July 9, 2015

VIA ELECTRONIC FILING

Ms. Erica Hamilton, Commission Secretary
British Columbia Utilities Commission
Box 250, 900 Howe Street
Sixth Floor
Vancouver, B.C.
V6Z 2N3

RE: North American Electric Reliability Corporation

Dear Ms. Hamilton:


Please contact the undersigned if you have any questions.

Respectfully submitted,

/s/ Holly A. Hawkins
Holly A. Hawkins
Associate General Counsel for the North American Electric Reliability Corporation

Enclosure
BEFORE THE
BRITISH COLUMBIA UTILITIES COMMISSION
OF THE PROVINCE OF BRITISH COLUMBIA

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

SUPPLEMENTAL FILING TO
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION’S
REPORT OF COMPARISONS OF BUDGETED TO ACTUAL COSTS FOR 2014
FOR NERC AND THE REGIONAL ENTITIES –
WESTERN ELECTRICITY COORDINATING COUNCIL’S
2014 AUDITED FINANCIAL STATEMENTS
AND REVISED ACTUAL COST-TO-BUDGET COMPARISON REPORT

Gerald W. Cauley
President and Chief Executive Officer
North American Electric Reliability Corporation
3353 Peachtree Road
Suite 600, North Tower
Atlanta, GA 30326
(404) 446-2560
(404) 446-9765 – facsimile

Michael Walker
Senior Vice President and Chief Financial
and Administrative Officer
North American Electric Reliability Corporation
3353 Peachtree Road
Suite 600, North Tower
Atlanta, GA 30326
(404) 446-2560

Charles A. Berardesco
Senior Vice President and General Counsel
North American Electric Reliability Corporation
1325 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 400-3000
(202) 644-8099 – facsimile
charles.berardesco@nerc.net

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Attachment 9A: Western Electricity Coordinating Council – 2014 Revised Actual Cost-to-Budget Comparison and Audited Financial Statements
I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”) respectfully submits this supplemental filing to its June 17, 2015 “Report of Comparisons of Budgeted to Actual Costs for 2014 for NERC and the Regional Entities” (“June 17 Filing”). Specifically, in this supplemental filing, NERC is submitting (1) the audited 2014 financial statements for the Western Electricity Coordinating Council, Inc. (“WECC”), and (2) a revised actual cost-to-budget comparison report for WECC for 2014. Attachment 9A to this supplemental filing contains the revised WECC 2014 actual cost-to-budget comparison report and WECC’s 2014 audited financial statements.

NERC stated in the June 17 Filing that at that time, WECC’s audited 2014 financial report was not yet available and would be filed in a supplemental filing (see June 17 Filing at 4). The June 17 Filing contained, as Attachment 9, a 2014 actual cost-to-budget comparison report for WECC based on its unaudited 2014 financial results. As explained below, changes in WECC’s audited 2014 financial results from the unaudited 2014 financial results available in May have necessitated minor revisions to WECC’s 2014 actual cost-to-budget comparison.

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to:

Gerald W. Cauley
President and Chief Executive Officer
Michael Walker
Senior Vice President and Chief Financial and Administrative Officer
North American Electric Reliability Corporation
3353 Peachtree Road
North Tower, Suite 600
Atlanta, GA 30326
(404) 446-2560
(404) 446-9765 – facsimile

Charles A. Berardesco
Senior Vice President and General Counsel
North American Electric Reliability Corporation
1325 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 400-3000
(202) 644-8099 – facsimile
charles.berardesco@nerc.net
WECC’s revised 2014 actual cost-to-budget comparison report and audited 2014 financial statements are provided in Attachment 9A to this supplemental filing.

The only material differences between WECC’s 2014 actual cost-to-budget comparison included in the June 17 Filing and the final actual cost-to-budget comparison in Attachment 9A are due to the recognition of $2 million of civil penalty expense in 2014 actuals as a result of the Federal Energy Regulatory Commission’s (‘FERC”) May 26, 2015 order in Docket No. IN14-11-000 approving a Stipulation and Consent Agreement among FERC, NERC and WECC concerning reliability standards violations arising out of the September 8, 2011 Arizona – Southern California outages.\(^1\) In recognition of the civil penalty imposed in the May 26 Order, WECC, in accordance with requirements of Generally Accepted Accounting Principles, recorded $2 million of civil penalty expense as unbudgeted Miscellaneous Expense in 2014 actual results.\(^2\) Correspondingly, WECC recorded in Funding an additional $2 million of Penalty Sanctions revenues previously reserved to offset the unbudgeted civil penalty expense.\(^3\) These accounting actions resulted in actual-to-budget variances of $2 million in total company Funding – Penalty Sanctions and Miscellaneous Expense. The unbudgeted $2 million of Miscellaneous Expense

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2. The May 26 Order provides for a $3 million monetary penalty to WECC; however, WECC previously recognized $1 million of expense for this potential liability in 2013, as reported in its actual cost-to-budget comparison report and audited financial report for 2013 (North American Electric Reliability Corporation’s Report of Comparisons of Budgeted to Actual Costs for 2013 for NERC and the Regional Entities, Attachment 9, filed July 10, 2014).

3. In NERC’s 2015 Business Plan and Budget filing, an exception was requested pursuant to §1107.4 of the NERC Rules of Procedure to allow WECC to use $3.4 million of Penalty sanction revenues received between July 1, 2013 and June 30, 2014, to offset penalties imposed on WECC’s registered Reliability Coordinator and Interexchange Authority functions (rather than using these Penalty sanction revenues to offset 2015 assessments), with $2 million of this amount reserved to offset estimated penalties to be recognized in 2014. See Notice of Filing of the North American Electric Reliability Corporation of its 2015 Business Plan and Budget and the 2015 Business Plans and Budgets of Regional Entities and for Approval of Proposed Assessments to Fund Budgets, filed September 16, 2014, and Attachment WECC Proposed 2015 Business Plan and Budget to that filing, at 52-53.
and offsetting $2 million of Penalty Sanctions revenues were recorded in the Situation Awareness and Infrastructure Security Program, since that was the program in which WECC’s registered Reliability Coordinator and Interchange Authority functions were located at the time of the September 8, 2011 event.\(^4\)

Respectfully submitted,

Gerry W. Cauley
President and Chief Executive Officer

Michael Walker
Senior Vice President and Chief Financial and Administrative Officer
North American Electric Reliability Corporation
3353 Peachtree Road
Suite 600, North Tower
Atlanta, GA 30326
(404) 446-2560
(404) 446-9765 – facsimile

/s/ Charles A. Berardesco
Charles A. Berardesco
Senior Vice President and General Counsel
North American Electric Reliability Corporation
1325 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 400-3000
(202) 644-8099 – facsimile
charles.berardesco@nerc.net

\(^4\) These registered functions were subsequently transferred to Peak Reliability.
ATTACHMENT 9A