used to mitigate the percentage increase in Assessments associated with the creation of Peak and the RCTF recommendations. Please see the Statutory Working Capital Analysis on page 34.

Full-time equivalents (FTE) represent the fractional allocation of a full-time position's cost to one or more functional areas. Headcount represents either vacant or filled positions. Significant changes to the 2015 statutory budget from the 2014 statutory budget and other noteworthy items are as follows:

- Personnel Expenses increase by \$4.7 million primarily due to the RCTF recommendations and a change in the assumed employee turnover rate. Employee turnover is the level or rate of unfilled positions that occur during the year. For example, turnover occurs in the time between when an employee leaves and that position is refilled. In 2015, the overall labor turnover assumption is 7.5 percent, compared to the 2014 budget assumption of 15 percent. This results in an increase in costs.
- Consultants & Contracts decrease by \$0.4 million, primarily due to project work being completed in 2014, including situational awareness enhancements to Remedial Action Schemes (RAS) modeling and study automation.
- Other operating costs increase primarily due to an increase in legal fees and rent of additional space in Loveland, Colorado.

⁵ Prior to incorporation on October 10, 2013 Peak was known as the Reliability Coordination Company (RCCo). Filings made prior to that date such as the 2014 Business Plan and Budget were filed as the RCCo.

Personnel Analysis

Total staffing for Peak is 161.67 FTEs in 2015.

Total FTEs by Program Area	Budget 2014	Projection 2014	Direct FTEs 2015 Budget	Shared FTEs* 2015 Budget	Total FTEs 2015 Budget	Change from 2014 Budget
STATUTORY						
Operational Programs						
Situation Awareness and Infrastructure Security	119.10	114.10	134.67	0	134.67	15.57
Total FTEs Operational Programs	119.10	114.10	134.67	0.00	134.67	15.57
Administrative Programs						
General & Administrative	12.00	12.00	13.00	0.00	13.00	1.00
Information Technology	3.00	3.00	3.00	0.00	3.00	0.00
Legal and Regulatory	7.00	3.00	3.00	0.00	3.00	-4.00
Human Resources	3.00	3.00	3.00	0.00	3.00	0.00
Finance and Accounting	5.00	5.00	5.00	0.00	5.00	0.00
Total FTEs Administrative Programs	30.00	26.00	27.00	0.00	27.00	-3.00
Total FTEs	149.10	140.10	161.67	0.00	161.67	12.57

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

2014 Budget and Projection and 2015 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection, and 2015 Budget

STATUTORY

	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
Funding					
Assessments	\$ 29,568,031	\$ 29,568,031	\$ -	\$ 41,953,236	\$ 12,385,205
Penalty Sanctions	-	-	-	-	-
Total Funding	\$ 29,568,031	\$ 29,568,031	\$ -	\$ 41,953,236	\$ 12,385,205
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	156,000	26,800	(129,200)	78,000	(78,000)
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 29,724,031	\$ 29,594,831	\$ (129,200)	\$ 42,031,236	\$ 12,307,206
Expenses					
Personnel Expenses					
Salaries	\$ 14,959,387	\$ 16,965,760	\$ 2,006,373	\$ 18,424,141	\$ 3,464,753
Payroll Taxes	963,710	1,307,150	343,440	1,299,123	335,414
Benefits	2,510,604	2,072,244	(438,360)	2,874,619	364,015
Retirement Costs	963,708	1,219,871	256,162	1,474,873	511,164
Total Personnel Expenses	\$ 19,397,409	\$ 21,565,024	\$ 2,167,615	\$ 24,072,756	\$ 4,675,347
Meeting Expenses					
Meetings	\$ 306,183	\$ 256,605	\$ (49,578)	\$ 196,445	\$ (109,738)
Travel	804,138	714,834	(89,304)	914,035	109,897
Conference Calls	45,084	29,223	(15,861)	29,144	(15,940)
Total Meeting Expenses	\$ 1,155,405	\$ 1,000,662	\$ (154,743)	\$ 1,139,624	\$ (15,781)
Operating Expenses					
Consultants & Contracts	\$ 1,267,500	\$ 1,742,632	\$ 475,132	\$ 906,600	\$ (360,900)
Office Rent	1,276,728	1,519,151	242,423	1,562,120	285,392
Office Costs	6,986,326	6,626,139	(360,187)	7,159,750	173,424
Professional Services	663,280	813,366	150,086	1,310,200	646,920
Miscellaneous	-	-	-	0	0
Depreciation	3,625,000	3,891,221	266,221	4,450,000	825,000
Total Operating Expenses	\$ 13,818,834	\$ 14,592,510	\$ 773,676	\$ 15,388,670	\$ 1,569,836
Total Direct Expenses	\$ 34,371,648	\$ 37,158,196	\$ 2,786,548	\$ 40,601,050	\$ 6,229,402
Indirect Expenses	\$ -	\$ (86,122)	\$ (86,122)	\$ (110,328)	\$ (110,328)
Other Non-Operating Expenses	\$ -	\$ 56	\$ 56	\$ -	\$ -
Total Expenses (B)	\$ 34,371,648	\$ 37,072,131	\$ 2,700,482	\$ 40,490,722	\$ 6,119,073
Change in Assets	\$ (4,647,618)	\$ (7,477,300)	\$ (2,829,682)	\$ 1,540,515	\$ 6,188,132
Fixed Assets					
Depreciation	\$ (3,625,000)	\$ (3,891,221)	\$ (266,221)	\$ (4,450,000)	\$ (825,000)
Computer & Software CapEx	1,373,000	1,118,740	(254,260)	2,025,000	652,000
Furniture & Fixtures CapEx	36,000	18,000	(18,000)	11,000	(25,000)
Equipment CapEx	803,000	963,264	160,264	850,000	47,000
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	\$ (1,413,000)	\$ (1,791,217)	\$ (378,217)	\$ (1,564,000)	\$ (151,000)
TOTAL BUDGET (B+C)	32,958,648	35,280,914	2,322,265	38,926,722	5,968,073
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (3,234,618)	\$ (5,686,083)	\$ (2,451,465)	\$ 3,104,515	\$ 6,339,132
FTEs	149.1	140.1	(9.0)	161.7	12.6
HC	155.0	151.0	(4.0)	166.0	11.0

Section A – Statutory Programs 2015 Business Plan and Budget

Section A — 2015 Business Plan

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	119.1	134.7	15.6
Direct Expenses	\$ 26,547,960	\$ 31,469,777	\$ 4,921,817
Indirect Expenses	\$ 7,823,688	\$ 9,020,944	\$ 1,197,256
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (1,413,000)	\$ (1,564,000)	\$ (151,000)
Total Funding Requirement	\$ 32,958,648	\$ 38,926,722	\$ 5,968,074

Program Scope and Functional Description

The Reliability Coordinator and Interchange Authority functions oversee situation awareness for Peak's RC area.

Reliability Coordinator

Peak's primary role is assuring the reliable operation of the Bulk Electric System (BES) for its RC Area in real-time and next-day study time frames. Peak maintains real-time operating reliability with a wide-area view. This view includes situational awareness of both transmission and balancing operations. Peak has the authority to direct other functional entities to take actions to ensure reliable operation within its RC Area. Peak ensures that the BES is operated within specified limits, and that operations are planned and coordinated within its RC Area. These reliability functions are executed at the Reliability Coordination Offices (RCO) located in Vancouver, Washington, and Loveland, Colorado. Each RCO serves as a "hot" backup for the other.

Interchange Authority

Peak assumed the role as the IA for the Western Interconnection in 2014. The primary role of the IA is to coordinate communication and validation of Arranged Interchange for reliability evaluation and implementation purposes. Peak currently uses a software system called the Western Interchange Tool (WIT) to perform the functions of the IA in the Western Interconnection. Pending INT (Interchange) standards remove operational requirements for the IA, which may result in changes to Peak's obligation as the registered IA.

2015 Key Assumptions

- During 2015, Peak is expected to respond to FERC directives and orders as well as to significant new initiatives not currently identified that may be generated by NERC. Uncertainties that may have a significant impact on resources include NERC standards that have been filed with FERC, such as EOP-010 (Geo-Magnetic Disturbances), PER-005-2 (Operations Personnel Training), CIP Version 5, and the suite of IRO and TOP standards. Possible impacts include

additional workload, need for increased outreach and training, and the actual transition and associated guidance that may be issued by NERC.

- Cyclical upgrades of event monitoring equipment, software, hardware, and Information Technology (IT) system infrastructure will occur .

2015 Goals and Key Deliverables

1. Implement the recommendations for Peak from the FERC/NERC Joint Report on the September 8, 2011 Blackout.
2. Aggressively increase staffing and expand and enhance tools used for Real-time monitoring of the RC Area throughout 2015, based on the RCTF recommendations presented to the WECC Board of Directors in December 2012.
3. Pending NERC standards will create additional training workload for the RC staff. Changes to EOP-010 and the IRO/TOP standards may change the requirements of the RC System Operators. This will require additional training on any changing tasks or expectations. Changes to the PER-005 standard may change training requirements that will also require additional training.
4. NERC CIP Version 5 is effective April 1, 2016. In preparation, Peak must make significant changes to its procedural and electronic controls in 2015. These changes include tracking revisions of operating systems, installing software product version numbers, monitoring baseline changes, and making physical security perimeter changes.
5. The Enhance Curtailment Calculator (ECC) will provide Peak with the ability to manage congestion through pro-active curtailments, and generation re-dispatch.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than Electric Reliability Organization (ERO) Assessments)

- Interest revenue is allocated to the only Statutory Program Area within Peak.

Personnel Expenses

- Salaries increase by \$3.5 million, primarily due to the net addition of 15.6 FTEs (14 positions). All of the new positions are being added as a result of the RCTF recommendations, primarily to enhance Peak's ability to carry out its function. These positions will focus primarily on the areas of:
 - Operations Planning
 - Current-day/Real-time support
 - Next-day study data validation and mapping
 - Seasonal System Operating Limit (SOL) coordination and validation
 - Emergency plan coordination
 - Model validation
 - Real-time Operations
 - Monitor and analyze Real-time system conditions

- Coordinate system restoration activities
 - Proactively respond to and mitigate potential adverse impacts to the BES
 - Communicate with and direct corrective actions of Registered Entities for SOL exceedances
 - Identify and mitigate potential/actual Interconnection Reliability Operating Limits in Real-time operations horizon
- Overtime costs in 2015 increase \$0.4 million as a result of the implementation of the union contract.
 - Payroll Taxes and Benefits increase with Salaries.
 - Retirement Costs increase due to the Salaries increase and a 2 percent increase in Peak's fixed 401(k) contribution rate.
 - In 2015, the labor turnover assumption was changed to a 7.5 percent reduction in each department. This results in an increase in salaries, payroll taxes, employer retirement contributions, and medical benefits compared to the 2014 budget of 15 percent for labor turnover.

Meeting Expenses

- Meeting costs increase by \$15,000 due to more employees.
- Travel costs increase by \$19,500 due to more employees.

Operating Expenses

- Consultants & Contracts decrease by a net \$487,000 primarily due to the implementation of activities in 2014 associated with the September 8, 2011 Pacific Southwest event. Many of these activities have been subsumed into ongoing RC operations.
- Office Rent decreases by \$8,000 due to lower levels of office maintenance.
- Office Costs increase by \$49,000 primarily due to maintenance and service agreements for RC equipment and software. Alstom contracts for 2015 licenses will increase \$30,000 due to payment structure of Peak's 3rd payment of a 5-year contract.
- Depreciation increases by \$832,000 due to the full year of depreciation for assets purchased in 2015 and the increase in Fixed Assets expenditures in 2015.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs. Because it is Peak's only Statutory function, 100 percent of the indirect cost allocation is accounted for in the Situational Awareness and Infrastructure Security (SAIS) Program Area.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer and Software CapEx increases by a net \$652,000 primarily due to information technology required to comply with NERC CIP Version 5, corporate monitoring equipment, and hardware replacements under normal refresh cycles.
- Equipment CapEx increases by \$12,000. The increase relates primarily to costs to increase system visibility.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2015 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
SITUATION AWARENESS AND INFRASTRUCTURE SECURITY					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
Funding					
Assessments	\$ 29,568,031	\$ -	\$ (29,568,031)	\$ -	\$ (29,568,031)
Penalty Sanctions	-	-	-	-	-
Total Funding	\$ 29,568,031	\$ -	\$ (29,568,031)	\$ -	\$ (29,568,031)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	156,000	26,800	(129,200)	78,000	(78,000)
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 29,724,031	\$ 26,800	\$ (29,697,231)	\$ 78,000	\$ (29,646,031)
Expenses					
Personnel Expenses					
Salaries	\$ 11,932,371	\$ 14,000,158	\$ 2,067,787	\$ 15,388,055	\$ 3,455,684
Payroll Taxes	787,893	1,092,114	304,221	1,119,451	331,558
Benefits	1,680,551	1,426,156	(254,395)	1,936,480	255,929
Retirement Costs	787,893	1,012,859	224,966	1,247,283	459,390
Total Personnel Expenses	\$ 15,188,708	\$ 17,531,287	\$ 2,342,579	\$ 19,691,270	\$ 4,502,562
Meeting Expenses					
Meetings	\$ 1,083	\$ 26,838	\$ 25,755	\$ 15,840	\$ 14,757
Travel	455,288	404,283	(51,005)	474,800	19,512
Conference Calls	15,384	16,238	854	14,640	(744)
Total Meeting Expenses	\$ 471,755	\$ 447,360	\$ (24,395)	\$ 505,280	\$ 33,525
Operating Expenses					
Consultants & Contracts	\$ 950,000	\$ 1,486,622	\$ 536,622	\$ 463,000	\$ (487,000)
Office Rent	27,996	50,666	22,670	20,000	(7,996)
Office Costs	6,291,501	5,988,030	(303,471)	6,340,227	48,726
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	3,618,000	3,834,316	216,316	4,450,000	832,000
Total Operating Expenses	\$ 10,887,497	\$ 11,359,634	\$ 472,137	\$ 11,273,227	\$ 385,730
Total Direct Expenses	\$ 26,547,960	\$ 29,338,281	\$ 2,790,321	\$ 31,469,777	\$ 4,921,817
Indirect Expenses	\$ 7,823,688	\$ 7,733,850	\$ (89,838)	\$ 9,020,944	\$ 1,197,256
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 34,371,648	\$ 37,072,131	\$ 2,700,483	\$ 40,490,722	\$ 6,119,074
Change in Assets	\$ (4,647,617)	\$ (37,045,331)	\$ (32,397,714)	\$ (40,412,722)	\$ (35,765,105)
Fixed Assets					
Depreciation	(3,618,000)	(3,834,316)	(216,316)	(4,450,000)	(832,000)
Computer & Software CapEx	1,373,000	1,118,740	(254,260)	2,025,000	652,000
Furniture & Fixtures CapEx	-	-	-	11,000	11,000
Equipment CapEx	803,000	963,264	160,264	815,000	12,000
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 29,000	\$ (38,905)	\$ (67,905)	\$ 35,000	\$ 6,000
Incr(Dec) in Fixed Assets (C)	\$ (1,413,000)	\$ (1,791,217)	\$ (378,217)	\$ (1,564,000)	\$ (151,000)
TOTAL BUDGET (B+C)	32,958,648	35,280,914	2,322,266	38,926,722	5,968,074
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (3,234,617)	\$ (35,254,114)	\$ (32,019,497)	\$ (38,848,722)	\$ (35,614,105)
FTEs	119.1	114.1	(5.0)	134.7	15.6
HC	125.0	125.0	-	139.0	14.0

Administrative Services

Administrative Services (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	30.0	27.0	(3.0)
Direct Expenses	\$ 7,823,688	\$ 9,131,273	\$ 1,307,585
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

Peak's Administrative Services comprises of Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The budgets for these programs are addressed in the subsequent sections of the Business Plan and Budget.

Methodology for Allocation of Administrative Services Expenses to Programs

Administrative Services expenses are allocated to the statutory program area.

Funding Sources and Requirements

The budget explanations in subsequent sections include explanations of increases and decreases from the previous year's budget.

Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 669,310	\$ 925,115	\$ 255,805
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Peak Board of Directors provides the governance and strategic direction for the organization. It performs its duties with input from the Peak MAC and other interested stakeholders.

2015 Key Assumptions

- Peak budgets for meeting space, meals, administrative support and logistics associated with:
 - Five in person Peak Board of Directors meetings.
 - An Annual Members' meeting held in conjunction with one of the Board of Directors meetings.
 - Monthly MAC meetings some in-person some via webinar.
- All Peak in-person meetings will be held at off-site facilities.

2015 Goals and Key Deliverables

- Provide organizational governance and ensures that Peak operates in compliance with the Peak Bylaws and obligations set forth in law or contract.
- Determine strategic direction for the organization.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Not applicable.

Meeting Expenses

- Meeting expenses decrease \$103,000 primarily due to a decrease in the cost of Board and MAC meetings.
- Travel expenses increase \$78,000 due to the addition of select MAC representative travel costs and the transfer of Peak employee travel costs associated with attending

Board meetings. The employee travel costs were previously accounted for in the employees' functional area.

Operating Expenses

- Consultants & Contracts cost increase \$30,000 due to Independent Director development.
- Professional Services increase \$252,000 due to the Independent Director Compensation criteria adopted by the WECC Board of Directors in August 2013.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2015 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
TECHNICAL COMMITTEES AND MEMBER FORUMS					
	2014	2014	Variance	2015	Variance
	Budget	Projection	2014 Projection v 2014 Budget	Budget	2015 Budget v 2014 Budget
			Over(Under)		Over(Under)
Funding					
Funding					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ 450	\$ 450	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ 450	\$ 450	\$ -	\$ -
Meeting Expenses					
Meetings	\$ 260,000	\$ 188,899	\$ (71,101)	\$ 157,500	\$ (102,500)
Travel	42,000	55,571	13,571	119,575	77,575
Conference Calls	2,680	2,010	(670)	740	(1,940)
Total Meeting Expenses	\$ 304,680	\$ 246,480	\$ (58,200)	\$ 277,815	\$ (26,865)
Operating Expenses					
Consultants & Contracts	\$ -	\$ 619	\$ 619	\$ 30,000	\$ 30,000
Office Rent	-	-	-	-	-
Office Costs	2,350	1,280	(1,070)	2,800	450
Professional Services	362,280	527,111	164,831	614,500	252,220
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 364,630	\$ 529,010	\$ 164,380	\$ 647,300	\$ 282,670
Total Direct Expenses	\$ 669,310	\$ 775,940	\$ 106,630	\$ 925,115	\$ 255,805
Indirect Expenses	\$ (669,310)	\$ (775,940)	\$ (106,630)	\$ (925,115)	\$ (255,805)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	-	-	-	-	-
HC	-	-	-	-	-

General and Administrative

General and Administrative (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	12.0	13.0	1.0
Direct Expenses	\$ 3,661,753	\$ 4,231,504	\$ 569,751
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The General and Administrative program area provides executive leadership, communications, and administrative support for Peak staff, committees, members, and management, as well as logistics support to the Loveland, Colorado and Vancouver, Washington offices. In addition, indirect costs such as office rent that benefit multiple functional areas are accounted for in this budget.

2015 Key Assumptions

- Peak will require a full range of administrative, executive, and communications services.
- A stable funding mechanism is established in 2015.

2015 Goals and Key Deliverables

- Provide executive leadership and strategic guidance for the activities undertaken by Peak.
- Establish a stable funding mechanism for Peak.
- Provide quality and efficient support to staff and the Board.
- Build and maintain strong relationships with FERC.
- Build and maintain strong relationships with key stakeholders.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries increase \$296,000, driven by anticipated increases in salaries of current employees and one new position related to the RCTF recommendations.
- Payroll Taxes and Benefits increases are driven by the Salaries increase.
- Retirement Costs increase due to the Salaries increase and a 2 percent increase in Peak's fixed 401(k) contribution rate.

- In 2015, the labor turnover assumption was changed to a 7.5 percent reduction in each department. This results in an increase in salaries, payroll taxes, employer retirement contributions, and medical benefits compared to the 2014 budget of 15 percent for labor turnover.

Meeting Expenses

- Meeting and Travel expenses decrease \$51,000 due to an expected reduction in travel.

Operating Expenses

- Office Rent increases \$262,000 due to acquisition of additional space in the Loveland, Colorado office.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- The Furniture & Fixtures CapEx decreases \$36,000 due to projects completed in 2014.

General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2015 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
GENERAL AND ADMINISTRATIVE					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
Funding					
Assessments	\$ -	\$ -	\$ -	-	\$ -
Penalty Sanctions	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 1,366,486	\$ 1,638,031	\$ 271,545	1,662,553	\$ 296,067
Payroll Taxes	74,191	103,671	29,480	83,670	9,479
Benefits	145,572	104,109	(41,463)	169,845	24,273
Retirement Costs	74,191	109,564	35,373	119,587	45,396
Total Personnel Expenses	\$ 1,660,440	\$ 1,955,374	\$ 294,934	\$ 2,035,656	\$ 375,216
Meeting Expenses					
Meetings	\$ 45,100	\$ 35,438	\$ (9,662)	22,700	\$ (22,400)
Travel	237,250	185,392	(51,858)	221,000	(16,250)
Conference Calls	19,620	8,729	(10,891)	6,800	(12,820)
Total Meeting Expenses	\$ 301,970	\$ 229,560	\$ (72,410)	\$ 250,500	\$ (51,470)
Operating Expenses					
Consultants & Contracts	\$ 197,500	\$ 157,613	\$ (39,887)	210,000	\$ 12,500
Office Rent	1,248,732	1,468,485	219,753	1,511,120	262,388
Office Costs	246,111	246,367	256	224,228	(21,883)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	7,000	46,693	39,693	-	(7,000)
Total Operating Expenses	\$ 1,699,343	\$ 1,919,158	\$ 219,815	\$ 1,945,348	\$ 246,005
Total Direct Expenses	\$ 3,661,753	\$ 4,104,093	\$ 442,340	\$ 4,231,504	\$ 569,751
Indirect Expenses	\$ (3,661,753)	\$ (4,104,093)	\$ (442,340)	\$ (4,231,504)	\$ (569,751)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	(7,000)	(46,693)	(39,693)	-	7,000
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	36,000	18,000	(18,000)	-	(36,000)
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (29,000)	\$ 28,693	\$ 57,693	\$ -	\$ 29,000
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	12.0	12.0	-	13.0	1.0
HC	12.0	12.0	-	13.0	1.0

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	7.0	3.0	(4.0)
Direct Expenses	\$ 1,318,643	\$ 1,302,724	\$ (15,919)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Legal program area provides coordinated legal services to the Peak organization. In addition, the program area provides interpretations of relevant statutes, regulations, court opinions, contracts, international law, and regulatory decisions. Peak's broad scope of activities, corresponding compliance and regulatory obligations and international operations require significant legal support and review.

The Legal program area develops specific subject matter expertise to further assist Peak with its legal needs. Specialized issues will be outsourced to select law firms, but the responsibility for all legal matters remains with the General Counsel and the Legal program area.

2015 Key Assumptions

- Peak, as an independent company, requires the full range of corporate legal support services, as well as specialized legal expertise.

2015 Goals and Key Deliverables

- Provide efficient, cost-effective legal support to the Peak Board, Peak's management and staff, and Peak committees through a combination of in-house and outside resources.
- Update and advise the Peak Board and CEO on pending legal issues.
- Advise Peak departments on specific legal matters and general matters relating to Peak business especially including legal, regulatory, and contractual rights and obligations.
- Provide legal support to the Peak Compliance Department and facilitate the processing of possible and alleged violations.
- Represent Peak in legal and regulatory proceedings.
- Draft, review and advise Peak on agreements.
- Implement a corporate records management system.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Personnel Expenses decrease \$474,000 due to the elimination of four positions in this area. Due to the lower number of positions, Peak expects to incur higher expenses for outside legal counsel.

Meeting Expenses

- Travel expenses decrease \$6,000 due to the personnel reduction in this area.

Operating Expenses

- Consultants & Contracts expenses increase \$80,000 due to the use of outside specialists.
- Office Costs increase \$3,000 due to subscription services, continuing legal education, registered agent fees, cell phones, etc.
- Professional Services increase \$381,000 due to the increase in outside legal fees associated with four less positions.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2015 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
LEGAL AND REGULATORY					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
Funding					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 753,162	\$ 358,411	\$ (394,751)	\$ 367,003	\$ (386,159)
Payroll Taxes	51,174	37,746	(13,428)	25,777	(25,397)
Benefits	87,069	39,162	(47,907)	43,964	(43,105)
Retirement Costs	51,174	29,626	(21,548)	31,760	(19,414)
Total Personnel Expenses	<u>\$ 942,579</u>	<u>\$ 464,946</u>	<u>\$ (477,633)</u>	<u>\$ 468,504</u>	<u>\$ (474,075)</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	36,000	27,360	(8,640)	30,000	(6,000)
Conference Calls	1,200	811	(389)	1,200	-
Total Meeting Expenses	<u>\$ 37,200</u>	<u>\$ 28,171</u>	<u>\$ (9,029)</u>	<u>\$ 31,200</u>	<u>\$ (6,000)</u>
Operating Expenses					
Consultants & Contracts	\$ 120,000	\$ 97,778	\$ (22,222)	\$ 200,000	\$ 80,000
Office Rent	-	-	-	-	-
Office Costs	28,864	23,379	(5,485)	32,020	3,156
Professional Services	190,000	197,625	7,625	571,000	381,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 338,864</u>	<u>\$ 318,782</u>	<u>\$ (20,082)</u>	<u>\$ 803,020</u>	<u>\$ 464,156</u>
Total Direct Expenses	<u>\$ 1,318,643</u>	<u>\$ 811,899</u>	<u>\$ (506,744)</u>	<u>\$ 1,302,724</u>	<u>\$ (15,919)</u>
Indirect Expenses	<u>\$ (1,318,643)</u>	<u>\$ (811,899)</u>	<u>\$ 506,744</u>	<u>\$ (1,302,724)</u>	<u>\$ 15,919</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (B+C)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	7.0	3.0	(4.0)	3.0	(4.0)
HC	7.0	3.0	(4.0)	3.0	(4.0)

Information Technology

Information Technology (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	3.0	3.0	-
Direct Expenses	\$ 523,045	\$ 617,162	\$ 94,117
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

Peak's Information Technology (IT) program area provides system support to the corporate functions. This includes: servers, data exchange, email, communications networks, telephone systems, and Internet and Intranet website maintenance. In addition, IT develops new technology solutions using both internal staff and external service providers. The IT program area provides resources and tools to enable the organization to meet evolving requirements and to support activities and responsibilities as directed by NERC and FERC.

The IT budget includes costs associated with the refresh of all corporate desktop computers, laptops, software applications, hardware infrastructure, and servers based on either a five-year cycle or an as-needed basis.

2015 Key Assumptions

- Peak will comply with industry best practices on security and data protection, as well as the evolving NERC Standards and audit practices. As a result, Peak will require increased storage management, processes, and network infrastructure.
- Peak will incorporate, as appropriate, new technologies that facilitate more efficient business processes, enhance collaboration, eliminate duplication of effort and streamline workflow.
- Entities required to exchange data with Peak will demand greater ease of use, clearer communication, and the latest in security assurances.

2015 Goals and Key Deliverables

- Provide system support and technology solutions that ensure reliability and security of critical IT infrastructure.
- Develop and implement Policies and Procedures to enforce best practices across the organization.
- Align IT as a strategic partner in accomplishing business goals and objectives.
- Provide a significant increase in data support, analysis, and communication across Peak and with Peak stakeholders.
- Provide custom solutions to enable secure, reliable, and efficient transmission of a growing number of data types.

- Expand the usability and functionality of Peak’s website while continuing to maintain a high level of security.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries increase \$27,000 due to the change in the labor turnover assumption. In 2015, the labor turnover assumption was changed to a 7.5 percent reduction in each department. This results in an increase in salaries, payroll taxes, benefits, and employer retirement costs compared to the 2014 budget of 15 percent for labor turnover.
- Retirement Costs also increase due to a 2 percent increase in Peak’s fixed 401(k) contribution rate.

Meeting Expenses

- Meeting and Travel expenses are consistent with the 2014 budget.

Operating Expenses

- Office Rent is \$31,000 higher due to the allocation of security related to the Administrative Services groups.
- Office Costs are \$16,000 higher due to increased costs of computer maintenance and licenses for the Administrative Services groups.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer & Software CapEx increases \$35,000 due to software agreement additions to support the Administrative Services group.

Information Technology

Funding sources and related expenses for the Information Technology section of the 2015 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
INFORMATION TECHNOLOGY					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
Funding					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 200,356	\$ 257,283	\$ 56,927	\$ 227,207	\$ 26,851
Payroll Taxes	13,787	21,870	8,083	18,945	5,158
Benefits	33,515	21,982	(11,533)	44,347	10,832
Retirement Costs	13,787	20,999	7,212	19,662	5,875
Total Personnel Expenses	\$ 261,445	\$ 322,133	\$ 60,688	\$ 310,162	\$ 48,717
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	8,400	9,374	974	6,600	(1,800)
Conference Calls	4,800	445	(4,355)	4,800	-
Total Meeting Expenses	\$ 13,200	\$ 9,819	\$ (3,381)	\$ 11,400	\$ (1,800)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	31,000	31,000
Office Costs	248,400	168,933	(79,467)	264,600	16,200
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	7,699	7,699	-	-
Total Operating Expenses	\$ 248,400	\$ 176,632	\$ (71,768)	\$ 295,600	\$ 47,200
Total Direct Expenses	\$ 523,045	\$ 508,585	\$ (14,460)	\$ 617,162	\$ 94,117
Indirect Expenses	\$ (523,045)	\$ (508,585)	\$ 14,460	\$ (617,162)	\$ (94,117)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	(7,699)	(7,699)	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	35,000	35,000
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ 7,699	\$ 7,699	\$ (35,000)	\$ (35,000)
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	3.0	3.0	-	3.0	-
HC	3.0	3.0	-	3.0	-

Human Resources

Human Resources (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	3.0	3.0	-
Direct Expenses	\$ 1,017,779	\$ 1,204,986	\$ 187,207
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Human Resources (HR) program area is responsible for the delivery of all HR functions within Peak, including: recruitment, staffing, compensation, benefits, safety and health, employee relations, performance management, and employee training and development.

2015 Key Assumptions

- Peak's staffing level will continue to increase during 2015.
- Competition for talent will increase due to the economic recovery and an increasing percentage of the utility talent pool being eligible for retirement. Consequently, as the talent pool compresses, salary and benefit costs will increase.
- Retention and competitive compensation of key individuals will continue to be critical.
- Succession planning, employee development, and training will occur to ensure that Peak maintains a skilled, qualified workforce.

2015 Goals and Key Deliverables

- Increase activity in non-traditional recruiting (college and military recruiting) is intended to broaden the applicant pool for hard-to-fill positions and increase bench strength for key roles such as RC System Operators.
- Manage health and welfare benefits to deliver an attractive benefit package to employees while managing overall costs to the organization.
- Develop a competitive compensation strategy and educate management on compensation philosophies to enhance recruitment efforts, and retain skilled and talented employees.
- Track and monitor turnover rates, gather feedback to determine the cause of the turnover, and when appropriate, take action to reduce the turnover rate.
- Continue to develop and enhance management development and training programs.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries increase \$11,000 due to the change in the labor turnover assumption. In 2015, the labor turnover assumption was changed to a 7.5 percent reduction in each department. This results in an increase in salaries, payroll taxes, benefits, and employer retirement costs compared to the 2014 budget of 15 percent for labor turnover.
- Benefits expense increases \$111,000 due to additional health reimbursement account (HRA) costs for new employees and the centralization of tuition reimbursements. Peak's HRA program for all employees is budgeted in Human Resources.
- Retirement Costs also increase due to a 2 percent increase in Peak's fixed 401(k) contribution rate.

Meeting Expenses

- Travel expenses increase \$34,000 due primarily to an increase in travel to the Loveland, Colorado office.

Operating Expenses

- Office Costs increase slightly due to job postings, drug testing, and background checks for new employees.
- Professional Services increase \$8,700 due to outside legal fees related to employment matters.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Human Resources

Funding sources and related expenses for the Human Resources section of the 2015 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
HUMAN RESOURCES					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
Funding					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 374,152	\$ 365,502	\$ (8,650)	\$ 384,856	\$ 10,704
Payroll Taxes	13,775	26,337	12,562	20,840	7,065
Benefits	496,527	437,680	(58,847)	607,608	111,081
Retirement Costs	13,775	19,285	5,510	24,218	10,443
Total Personnel Expenses	\$ 898,229	\$ 848,803	\$ (49,426)	\$ 1,037,522	\$ 139,293
Meeting Expenses					
Meetings	\$ -	\$ 5,430	\$ 5,430	\$ -	\$ -
Travel	10,200	18,294	8,094	44,460	34,260
Conference Calls	1,000	739	(261)	514	(486)
Total Meeting Expenses	\$ 11,200	\$ 24,463	\$ 13,263	\$ 44,974	\$ 33,774
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 3,600	\$ 3,600
Office Rent	-	-	-	-	-
Office Costs	83,350	81,301	(2,049)	85,190	1,840
Professional Services	25,000	22,529	(2,471)	33,700	8,700
Miscellaneous	-	-	-	0	0
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 108,350	\$ 103,830	\$ (4,520)	\$ 122,490	\$ 14,140
Total Direct Expenses	\$ 1,017,779	\$ 977,096	\$ (40,683)	\$ 1,204,986	\$ 187,207
Indirect Expenses	\$ (1,017,779)	\$ (977,096)	\$ 40,683	\$ (1,204,986)	\$ (187,207)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	3.0	3.0	-	3.0	-
HC	3.0	3.0	-	3.0	-

Finance and Accounting

Finance and Accounting (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	5.0	5.0	-
Direct Expenses	\$ 633,158	\$ 849,782	\$ 216,624
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Finance and Accounting function provides accounting and financial analysis support to Peak. Finance is responsible for procurement, accounts payable, billing, accounts receivable, budgeting, fixed asset management, banking, payroll, and financial reporting.

2015 Key Assumptions

- Peak's continuing growth and the potential change to its funding mechanism will place increased demands on the newly formed accounting function.

2015 Goals and Key Deliverables

- Refine financial policies for the new organization.
- Review and refine accounting procedures for better efficiency.
- Ensure Peak has strong internal controls designed to protect the organization's assets and ensure accurate financial reporting.
- Develop a budget to address the risks created by the uncertain operating environment.
- Provide reporting and financial analysis to Peak management, the Finance and Audit Committee, and the Peak Board.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries increase \$62,000 due to increased wages.
- Payroll Taxes and Benefits increases are driven by the Salaries increase.
- Retirement Costs increase due to the Salaries increase and a 2 percent increase in Peak's fixed 401(k) contribution rate.
- In 2015, the labor turnover assumption was changed to a 7.5 percent reduction in each department. This results in an increase in salaries, payroll taxes, employer retirement contributions, and medical benefits compared to the 2014 budget of 15 percent for labor turnover.

Meeting Expenses

- Travel expenses increase due to personnel training.

Operating Expenses

- Office Costs increase \$125,000 due to Business and Occupation taxes.
- Professional Services increase \$5,000 for audit and tax filing services.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Finance and Accounting

Funding sources and related expenses for the Finance and Accounting section of the 2015 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
FINANCE AND ACCOUNTING					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
Funding					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 332,861	\$ 345,926	\$ 13,065	\$ 394,466	\$ 61,605
Payroll Taxes	22,889	25,412	2,523	30,439	7,550
Benefits	67,369	43,155	(24,214)	72,374	5,005
Retirement Costs	22,889	27,538	4,649	32,362	9,473
Total Personnel Expenses	<u>\$ 446,008</u>	<u>\$ 442,031</u>	<u>\$ (3,977)</u>	<u>\$ 529,642</u>	<u>\$ 83,634</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 405	\$ 405
Travel	15,000	14,560	(440)	17,600	2,600
Conference Calls	400	250	(150)	450	50
Total Meeting Expenses	<u>\$ 15,400</u>	<u>\$ 14,809</u>	<u>\$ (591)</u>	<u>\$ 18,455</u>	<u>\$ 3,055</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	85,750	116,849	31,099	210,685	124,935
Professional Services	86,000	66,100	(19,900)	91,000	5,000
Miscellaneous	-	-	-	-	-
Depreciation	-	2,513	2,513	-	-
Total Operating Expenses	<u>\$ 171,750</u>	<u>\$ 185,462</u>	<u>\$ 13,712</u>	<u>\$ 301,685</u>	<u>\$ 129,935</u>
Total Direct Expenses	<u>\$ 633,158</u>	<u>\$ 642,303</u>	<u>\$ 9,145</u>	<u>\$ 849,782</u>	<u>\$ 216,624</u>
Indirect Expenses	<u>\$ (633,158)</u>	<u>\$ (642,359)</u>	<u>\$ (9,145)</u>	<u>\$ (849,782)</u>	<u>\$ (216,624)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	(2,513)	(2,513)	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ 2,513	\$ 2,513	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (B+C)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	5.0	5.0	-	5.0	-
HC	5.0	5.0	-	5.0	-

Section B – Supplemental Financial Information 2015 Business Plan and Budget

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2014-2015	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2013	0
Plus: Transfer of Reserves from WECC, January 2, 2014	5,811,568
Plus: 2014 Funding (from Load Serving Entities (LSE) or designees)	29,568,031
Plus: 2014 Other funding sources	26,800
Less: 2014 Projected expenses & capital expenditures	(35,280,914)
Projected Working Capital Reserve (Deficit), December 31, 2014	125,485
Desired Working Capital Reserve, December 31, 2015	1 3,230,000
Less: Projected Working Capital Reserve, December 31, 2014	(125,485)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	3,104,515
2015 Expenses and Capital Expenditures	38,926,722
Less: Other Funding Sources	(78,000)
Adjustment to achieve desired Working Capital Reserve	3,104,515
2015 Peak Assessment	41,953,236

1 – The Peak Board of Directors has yet to approve this reserve level.

Assessments increase over the 2014 budget due to projected increases in costs of \$5.7 million as described in Section A, as well as a rebuilding of the reserves to \$3.2 million, that were depleted during 2014 to cover expenses. The desired Working Capital balance includes a single month of operating costs.

Breakdown by Statement of Activity Sections

The following detailed schedules, which are presented in the format used in the Regional Entity Business Plans and Budgets, are in support of the Statutory Statement of Activities and Capital Expenditures on page 7. All significant variances have been disclosed by program area in the preceding pages.

Monetary Penalties

Peak does not collect monetary penalties for compliance violations.

Penalty Sanctions

Table B-2

Penalty Sanctions Received on or Prior to June 30, 2014					
Date Received	Amount Received	Date Received	Amount Received	Date Received	Amount Received

Not Applicable.

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding Assessments & Penalty Sanctions)	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget
Situation Awareness and Infrastructure Security				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Interest	156,000	26,800	78,000	(78,000)
Miscellaneous	-	-	-	-
Total Outside Funding	\$ 156,000	\$ 26,800	\$ 78,000	\$ (78,000)

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

Situation Awareness and Infrastructure Security

- Interest income is lower than 2014 due to lower levels of cash on hand.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2014	Projection 2014	Budget 2015	Variance	
				2015 Budget v 2014 Budget	Variance %
Salaries					
Salaries	\$ 14,959,389	\$ 16,965,760	\$ 18,424,141	\$ 3,464,752	23.2%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 14,959,389	\$ 16,965,760	\$ 18,424,141	\$ 3,464,752	23.2%
Total Payroll Taxes	\$ 963,708	\$ 1,307,150	\$ 1,299,123	\$ 335,415	34.8%
Benefits					
Workers Compensation	\$ -	\$ 15,156	\$ 15,450	\$ 15,450	
Medical Insurance	1,890,424	1,617,546	2,203,214	312,790	16.5%
Life-LTD-STD Insurance	108,827	121,085	136,180	27,353	25.1%
Education	319,352	217,696	323,285	3,933	1.2%
Relocation	192,000	96,079	162,000	(30,000)	-15.6%
Wellness Programs	-	100	24,350	24,350	
Other	-	4,581	10,140	10,140	
Total Benefits	\$ 2,510,603	\$ 2,072,244	\$ 2,874,619	\$ 364,016	14.5%
Retirement					
Discretionary 401k Contribution	\$ 963,710	\$ 1,219,871	\$ 1,474,873	\$ 511,163	53.0%
Savings Plan	-	-	-	-	
Total Retirement	\$ 963,710	\$ 1,219,871	\$ 1,474,873	\$ 511,163	53.0%
Total Personnel Costs	\$ 19,397,409	\$ 21,565,024	\$ 24,072,756	\$ 4,675,347	24.1%
FTEs	149.1	140.1	161.7	12.6	8.4%
Cost per FTE					
Salaries	\$ 100,331	\$ 121,098	\$ 113,961	13,630	13.6%
Payroll Taxes	6,464	9,330	8,036	1,572	24.3%
Benefits	16,838	14,791	17,781	942	5.6%
Retirement	6,464	8,707	9,123	2,659	41.1%
Total Cost per FTE	\$ 130,097	\$ 153,926	\$ 148,901	\$ 18,804	14.5%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

Salaries

- Salaries increase by \$3.5 million due to the addition of 12.6 FTEs (as discussed in the previous sections), merit increases of 4.0 percent and the lowering of the assumed turnover rate to 7.5 percent in 2015, from 15 percent in 2014.

Payroll Taxes

- Payroll Taxes increase due to the increase in Salaries.

Benefits

- Medical Insurance increases by \$313,000 due to the increase in FTEs.
- Life, Long-Term Disability, and Short-Term Disability Insurance increases by \$27,000 due to the increase in FTEs.

- Relocation decreases by \$30,000 due to a decrease in hiring levels after bifurcation.

Retirement

- Contributions to 401(k) plans increase by \$511,000 due to an increase in the contribution rate and the increase in FTEs.

Consultants and Contracts**Table B-5**

Consultants	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Consultants					
Situation Awareness and Infrastructure Security Committee and Member Forums	\$ 950,000	\$ 1,486,622	\$ 463,000	\$ (487,000)	-51.3%
General and Administrative	197,500	157,613	210,000	12,500	6.3%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	3,600	3,600	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 1,147,500	\$ 1,644,854	\$ 706,600	\$ (440,900)	-38.4%
Contracts	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Contracts					
Situation Awareness and Infrastructure Security Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	120,000	97,778	200,000	80,000	66.7%
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	\$ 120,000	\$ 97,778	\$ 200,000	\$ 80,000	66.7%
Total Consulting and Contracts	\$ 1,267,500	\$ 1,742,632	\$ 906,600	\$ (360,900)	-28.5%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget**Consultants**

- Situation Awareness consultants decrease by a net \$487,000. The primary driver being the completion of activities associated with the September 8th, 2011 Pacific Southwest event.
- Committee and Member Forums consultants increase by \$30,000 mainly due to board development.

Contracts

- Legal contracts increase by \$80,000 due to the need for specific expertise.

Office Rent**Table B-6**

Office Rent	Budget 2014	Projection 2014	Budget 2015	Variance	
				2015 Budget v 2014 Budget	Variance %
Office Rent	\$ 1,006,764	\$ 1,286,307	\$ 1,286,120	279,356	27.7%
Utilities	166,884	103,505	150,000	(16,884)	-10.1%
Maintenance	95,076	124,003	119,000	23,924	25.2%
Security	8,004	5,336	7,000	(1,004)	-12.5%
Total Office Rent	\$ 1,276,728	\$ 1,519,151	\$ 1,562,120	\$ 285,392	22.4%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget**Office Rent**

- Office Rent increases \$279,000 due to additional space in the Loveland, Colorado facility.

Office Costs**Table B-7**

Office Costs	Budget 2014	Projection 2014	Budget 2015	Variance	
				2015 Budget v 2014 Budget	Variance %
Telephone	\$ 117,000	\$ 195,934	\$ 211,600	\$ 94,600	80.9%
Internet	907,860	833,442	1,003,073	95,213	10.5%
Office Supplies	172,456	163,700	177,473	5,017	2.9%
Computer Supplies and Maintenance	5,480,775	5,098,924	5,347,681	(133,094)	-2.4%
Publications & Subscriptions	21,615	26,289	22,475	860	4.0%
Dues and Fees	112,400	100,014	110,709	(1,691)	-1.5%
Postage	1,080	901	1,564	484	44.8%
Express Shipping	7,540	8,198	7,460	(80)	-1.1%
Copying	123,600	127,827	104,315	(19,285)	-15.6%
Bank Charges	42,000	17,509	38,400	(3,600)	-8.6%
Taxes	-	53,400	135,000	135,000	
Total Office Costs	\$ 6,986,326	\$ 6,626,139	\$ 7,159,750	\$ 173,424	2.5%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

- Telephone expense increases \$94,600 due to a change in cost classification and the increase in staff.
- Internet expense increases \$95,000 due to a change in cost classification and the increase in staff.
- Computer Supplies and Maintenance decrease by \$133,000 due to the cycle of hardware and software refresh cycle and a change in cost classification.
- Copying decreases by \$19,000 due to the replacement of current vendor with a more cost effective provider.
- Taxes increase \$135,000 due to Business & Occupation tax application to funding received by Peak.

Professional Services**Table B-8**

Professional Services	Budget 2014	Projection 2014	Budget 2015	Variance	
				2015 Budget v 2014 Budget	Variance %
Non-affiliated Director fees	\$ 362,280	\$ 527,111	\$ 614,500	\$ 252,220	69.6%
Outside Legal	47,000	77,362	483,700	436,700	929.1%
Accounting & Auditing Fees	86,000	66,100	91,000	5,000	5.8%
Insurance Commercial	168,000	142,793	121,000	(47,000)	-28.0%
Total Services	\$ 663,280	\$ 813,366	\$ 1,310,200	\$ 646,920	97.5%

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

- Non-affiliated Director fees increase by \$252,000 due to the implementation of a new compensation program approved by the Peak MAC.
- Outside Legal increases by \$437,000 due to the decrease in legal positions.
- Insurance Commercial decreases by \$47,000 based on estimates provided by the underwriters to date.

Other Non-Operating**Table B-9**

Other Non-Operating Expenses	Budget 2014	Projection 2014	Budget 2015	Variance	
				2015 Budget v 2014 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

- Not applicable

Section C — Non-Statutory Activities 2015 Business Plan and Budget

Section C — 2015 Non-Statutory Business Plan and Budget

Non- Statutory - Hosted Advanced Applications (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	-	1.0	1.0
Direct Expenses	-	306,468	306,468
Indirect Expenses	-	110,328	110,328
Inc(Dec) in Fixed Assets	-	26,000	26,000
Total Funding Requirement	-	13,204	13,204

Program Scope and Functional Description

Hosted Advanced Applications (HAAs) is a set of reliability tools that can be used by Transmission Operators and Balancing Authorities within the Western Interconnection to provide enhanced situational awareness of the Western Interconnection.

The tools and data include:

The West-wide System Model (WSM) – provides visualization of the entire Western Interconnection, with a level of detail that includes individual substations, BA and regional overviews, and full Interconnection visualization. The WSM contains real-time SCADA data as well as network model information such as equipment parameters and connectivity data.

State Estimation – provides a snapshot of the entire Western Interconnection power system every five minutes. This provides situational awareness through the identification of System Operating Limit violations, electrical islands, power flows, voltages, and phase angles.

Contingency Analysis – simulates over 8,000 contingencies (potential transmission or generation outages) to identify where the bulk electric system (BES) may not be adequately prepared for the next contingency.

Study Network Applications – allow users to perform ad-hoc studies based on actual BES conditions. The studies include power flow and study contingency analysis applications. This study environment also can be used for performing day-ahead studies, providing a platform to better coordinate day-ahead study results.

HAAs provide each TOP with access to the most comprehensive data set and tool suite available in the Western Interconnection. Some of the situational awareness enhancements are:

- Awareness of events outside a TOP's area, such as providing information about what caused a swing in frequency;
- Awareness of other Balancing Authority Area Control Errors and their contribution to SOL exceedances; and
- Awareness of external contingency impacts on a TOPs area, and awareness of internal contingency impacts on the larger BES.

2015 Primary Goals and Objectives

The HAAs primary objective is to improve TOP and BA situational awareness, while also improving the quality of Peak Reliability's advanced applications through improved data and modeling of the participating TOP and BA areas. Specifically, key objectives include:

- Allowing participating entities to more adequately monitor for SOL and IROL exceedances, both pre- and post-contingency;
- Improving real-time communications between Peak Reliability and participating entities through a common view of power system conditions in the Western Interconnection;
- Providing a platform for sharing and coordinating studies, including next-day studies;
- Helping TOPs monitor their systems reliably and meet their compliance obligations; and
- Providing engineers and operators with the best possible tools to perform their reliability functions.

2015 will be the initial full year of operational use of the HAAs. Peak will provide appropriate training materials and resources to ensure a successful launch of the tools.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- HAA's implementation began during 2014. Sources of funding for the project are through bi-lateral contracts with entities receiving the service.

Personnel Expenses

- Personnel Expenses consist of the costs of 1 FTE to monitor and maintain the computer systems utilized by the participants.

Operating Expense

- Primarily Office costs related to computer maintenance.

Indirect Expenses

- Indirect Expenses are allocated based on an overhead rate. Charges and funds for HAA's indirect costs will be based on actual overhead costs, calculated quarterly.

Other Non-Operating Expenses

- Not applicable.

2014 Budget and Projection and 2015 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital
2014 Budget & Projection, and 2015 Budget

NON-STATUTORY

	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding					
Funding					
Assessments		\$ -	\$ -	\$ -	\$ -
Penalty Sanctions		-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Non-statutory Funding		540,000	540,000	456,000	456,000
Federal Grants		-	-	-	-
Services & Software		-	-	-	-
Workshops		-	-	-	-
Interest		-	-	-	-
Miscellaneous		-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ 540,000</u>	<u>\$ 540,000</u>	<u>\$ 456,000</u>	<u>\$ 456,000</u>
Expenses					
Personnel Expenses					
Salaries		\$ 77,592	\$ 77,592	\$ 112,126	\$ 112,126
Payroll Taxes		6,207	6,207	8,970	8,970
Benefits		10,863	10,863	15,698	15,698
Retirement Costs		6,207	6,207	8,970	8,970
Total Personnel Expenses	<u>\$ -</u>	<u>\$ 100,870</u>	<u>\$ 100,870</u>	<u>\$ 145,764</u>	<u>\$ 145,764</u>
Meeting Expenses					
Meetings		\$ -	\$ -	\$ -	\$ -
Travel		-	-	-	-
Conference Calls		-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts		\$ -	\$ -	\$ -	\$ -
Office Rent		-	-	-	-
Office Costs		138,357	138,357	160,704	160,704
Professional Services		-	-	-	-
Miscellaneous		-	-	-	-
Depreciation		-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ 138,357</u>	<u>\$ 138,357</u>	<u>\$ 160,704</u>	<u>\$ 160,704</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ 239,227</u>	<u>\$ 239,227</u>	<u>\$ 306,468</u>	<u>\$ 306,468</u>
Indirect Expenses		<u>\$ 86,122</u>	<u>\$ 86,122</u>	<u>\$ 110,328</u>	<u>\$ 110,328</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ 325,349</u>	<u>\$ 325,349</u>	<u>\$ 416,796</u>	<u>\$ 416,796</u>
Change in Assets	<u>\$ -</u>	<u>\$ 214,651</u>	<u>\$ 214,651</u>	<u>\$ 39,204</u>	<u>\$ 39,204</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	138,000	138,000	26,000	26,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ 138,000</u>	<u>\$ 138,000</u>	<u>\$ 26,000</u>	<u>\$ 26,000</u>
TOTAL BUDGET (B+C)	<u>-</u>	<u>463,349</u>	<u>463,349</u>	<u>442,796</u>	<u>442,796</u>
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	<u>\$ -</u>	<u>\$ 76,651</u>	<u>\$ 76,651</u>	<u>\$ 13,204</u>	<u>\$ 13,204</u>
FTEs	-	0.3	0.3	1.0	1.0
HC	-	1.0	1.0	1.0	1.0

Personnel Analysis

Total FTEs by Program Area	Budget 2014	Projection 2014	Direct FTEs 2015 Budget	Shared FTEs* 2015 Budget	Total FTEs 2015 Budget	Change from 2014 Budget
NON-STATUTORY						
Operational Programs						
Total FTEs Operational Programs	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Programs						
Information Technology	0.0	0.3	1.0	0.0	1.0	1.0
Total FTEs Administrative Programs	0.0	0.3	1.0	0.0	1.0	1.0
Total FTEs	0.0	0.3	1.0	0.0	1.0	1.0

¹A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Reserve Analysis – 2014-2015

Working Capital Reserve Analysis 2014-2015	
NON-STATUTORY	
	Non-Statutory Reserves
Beginning Working Capital Reserve, December 31, 2013	0
Plus: 2014 Funding sources	540,000
Less: 2014 Projected expenses & capital expenditures	(463,349)
Projected Working Capital Reserve, December 31, 2014	<u><u>76,651</u></u>
Working Capital Reserve, December 31, 2015	89,855
Less: Projected Working Capital Reserve, December 31, 2014	(76,651)
Adjustments to achieve Working Capital Reserve, December 31, 2015	<u><u>13,204</u></u>
Less: Other funding Sources	0
2015 Expenses and Capital Expenditures	442,796
Adjustment to achieve Working Capital Reserve	13,204
2015 Funding	<u><u>456,000</u></u>

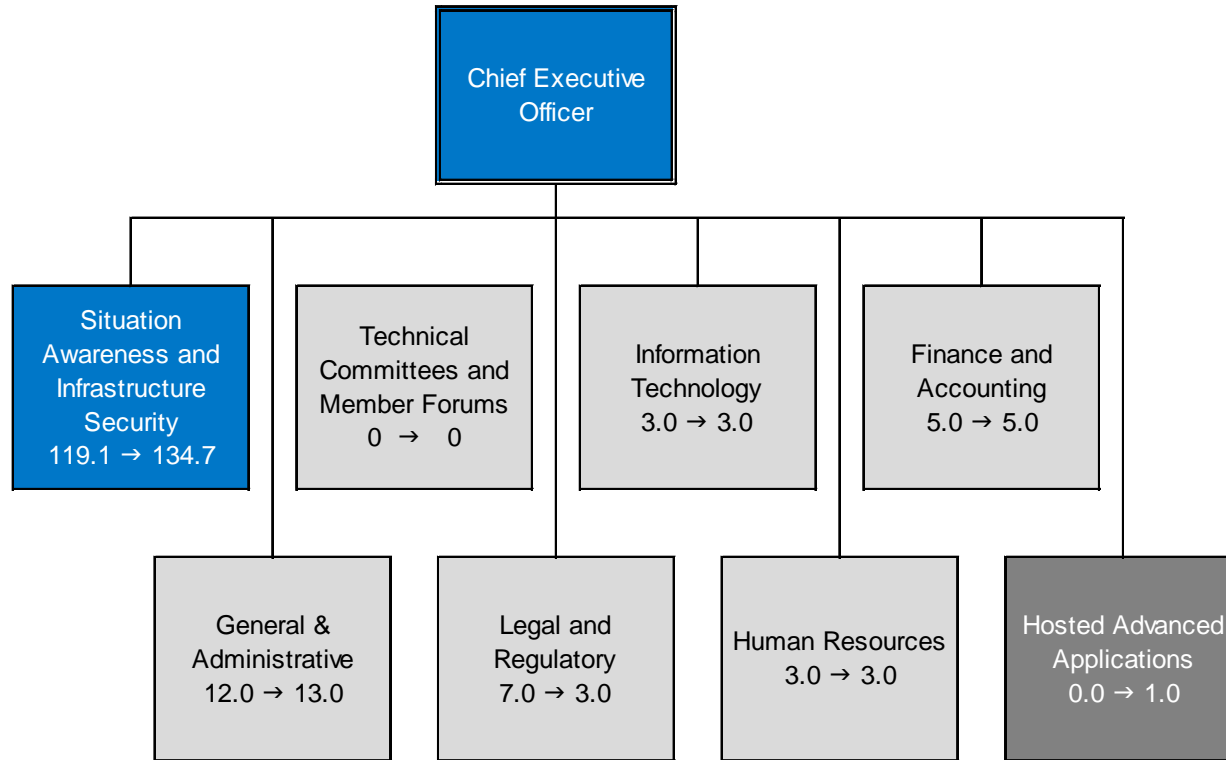
Section D – Additional Consolidated Financial Statements 2015 Business Plan and Budget

Section D — Additional Consolidated Financial Statements

2015 Consolidated Statement of Activities by Program

Statement of Activities and Capital Expenditures by Program 2015 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement								Non-Statutory Functions
				Statutory Total	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
Funding												
Funding												
Peak Assessments	41,953,236	41,953,236	-	41,953,236	41,953,236	-	-	-	-	-	-	-
Total Funding	41,953,236	41,953,236	-	41,953,236	41,953,236	-	-	-	-	-	-	-
Non-statutory Funding	456,000	-	456,000	-	-	-	-	-	-	-	-	456,000
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-
Interest	78,000	78,000	-	78,000	78,000	-	-	-	-	-	-	-
Total Funding (A)	42,487,236	42,031,236	456,000	42,031,236	42,031,236	-	-	-	-	-	-	456,000
Expenses												
Personnel Expenses												
Salaries	18,536,267	18,424,141	112,126	18,424,141	15,388,055	-	1,662,553	367,003	227,207	384,856	394,466	112,126
Payroll Taxes	1,308,094	1,299,123	8,970	1,299,123	1,119,451	-	83,670	25,777	18,945	20,840	30,439	8,970
Benefits	2,890,317	2,874,619	15,698	2,874,619	1,936,480	-	169,845	43,964	44,347	607,608	72,374	15,698
Retirement Costs	1,483,843	1,474,873	8,970	1,474,873	1,247,283	-	119,587	31,760	19,662	24,218	32,362	8,970
Total Personnel Expenses	24,218,520	24,072,756	145,764	24,072,756	19,691,270	-	2,035,656	468,504	310,162	1,037,522	529,642	145,764
Meeting Expenses												
Meetings	196,445	196,445	-	196,445	15,840	157,500	22,700	-	-	-	405	-
Travel	914,035	914,035	-	914,035	474,800	119,575	221,000	30,000	6,600	44,460	17,600	-
Conference Calls	29,144	29,144	-	29,144	14,640	740	6,800	1,200	4,800	514	450	-
Total Meeting Expenses	1,139,624	1,139,624	-	1,139,624	505,280	277,815	250,500	31,200	11,400	44,974	18,455	-
Operating Expenses												
Consultants & Contracts	906,600	906,600	-	906,600	463,000	30,000	210,000	200,000	-	3,600	-	-
Office Rent	1,562,120	1,562,120	-	1,562,120	20,000	-	1,511,120	-	31,000	-	-	-
Office Costs	7,320,454	7,159,750	160,704	7,159,750	6,340,227	2,800	224,228	32,020	264,600	85,190	210,685	160,704
Professional Services	1,310,200	1,310,200	-	1,310,200	-	614,500	-	571,000	-	33,700	91,000	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	4,450,000	4,450,000	-	4,450,000	4,450,000	-	-	-	-	-	-	-
Total Operating Expenses	15,549,374	15,388,670	160,704	15,388,670	11,273,227	647,300	1,945,348	803,020	295,600	122,490	301,685	160,704
Total Direct Expenses	40,907,518	40,601,050	306,468	40,601,050	31,469,777	925,115	4,231,504	1,302,724	617,162	1,204,986	849,782	306,468
Indirect Expenses	(0)	(110,328)	110,328	(110,328)	9,020,944	(925,115)	(4,231,504)	(1,302,724)	(617,162)	(1,204,986)	(849,782)	110,328
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	40,907,518	40,490,722	416,796	40,490,722	40,490,722	-	-	-	-	-	-	416,796
Change in Assets	1,579,718	1,540,515	39,204	1,540,515	1,540,515	-	-	-	-	-	-	39,204
Fixed Assets												
Depreciation	(4,450,000)	(4,450,000)	-	(4,450,000)	(4,450,000)	-	-	-	-	-	-	-
Computer & Software CapEx	2,051,000	2,025,000	26,000	2,025,000	2,025,000	-	-	-	-	-	-	26,000
Furniture & Fixtures CapEx	11,000	11,000	-	11,000	11,000	-	-	-	-	-	-	-
Equipment CapEx	850,000	850,000	-	850,000	815,000	-	-	-	35,000	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	35,000	-	-	-	(35,000)	-	-	-
Inc(Dec) in Fixed Assets (C)	(1,538,000)	(1,564,000)	26,000	(1,564,000)	(1,564,000)	-	-	-	-	-	-	26,000
TOTAL BUDGET (B+C)	39,369,518	38,926,722	442,796	38,926,722	38,926,722	-	-	-	-	-	-	442,796
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	3,117,718	3,104,515	13,204	3,104,515	3,104,515	-	-	-	-	-	-	13,204
FTEs	161.7	161.7	-	161.7	134.67	-	13.0	3.0	3.0	3.0	5.0	-
HC	166.0	166.0	-	166.0	139.00	-	13.0	3.0	3.0	3.0	5.0	-

Appendix A: Organizational Chart



Appendix B: 2015 Budget & Projected 2016 and 2017 Budgets

Statement of Activities and Capital Expenditures							
2015 Budget & Projected 2016 and 2017 Budgets							
Statutory							
	2015 Budget	2016 Projection	\$ Change 15 v 16	% Change 15 v 16	2017 Projection	\$ Change 16 v 17	% Change 16 v 17
Funding							
ERO Funding							
WECC Assessments	\$ 41,953,236	\$ 44,528,912	\$ 2,575,676	6.1%	\$ 42,329,158	\$ (2,199,755)	-4.9%
Penalty Sanctions	-	-	-	-	-	-	-
Total ERO Funding	\$ 41,953,236	\$ 44,528,912	\$ 2,575,676	6.1%	\$ 42,329,158	\$ (2,199,755)	-4.9%
Membership Dues	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	78,000	50,000	(28,000)	-35.9%	52,000	2,000	4.0%
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 42,031,236	\$ 44,578,912	\$ 2,547,676	6.1%	\$ 42,381,158	\$ (2,197,755)	-4.9%
Expenses							
Personnel Expenses							
Salaries	\$ 18,424,141	\$ 19,681,529	1,257,388	6.8%	\$ 20,439,326	757,797	3.9%
Payroll Taxes	1,299,123	1,358,216	59,093	4.5%	1,382,437	24,221	1.8%
Benefits	2,874,619	3,179,637	305,018	10.6%	3,206,054	26,417	0.8%
Retirement Costs	1,474,873	1,713,846	238,973	16.2%	1,779,789	65,943	3.8%
Total Personnel Expenses	\$ 24,072,756	\$ 25,933,228	\$ 1,860,472	7.7%	\$ 26,807,606	\$ 874,378	3.4%
Meeting Expenses							
Meetings	\$ 196,445	\$ 204,303	7,858	4.0%	\$ 212,475	8,172	4.0%
Travel	914,035	950,596	36,561	4.0%	988,620	38,024	4.0%
Conference Calls	29,144	30,310	1,166	4.0%	31,522	1,212	4.0%
Total Meeting Expenses	\$ 1,139,624	\$ 1,185,209	\$ 45,585	4.0%	\$ 1,232,617	\$ 47,408	4.0%
Operating Expenses							
Consultants & Contracts	\$ 906,600	\$ 942,864	36,264	4.0%	\$ 980,579	37,715	4.0%
Office Rent	1,562,120	1,624,605	62,485	4.0%	1,689,589	64,984	4.0%
Office Costs	7,159,750	6,796,140	(363,610)	-5.1%	7,093,986	297,846	4.4%
Professional Services	1,310,200	1,362,608	52,408	4.0%	1,417,112	54,504	4.0%
Miscellaneous	0	-	(0)	-100.0%	-	-	-
Depreciation	4,450,000	4,628,000	178,000	4.0%	4,813,120	185,120	4.0%
Total Operating Expenses	\$ 15,388,670	\$ 15,354,217	\$ (34,453)	-0.2%	\$ 15,994,386	\$ 640,169	4.2%
Total Direct Expenses	\$ 40,601,050	\$ 42,472,654	\$ 1,871,604	4.6%	\$ 44,034,609	\$ 1,561,955	3.7%
Indirect Expenses	(110,328)	(114,742)	(4,413)	4.0%	(119,331)	(4,590)	4.0%
Other Non-Operating Expenses	-	-	-	-	-	-	-
Total Expenses (B)	\$ 40,490,722	\$ 42,357,912	\$ 1,867,191	4.6%	\$ 43,915,278	\$ 1,557,365	3.7%
Change in Assets	\$ 1,540,515	\$ 2,221,000	\$ 680,485	44.2%	\$ (1,534,120)	\$ (3,755,120)	-169.1%
Fixed Assets							
Depreciation	\$ (4,450,000)	\$ (4,628,000)	\$ (178,000)	4.0%	\$ (4,813,120)	\$ (185,120)	4.0%
Computer & Software CapEx	2,875,000	3,224,000	349,000	12.1%	3,054,000	(170,000)	-5.3%
Furniture & Fixtures CapEx	11,000	25,000	14,000	127.3%	25,000	-	0.0%
Leasehold Improvements	-	-	-	-	-	-	-
Incr(Dec) in Fixed Assets (C)	\$ (1,564,000)	\$ (1,379,000)	\$ 185,000	-11.8%	\$ (1,734,120)	\$ (355,120)	25.8%
TOTAL BUDGET (=B+C)	\$ 38,926,722	\$ 40,978,912	\$ 2,052,191	5.3%	\$ 42,181,158	\$ 1,202,245	2.9%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 3,104,515	\$ 3,600,000	\$ 495,485	\$ -	\$ 200,000	\$ (3,400,000)	-94.4%
FTEs	161.7	153.6	-8.1	-5.0%	153.6	-	0.0%
HC	166.0	166.0	0.0	0.0%	166.0	-	0.0%