

July 15, 2016

RE: Updated Draft of NERC's 2017 Business Plan and Budget, Final Regional Entity 2017 Business Plans and Budgets Available on NERC's Website

On May 19, 2016, NERC posted the first draft of the 2017 Business Plans and Budgets for NERC and the Regional Entities. A webinar was conducted on May 26, 2016, to review the NERC, Regional Entity, and consolidated budgets and assessment projections. Written comments on the first draft of NERC's Business Plan and Budget were received from three entities and posted on NERC's website.

The primary change from NERC's first draft was to incorporate additional details and funding for improvements to the E-ISAC portal, which were discussed during the presentation of the first draft of NERC's 2017 budget. The text of the RAPA and E-ISAC sections were also updated and minor refinements to personnel, contract and consulting, and operating expense projections are also incorporated into this draft. Excluding the added costs and assessment funding related to the E-ISAC portal, the overall NERC budget and assessment increase remained the same as the first draft.

The net effect of the foregoing budget revisions is a total 2017 NERC budget of \$69.6M, representing an increase of \$2.4M (3.6%) over 2016. Total average assessments are projected to increase by \$2.8M (4.9%) over 2016. After taking into account preliminary projections of credits to certain Canadian entities pursuant to NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs, the U.S., Canadian and Mexico assessments will increase \$2.5M (4.9%), \$217.2k (4.2%) and \$17.2k (10.8%)<sup>1</sup>, respectively.

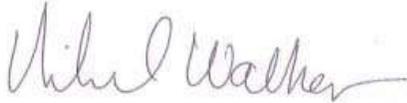
NERC has posted on its website, under the Business Plan and Budget page, the second draft of the 2017 Business Plan and Budget and a presentation which provides an overview of the aforementioned changes and other relevant information. The final 2017 Business Plans and Budgets for all of the Regional Entities (and Western Interconnection Regional Advisory Body) are also posted with their associated presentations. Additionally, NERC posted responses to comments related to the first draft of the Business Plan and Budget. Finally, we have posted a presentation which includes an ERO Enterprise consolidated budget for 2017 and a consolidated projection of costs and assessments for 2018 and 2019.

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<sup>1</sup> Increase due largely to a significant increase in Mexico's NEL share

The NERC Finance and Audit Committee will meet to review these materials via conference call and webinar on July 21, 2016, at 11:00 a.m. Eastern. Written comments are requested by July 29, 2016, and should be directed to the attention of Anya Josephson at [BudgetComments@NERC.net](mailto:BudgetComments@NERC.net).

As always, we both appreciate and look forward to your feedback.

A handwritten signature in cursive script that reads "Michael Walker".