

## **APPA Comments on the First Draft of NERC's 2019 Draft Business Plan and Budget June 29, 2018**

### **Overview**

The American Public Power Association (“APPA”)<sup>1</sup> appreciates the opportunity to comment on the first draft of NERC’s 2019 Business Plan and Budget (“Budget”). APPA supports NERC’s efforts to improve efficiency and maximize the value that public power customers receive for their contributions to the ERO as a going concern.

APPA understands that the Member Executive Committee has endorsed the 2019 budget associated with the E-ISAC. APPA agrees that the Budget reflects an appropriate allocation to the E-ISAC, and APPA looks forward to the progress reports regarding the E-ISAC’s use of its planned 2019 \$5.4 million budget increase. It is the \$1.5 million (2.9 percent) increase in the non-E-ISAC portion of the Budget that concerns public power members and their customers.

In the following, APPA addresses the non-E-ISAC proposed 2019 budget increase. The MRC and Board meeting discussion in May outlined certain areas of concern for public power stakeholders. One particular point of concern was that the budget increases do not consistently appear to be aligned with NERC’s initiative to improve efficiency and effectiveness. A number of concerns in this regard are discussed below.

### **Budget Clarity and Justification**

The Budget includes several expenses that, at a minimum, need further clarity. In addition, there are some items showing significant increases that lack sufficient justification. Expenditures that need further clarification include the Situational Awareness Tool (“SAFNR”), Region/NERC costs and the CMEP Tool. Increases requiring additional justification include the SAFNR expense increase, along with increasing benefits and office rent.

The May Board meeting discussion about SAFNR provided more questions than answers. For example, the “shared funding” for SAFNR between the NERC and E-ISAC budgets is not distinct. If there are shared costs and benefits in each of the budgets, there should be specific allocations that can be well understood. Also, the dissolution of SPP RE will cause the involved Region’s budgets to rise or fall, and have a residual impact on the NERC budget. APPA believes there should be full transparency regarding the associated savings from the SPP RE dissolution, and those savings should be clearly trackable in the 2019 and 2020 NERC budgets.

### **Situational Awareness**

The proposed 2019 budget includes a \$600,000 SAFNR-related increase. APPA believes additional support is required for this expense increase. The May Board discussion suggested that NERC’s business case and specific estimates for this work were not definitive. While APPA

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<sup>1</sup> APPA is the national service organization representing the interests of the nation’s 2,000 not-for-profit, community-owned electric utilities. Public power utilities are located in every state except Hawaii. They collectively serve over 49 million people and account for 15% of all sales of electric energy (kilowatt-hours) to ultimate customers. Public power utilities serve retail load, with the primary goal of providing the communities they serve with safe, reliable electric service at the lowest reasonable cost. This orientation aligns the interests of the utilities with the long-term interests of the residents and businesses in their communities.

understands the need for timely situational awareness, it was also explained during the Board discussion that the SAFNR improvement has been delayed in the past, without a risk to reliability. Consequently, additional clarity and justification is needed with respect to the significant SAFNR increase. APPA also notes that the SAFNR improvements were characterized as a GridEx recommendation, but APPA could not locate this recommendation in the GridEx report. Nonetheless, any report recommendation needs vetting and prioritizing before budget inclusion. Unless there is an urgent need that justifies the SAFNR expense in 2019, the expenditure should be deferred.

### **Benefits Expense**

Benefits increase by over \$700 thousand, a 17.6 percent in the proposed 2019 budget. APPA members are not experiencing comparable increases in their budgets for benefit expenses. Therefore, public power recommends that NERC benchmark other industry organizations. Such efforts will either show how costs can be reduced, or signal how other best practices can be used.

### **Office Expense**

Office Rent represents approximately 20 percent of the 2019 non-E-ISAC budget increase associated with a facility expansion for the Atlanta office. The expansion will provide additional meeting space that will be offset by a decrease in future meeting expenses. APPA endorses this concept, but while the office rent expense increase can be seen in the budget, the proposed offset, cannot. Stakeholders need to see the increase and offset in the proposed budget to fully understand the NERC office rent increase.

### **CMEP Tool Initiative**

APPA encourages NERC to use stakeholder engagement as much as possible, especially in managing expenses and achieving efficiency. APPA is encouraged that the Certification and Compliance Committee (“CCC”) is now engaged in efficiency discussions regarding the Compliance and Enforcement Monitoring Program (“CMEP”) information systems project tool (“Tool”). Public power stakeholders believe that stakeholder input is especially needed to ensure overall efficiency in the CMEP Tool.

From discussions at the MRC, it appears that the business case for the CMEP Tool needs to be revised. Whereas the business case was justified based on a \$5.1 million cost, now over \$1 million in additional costs have been identified. These costs are related to historical data needs and the inclusion of standards and registration data that are foundational aspects of the CMEP.

APPA appreciates NERC’s consideration of these comments and recommendations and looks forward to future 2019 budget discussions.