

## Attachment 1

Summary tables showing NERC's proposed 2021 budget; the proposed 2021 budget for statutory activities of each Regional Entity; and the 2021 Canadian ERO statutory assessments of NERC and the Regional Entities

## NERC Proposed Budget by Program

NERC Program	2020 Budget for Statutory Functions <sup>1</sup>	2021 Budget for Statutory Functions
Reliability Standards and Power Risk Issue Strategic Management	\$ 8,302,592	\$ 7,856,641
Compliance Assurance and Organization Registration and Certification	11,818,703	13,686,302
Compliance Enforcement	6,279,468	7,327,875
Reliability Assessment and Performance Analysis	13,122,303	12,631,436
Situation Awareness	4,326,699	4,450,989
Event Analysis	4,733,857	4,287,213
E-ISAC (including CRISP)	31,320,137	29,821,738
Personnel Certification and Continuing Education	1,738,288	1,736,522
Training and Education	1,014,986	1,084,523
<b>Total Budget</b>	<b>\$ 82,657,034</b>	<b>\$ 82,883,239</b>

<sup>1</sup>Starting with the 2021 budget, NERC will report financing activity as part of its Statement of Activities (instead of through its reserve analysis), which adjusts the total budget number. As such, the 2020 budget has been restated accordingly for comparable reporting.

## Proposed Budget for Statutory Activities of NERC, Each Regional Entity, and WIRAB

	2020 Budget for Statutory Functions	2021 Budget for Statutory Functions
NERC	\$ 82,657,034	\$ 82,883,239
MRO	17,540,969	18,412,202
NPCC	16,601,647	16,440,648
ReliabilityFirst	23,650,862	24,785,492
SERC	24,525,013	25,829,079
Texas RE	13,831,126	14,211,538
WECC	27,756,089	28,605,029
WIRAB	1,255,200	1,205,500
<b>Total Budget</b>	<b>\$ 207,817,940</b>	<b>\$ 212,372,727</b>

**Proposed Assessments for Statutory Activities NERC, Each Regional Entity, and WIRAB**

	Assessments for		Assessments for		Allocation to Canada		
	Statutory	Allocation to	Statutory	Allocation to	2021 Budget v	2020 Budget	% Over
	Functions 2020	Canada 2020	Functions 2021	Canada 2021	Over (Under)	Over (Under)	(Under)
<b>NERC</b>	\$ 72,011,373	\$ 6,655,929	\$ 72,011,373	\$ 6,826,738	\$ 170,810		2.57%
<b>Regional Entities</b>	\$ 115,725,862	\$ 10,553,076	\$ 116,760,116	\$ 10,933,774	\$ 380,698		3.61%
MRO	16,983,251	1,680,541	16,983,251	1,794,465			
NPCC	15,338,737	5,763,048	15,154,584	6,008,840			
ReliabilityFirst	22,318,623	-	22,764,995	-			
SERC	22,459,123	-	23,513,886	-			
Texas RE	13,344,128	-	13,343,400	-			
WECC	25,282,000	3,109,487	25,000,000	3,130,470			
<b>WIRAB</b>	\$ 986,300	\$ 144,259	\$ 986,300	\$ 143,163	\$ (1,096)		-0.76%
<b>Total Budget</b>	\$ 188,723,535	\$ 17,353,264	\$ 189,757,789	\$ 17,903,676	\$ 550,411		3.17%

## Attachment 2

### NERC Proposed 2021 Business Plan and Budget

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# 2021 Business Plan and Budget

Final

August 13, 2020

RELIABILITY | RESILIENCE | SECURITY



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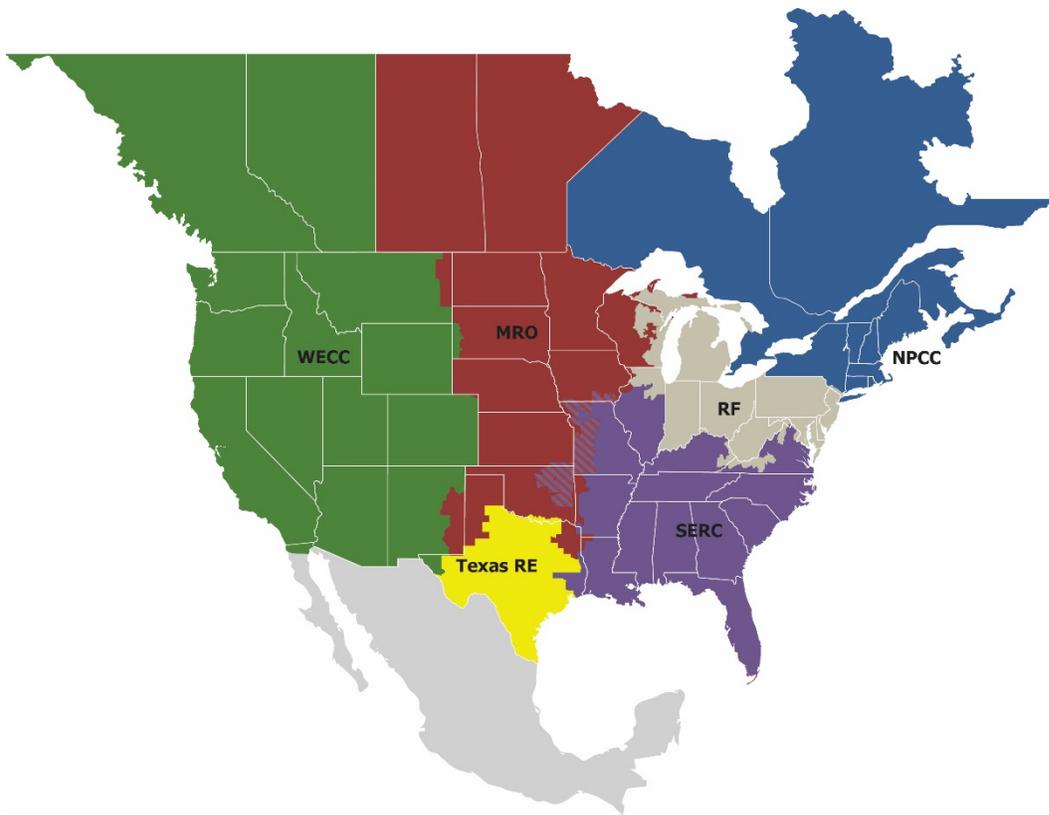
# Preface

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Electricity is a key component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the six Regional Entities (REs), is a highly reliable and secure North American bulk power system (BPS). Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

Reliability | Resilience | Security  
*Because nearly 400 million citizens in North America are counting on us*

The North American BPS is divided into six RE boundaries as shown in the map and corresponding table below. The multicolored area denotes overlap as some load-serving entities participate in one Region while associated Transmission Owners/Operators participate in another.



<b>MRO</b>	Midwest Reliability Organization
<b>NPCC</b>	Northeast Power Coordinating Council
<b>RF</b>	ReliabilityFirst
<b>SERC</b>	SERC Reliability Corporation
<b>Texas RE</b>	Texas Reliability Entity
<b>WECC</b>	Western Electricity Coordinating Council

# About NERC

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## Overview

NERC is a not-for-profit entity organized under the New Jersey Nonprofit Corporation Act. NERC's area of responsibility spans the continental United States and portions of Canada and Mexico. Entities under NERC's jurisdiction are the users, owners, and operators of the BPS<sup>1</sup>—a system that serves the needs of nearly 400 million people and includes installed electricity production capacity of approximately 1.1 million megawatts, operates 469,842 circuit miles of high-voltage transmission (100 kV and above), and is comprised of assets worth more than \$1 trillion.

## Electric Reliability Organization

The Federal Energy Regulatory Commission (FERC) certifies and has oversight of NERC as the ERO within the United States to establish and enforce NERC Reliability Standards for the U.S. portion of the BPS, pursuant to Section 215 of the Federal Power Act (FPA). As of June 18, 2007, FERC granted NERC the legal authority to enforce Reliability Standards with all U.S. users, owners, and operators of the BPS and made compliance with those standards mandatory and enforceable. Section 215 also requires that the organization certified by FERC as the ERO seek recognition with relevant authorities in Canada and Mexico. In 2005, the U.S. Department of Energy (DOE) and Canadian federal and provincial governments agreed to bilateral principles for a consistent, continent-wide reliability regulatory framework under a non-governmental institution (the ERO) designed to function on an international basis. To date, NERC has memoranda of understandings (MOUs) with eight Canadian provinces<sup>2</sup> and the Canada Energy Regulator in furtherance of this framework. Mexico is taking steps to implement such a framework pursuant to restructuring of Mexico's electricity industry and reforms of the country's regulatory framework enacted in 2013 and 2014. NERC is working with the Mexican regulator, *Comisión Reguladora de Energía* (CRE), and the Mexican system and market operator, *CENACE*, under a MOU signed in 2017 to ensure consistency with the framework in Canada and the United States.

## Membership and Governance

An 11-member Board, comprised of 10 independent trustees and NERC's president and chief executive officer (CEO) serving as the management trustee, governs NERC. The Board has formed several committees to facilitate oversight of the organization in the areas of finance and audit, governance and human resources, compliance, technology and security, nominations and enterprise-wide risk.

Membership in NERC is open to any person or entity that has an interest in the reliability of the North American BPS. Membership is voluntary and affords participants the opportunity to engage in the governance of the organization through election to the Member Representatives Committee (MRC).<sup>3</sup> More than 500 entities and individuals are members of NERC. NERC, its members, and each applicable BPS owner, operator, and user must comply with the NERC [Rules of Procedure](#) (ROP).

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<sup>1</sup> NERC's standards, compliance, and enforcement activities are focused on the [Bulk Electric System \(BES\)](#), which is comprised of certain BPS facilities.

<sup>2</sup> British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, and Nova Scotia

<sup>3</sup> The [MRC](#) comprises voting representatives elected from the 12 membership sectors. The MRC elects the independent trustees and, along with the Board, votes on amendments to the bylaws. The MRC also provides policy advice and recommendations to the Board on behalf of stakeholders with respect to annual budgets, business plans, and other matters pertinent to the purpose and operation of the organization.

## Scope of Oversight

As the international, multijurisdictional ERO in North America, NERC:

- Proposes, supports the development of, monitors compliance with, and enforces mandatory Reliability Standards for the North American BES, subject to regulatory oversight and approvals from FERC in the United States and applicable authorities in Canada;
- Conducts near-term and long-term reliability assessments of the North American BPS;
- Certifies BPS operators as having and maintaining the necessary knowledge and skills to perform their reliability responsibilities;
- Maintains situational awareness of events and conditions that may threaten BPS reliability;
- Coordinates efforts to improve physical and cyber security for the BPS of North America;
- Conducts detailed analyses and investigations of system disturbances and unusual events as well as measuring ongoing system trends to determine root causes, uncovering lessons learned, and issuing relevant findings as advisories, recommendations, guidelines, and essential actions to the industry to mitigate and control risks to reliability; and
- Identifies and prioritizes risks to reliability and uses a broad toolkit to mitigate and control risks to reliability, including the potential need for new or modified Reliability Standards, improved compliance monitoring and enforcement methods, or other initiatives.

## Delegated Authorities

In executing its responsibility, NERC delegates certain authorities to regional reliability entities (Regional Entities or the Regions) to perform aspects of the ERO functions described through delegation agreements. FERC has approved delegation agreements between NERC and the six Regional Entities. These agreements describe the authorities delegated and responsibilities assigned to the Regional Entities in the United States to address, among other things: (1) developing regional Reliability Standards; (2) monitoring compliance with and enforcement of Reliability Standards (both North American-wide and regional); (3) registering owners, operators, and users of the BES and certifying reliability entities (Reliability Coordinators [RCs], Balancing Authorities [BAs], and Transmission Operators [TOPs]); (4) assessing reliability and analyzing performance; (5) training and education; (6) event analysis and reliability improvement; and (7) situational awareness and infrastructure security. NERC expects Regional Entities whose territories and geographic footprints extend into Canadian provinces and Mexico to perform equivalent functions in those jurisdictions.

## Statutory and Regulatory Background

NERC's authority as the ERO in the United States is based on FPA Section 215, as added by the Energy Policy Act of 2005,<sup>4</sup> and FERC's regulations and orders issued pursuant to Section 215. In Canada, NERC's authorities are established by the memoranda of understanding and regulations previously mentioned. In this Business Plan and Budget (BP&B) document, *Exhibit A – Application of NERC Section 215 Criteria*, summarizes the major activities NERC proposes to undertake in 2021 and the approved FPA Section 215 criteria applicable to such activities.<sup>5</sup>

## Funding

FPA Section 215 and FERC's regulations specify procedures for NERC's funding in the United States. NERC's annual BP&B is subject to FERC approval in the United States and, once approved, NERC's annual funding is provided primarily through assessments to load-serving entities. These assessments are allocated on a

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<sup>4</sup> Section 215 of the FPA, 16 United States C. 824o.

<sup>5</sup> North American Electric Reliability Corporation, Order on Compliance, 143 FERC ¶ 61,052 (2013).

net-energy-for-load (NEL) basis. Equivalent funding mechanisms are provided in Canada, subject to the specific laws and regulations of each province. The Regional Entities' funding requirements are addressed separately in their respective BP&Bs, which must be reviewed and approved by NERC and FERC. The U.S. assessments for the Regional Entity budgets are included in the overall NERC assessments to load-serving entities.

### ERO Enterprise Model and Transformation

The collective network of leadership, experience, skills, and technologies shared among NERC and the Regional Entities is referred to as the ERO Enterprise. The ERO Enterprise is a collaborative organization with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs; the model enables innovative and distinctive approaches to address these unique reliability risks and challenges locally. As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;
- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.

NERC has unique responsibilities to oversee program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. NERC and the Regional Entities also coordinate activities to identify, prioritize, and address risks to reliability. The Regional Entities have a mirrored set of responsibilities within the ERO Enterprise model, providing input into the overall development of each ERO program area, providing training and development to meet ERO qualifications, and ensuring delegated responsibilities are completed. Regional Entities also have an obligation to meet professional standards of independence and objectivity and provide the best available expertise for addressing regional risks.



## ERO Enterprise Strategic and Operational Planning

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regions, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the NERC Board on December 12, 2019, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial [ERO Reliability Risk Priorities Report](#);
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities.

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each organization's BP&B may reference how activities support each of the strategic focus areas.

NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.<sup>6</sup>

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<sup>6</sup> [ERO Work Plan Priorities](#) for NERC for 2020 were approved by the Board in February 2020. NERC management and the Board will evaluate annual work plan priorities each year.

## Introduction and Executive Summary

TOTAL RESOURCES (in whole dollars)				
	2021 Budget	U.S.	Canada	Mexico
Statutory FTEs	213.38			
Non-statutory FTEs	-			
<b>Total FTEs</b>	<b>213.38</b>			
Statutory Expenses	\$ 79,287,138			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	<b>\$ 79,287,138</b>			
Statutory Fixed Asset Additions	\$ 2,751,500			
Non-Statutory Fixed Asset Additions	\$ -			
<b>Total Fixed Asset Additions</b>	<b>\$ 2,751,500</b>			
Statutory Funding of Reserves	\$ (1,727,688)			
Non-Statutory Funding of Reserves	\$ -			
<b>Total Working Capital Requirement</b>	<b>\$ (1,727,688)</b>			
<b>Net Proceeds from Financing Activities</b>	<b>\$ 844,601</b>			
Total Statutory Funding Requirement	\$ 81,155,551			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	<b>\$ 81,155,551</b>			
	<b>TOTAL</b>	<b>US</b>	<b>CANADA</b>	<b>MEXICO</b>
<b>Statutory Funding Assessments</b>	<b>\$ 72,011,373</b>	<b>\$ 64,957,145</b>	<b>\$ 6,826,738</b>	<b>\$ 227,490</b>
<b>Non-Statutory Fees</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NEL</b>	<b>4,560,817,618</b>	<b>4,025,357,981</b>	<b>521,362,237</b>	<b>14,097,400</b>
<b>NEL%</b>	<b>100.00%</b>	<b>88.26%</b>	<b>11.43%</b>	<b>0.31%</b>

## 2021 Business Plan and Budget Summary

### Budget Reporting Format and Presentation

NERC and the Regional Entities' budgets are comprised of both operating and fixed asset (capital) costs. Operating costs generally include personnel, contractor support, consulting, meetings, travel, office space, software licensing, communications, and other customary services to support office operations. Fixed asset costs primarily reflect investments in equipment and software to support operations, including investments in the development of software applications and infrastructure to facilitate improved business processes and efficiency. These operating and fixed asset costs, as well as corresponding funding, are shown in a Statement of Activities and Fixed Asset Expenditures report (SOA report), which is provided at both the total entity and departmental levels. These reports include funding and expenses for the current budget year and prior budget year to show year-over-year changes.

### Budget Reporting Change for Financing Activity

NERC is implementing a change to the SOA report to provide enhanced transparency of financing activity (e.g., debt borrowing, leased-financed asset purchases, and principal payments). NERC has a capital financing program for major software development projects that benefit the ERO Enterprise. Additionally, NERC has a lease program for certain IT equipment.

Financing activity affects cash flow and annual assessments, and has historically been shown as part of the reserve summary table (Table B-1, Operating Reserve and Assessment Analysis). Beginning with 2020 budget-to-actual variance reporting and this 2021 BP&B, NERC will instead report financing activity in a new section on the SOA report. The incorporation of this financing activity adjusts the total budget number on the SOA report, which allows for a total budget that more closely reflects the amount of annual revenues required from assessments. For example, the total budget in the 2020 BP&B is \$83.4M. With the incorporation of the financing activity section, the total 2020 budget is \$82.7M because it considers the net of loan and lease proceeds and payments, which were previously addressed only in the calculation of assessments on the reserve summary table. As such, the 2020 assessment is unchanged at \$72.0M. Since the SOA reports in the 2020 BP&B were not presented in this format, in this 2021 BP&B document the 2020 budget has been restated to reflect the incorporation of financing activity to show the year-over-year budget changes on a comparable basis.

### Overview of 2021 Budget and Funding Requirements

NERC's 2021 expense and fixed asset budget, including financing activity, is approximately \$82.9M, which represents an increase of approximately \$226k (0.3%) from the 2020 budget. Total expenses are increasing approximately \$1.5M (1.9%) over 2020. The total fixed asset budget is approximately \$2.8M, a decrease of \$2.0M (41.5%) from 2020. Approximately \$8.2M (9.9%) of NERC's 2021 budget is related to the Cybersecurity Risk Information Sharing Program (CRISP), with the majority of the CRISP budget funded by participating utilities, with a small portion funded through assessments.

NERC is planning to fund approximately \$1.8M of the fixed assets budget from Operating Contingency Reserves in 2021 for continued costs associated with the Compliance Monitoring and Enforcement Program (CMEP) Align tool (discussed further below). Factoring in this use of reserves, the total fixed asset budget is approximately \$951k, a decrease of \$3.8M (79.8%) from 2020, and NERC's total expense and fixed assets budget for 2021 is approximately \$81.1M, a decrease of \$1.6M (1.9%) from 2020.

NERC's proposed 2021 assessment is approximately \$72.0M, which is flat versus 2020. Factors contributing to the difference between the proposed budget and the proposed assessment include assumptions regarding other funding sources, such as the use of reserves mentioned above and third-party funding for CRISP. Additionally, the allocation of assessments to Canadian entities will reflect the

final determination and allocation of certain compliance and enforcement costs to Canadian entities pursuant to *NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs*, which was included in NERC's filing to FERC requesting acceptance of the NERC 2009 BP&B.<sup>7</sup>

ROP Section 1107.2 specifies that penalties received from July 1 through the following June 30 will offset U.S. assessments in the subsequent budget period. In 2015, the Board and FERC approved the creation of the Assessment Stabilization Reserve, which was established to narrow the gap between annual budget and assessment percentage changes that result from year-to-year variations in penalty collections. This reserve is funded with penalty funds and surplus operating reserves. The actual amount of the contribution, as well as releases from the fund to reduce assessments, are determined as part of NERC's BP&B process. For 2020, the assessment did not include a release of funds from the Assessment Stabilization Reserve due to reduced debt service, increased interest income, and a surplus of working capital. Similarly for 2021, NERC management is not recommending a release of funds from the Assessment Stabilization Reserve since 2021 assessments are not increasing over 2020, thereby preserving funds in the Assessment Stabilization Reserve to stabilize assessments in future years. Further, NERC proposes to deposit the \$1.0 million of penalties collected in the 12 months ended June 30, 2020, in the Assessment Stabilization Reserve, rather than use these penalties to reduce the 2021 assessment.

The following table provides a high-level year-over-year comparison of the major categories of expenses, total budget, and full-time equivalents (FTEs). This table includes the \$1.8M for Align costs that will be funded by operating reserves as discussed above.

Statement of Activities and Fixed Asset Additions 2020 Budget & Projection, and 2021 Budget						
STATUTORY						
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)	% Over (Under)
<b>Funding</b>						
<b>NERC Funding</b>						
NERC Assessments	\$ 72,011,373	\$ 72,011,373	\$ -	\$ 72,011,373	\$ -	0.0%
Penalties Released*	-	-	-	-	-	-
Third-Party Funding (CRISP)	\$ 7,814,577	\$ 6,732,693	\$ (1,081,884)	\$ 7,064,343	\$ (750,234)	
Testing Fees	1,735,000	1,735,150	150	1,801,634	66,634	
Services & Software	60,000	60,000	-	60,000	-	
Miscellaneous	-	60,500	60,500	-	-	
Interest & Investment Income	386,000	129,000	(257,000)	218,200	(167,800)	
<b>Total Funding (A)</b>	<b>\$ 82,006,951</b>	<b>\$ 80,728,716</b>	<b>\$ (1,278,234)</b>	<b>\$ 81,155,551</b>	<b>\$ (851,400)</b>	<b>-1.0%</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>	\$ 46,598,160	\$ 44,757,827	\$ (1,840,333)	\$ 48,189,435	\$ 1,591,275	3.4%
<b>Meeting &amp; Travel Expenses</b>	3,323,250	987,292	(2,335,958)	2,201,748	(1,121,502)	-33.7%
<b>Operating Expenses, excluding Depreciation</b>	27,583,094	27,698,723	115,630	28,766,294	1,183,200	4.3%
<b>Other Non-Operating Expenses</b>	306,623	110,800	(195,823)	129,661	(176,962)	-57.7%
<b>Total Expenses (B)</b>	<b>\$ 77,811,127</b>	<b>\$ 73,554,643</b>	<b>\$ (4,256,484)</b>	<b>\$ 79,287,138</b>	<b>\$ 1,476,011</b>	<b>1.9%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 4,706,349</b>	<b>\$ 7,250,350</b>	<b>\$ 2,544,001</b>	<b>\$ 2,751,500</b>	<b>\$ (1,954,849)</b>	<b>-41.5%</b>
<b>Financing Activity</b>						
Loan or Financing Lease - Borrowing (-)	(1,338,000)	(2,100,000)	(762,000)	(100,000)	1,238,000	-92.5%
Loan or Financing Lease - Principal Payments (+)	1,477,558	550,000	(927,558)	944,601	(532,957)	-36.1%
<b>Net Financing Activity (D)</b>	<b>\$ 139,558</b>	<b>\$ (1,550,000)</b>	<b>\$ (1,689,558)</b>	<b>\$ 844,601</b>	<b>\$ 705,043</b>	<b>505.2%</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 82,657,034</b>	<b>\$ 79,254,993</b>	<b>\$ (3,402,041)</b>	<b>\$ 82,883,239</b>	<b>\$ 226,205</b>	<b>0.3%</b>
<b>FTEs</b>	<b>213.38</b>	<b>199.92</b>	<b>(13.46)</b>	<b>213.38</b>	<b>0.00</b>	<b>0.0%</b>

\*Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve to offset U.S. assessments as approved by the NERC Board and FERC. Actual penalties invoiced in the current reporting year are shown as an increase to the Assessment Stabilization Reserve on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

<sup>7</sup> North American Electric Reliability Corp., Docket No. RR08-6-000, Attachment 16, (filed August 22, 2008)

## Key Budget Assumptions

Key assumptions used in the development of NERC's 2021 budget include the following:

- **No increase to headcount (FTEs).** Though NERC is adding FTEs related to cyber security and to support the ERO Secure Evidence Locker (SEL) (discussed further below), this increase is offset by a decrease of open positions in other areas. A 6.0% reduction to FTEs (vacancy rate) is applied to account for attrition and hiring delays, which is the same as 2020. FTEs by department are discussed later in this section.
- **Market-based compensation for personnel and medical and dental benefit plan costs.** Personnel costs are increasing \$1.6M (3.4%), which reflects (1) a 2.5% increase over actual 2020 base salaries for merit adjustments and up to 0.5% for equity and market adjustments<sup>8</sup> and (2) anticipated increases for medical and dental benefit plan costs. Executive and staff compensation and benefits are established based on guidelines established by the Board's Corporate Governance and Human Resources Committee (CGHRC) and the results of market compensation and benefit studies, most recently completed in late 2019. Medical and dental premium cost estimates are based on market data provided by the company's benefits consultant. No other changes to retirement or other benefit plans have been assumed for 2021.
- **Optimization of current E-ISAC resources.** Management is taking the opportunity to assess the *E-ISAC Long-Term Strategic Plan*, including optimizing resource allocation and improving the effectiveness and efficiency of current products and services. The financial impacts of the revised strategic plan in 2021 are discussed further below.
- **Funding for the CMEP Align and ERO SEL solutions.** This includes funding for the debt service and ongoing software, maintenance, and security standard certification costs for the ERO SEL developed in 2020, and using Operating Contingency Reserves to fund the costs to complete the Align project in 2021. These projects and tools are discussed further below along with financial details.
- **Additional cost savings efforts.** In response to the uncertain economic conditions resulting from the COVID-19 pandemic, NERC is proposing savings in addition to no increase in FTEs by (1) reducing meeting and travel expenses (based on the assumption of continued pandemic conditions), and (2) narrowing or deferring important, but less urgent work supporting evolving reliability and security risks, resulting in lower spending for some project-based contract and professional services resources and certain system enhancements. These savings, in addition to planned 2020 budget savings, help NERC achieve a flat assessment in 2021 without the use of Assessment Stabilization Reserves, preserving funds in the Assessment Stabilization Reserve to mitigate future year assessment increases.

### E-ISAC Long-Term Strategic Plan

In 2017, the E-ISAC, with guidance from the Electricity Sector Coordinating Council (ESCC) Member Executive Committee (MEC), the NERC Board, and various trade associations and stakeholder groups, developed a strategic plan to better define its mission and focus its resources in helping the electric sector protect itself from escalating cyber and physical security risks. The strategic plan has three primary areas of focus—engagement, information sharing, and analysis. The strategic plan embraces the ongoing need to review priorities under each focus area.

Starting in 2019, management began assessing the strategic plan to (1) confirm strategic and operational focus; (2) evaluate and refine products and services; (3) optimize resource allocation; and (4) identify additional areas to provide value to members, and the strategic plan was revised to identify near-term

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<sup>8</sup> As directed by the Board, this is a placeholder amount; actual increases will be evaluated by the Board at year-end.

and longer term priorities. For the near-term strategic priorities in 2020 and 2021, the resource focus mitigates upward pressure by:

- Ensuring effectiveness and efficiency of operations;
- Maximizing utilization of current staffing and teamwork;
- Leveraging partnerships; and
- Effectively using technology to support the strategy.

As a result, the 2021 budget for the E-ISAC and CRISP departments is well below the 2021 projection from the 2020 BP&B and slightly below the 2020 budget. See the *Electricity Information Sharing and Analysis Center* section of Section A for further information.

### **Align and ERO SEL Projects**

Since 2014, NERC has been working closely with the Regional Entities to evaluate and implement strategic investments in tools that will replace the various CMEP manual processes and numerous applications used among NERC and the Regional Entities with a single, common business application, known as Align. The objectives and benefits of the Align project include (1) a single common portal and experience for registered entities; (2) improved integration of and access to data, as well as increased analytics; and (3) standardized business processes and consistent application of the CMEP, resulting in increased productivity and reduced application costs across the ERO Enterprise. The original schedule planned for three releases of the tool: one in the last quarter of 2019 to support self-reporting, self-logging, enforcement, and mitigation, and two more releases in 2020 to support Compliance Assurance activities. The total capital expenditure for Align was expected to be approximately \$5.4M, with work spanning from 2017 through 2020.

In August 2019, the Board accepted a schedule change for the Align project to delay the first planned release of the tool. The primary drivers for delaying the release included refining and harmonizing compliance audit and investigation processes across the Regional Entities and addressing stakeholder concerns regarding evidence collection. Since then, harmonization activities have been completed and continue, and the ERO SEL project has been introduced. The ERO SEL will support the highly secure transfer, management, retention, and destruction of sensitive registered entity files used in CMEP activities. It will complement the Align tool, which manages all ERO Enterprise-developed work products used in CMEP activities. Collectively, the Align tool and the ERO SEL will provide a platform to enable harmonization of Regional Entity practices, driving to a common registered entity experience while facilitating the secure submission, review, and retention of evidence generated during CMEP activities. Continued development of Align and the development of the ERO SEL will occur in 2020, with the implementation of the ERO SEL and the first release of Align planned for the first quarter of 2021, with subsequent releases to follow. For more information, see the [Align Project](#) page on the NERC website.

Taking into account the revised schedule for development and release, the costs of and funding strategy for (1) the ERO SEL capital investment and ongoing support costs and (2) continued Align tool development are as follows:

- In 2020, an unbudgeted capital investment for the ERO SEL of \$3.8M, funded by:
  - An Operating Contingency Reserve draw of \$1.8M<sup>9</sup>
  - Financing of \$2.0M

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<sup>9</sup> FERC accepted NERC's petition to expend funds from the Operating Contingency Reserve in 2020 on the capital investment for the ERO SEL in its [Order](#) on June 22, 2020 in Docket No. RR19-8-001.

- Starting fully in 2021, annual debt service for financing and software support costs for the ERO SEL, funded by assessments:
  - Annual debt service – approximately \$430k for five years
  - Annual software support, maintenance, and security standard certification – approximately \$570k
- 2021 Align development costs of approximately \$1.8M (above the original total capital expenditure of \$5.4M) funded fully by a draw of Operating Contingency Reserves.

As discussed above, NERC is implementing cost savings efforts in both 2020 and 2021. This includes cash funding the 2020 Align development costs originally budgeted to be financed, which saves on future year debt service. This savings on debt service combined with the savings discussed above allow NERC to absorb the 2021 ERO SEL debt service and ongoing support costs in the 2021 budget while maintaining a flat assessment without the use of Assessment Stabilization Reserves.

### **Fixed Asset (Capital) Budget and Capital Financing**

NERC's 2021 fixed asset budget is approximately \$2.8M, which represents a decrease of \$2.0M from 2020. This decrease is primarily due to reduced spending on capital software projects and leasehold improvements. The fixed asset budget for 2021 includes Information Technology (IT) equipment, including computers, hardware servers, and storage, disaster recovery, and network devices and capital ERO Enterprise and NERC software development and enhancements, including:

- The final development year for Align. As mentioned above, NERC is planning to fund the approximately \$1.8M for these 2021 costs from the Operating Contingency Reserve; and
- Ongoing enhancements to the Centralized Organization Registration ERO System (CORES); the Situation Awareness for NERC, FERC, and the Regional Entities (SAFNR) tool; and the Reliability Coordinator Information System (RCIS).

A detailed breakdown by category is provided in Table B-12 – Fixed Assets.

NERC's capital financing program was put in place as part of NERC's 2014 BP&B for ERO Enterprise software projects. The 2021 budget assumes no loan borrowing through the capital financing program, and \$375k of loan payments and \$55k of interest payments for the ERO SEL borrowing in 2020. Further information regarding capital financing can be found in *Exhibit C – Capital Financing*. The 2021 budget also assumes \$100k for financing lease proceeds for IT equipment, as well as approximately \$570k of financing lease payments for existing equipment, including laptops, network switches and servers, and audio visual tools. As discussed above, these loan and financing lease borrowings and payments can be seen in the financing activity section of the applicable SOA reports in this document.

## Program Budget and FTE Comparisons

The following table shows a 2021 versus 2020 total budget comparison by program area. The amounts reflect all direct and indirect departmental costs, including fixed asset expenditures. Costs incurred for general and administrative and other overheads are considered indirect and are allocated to the statutory departments based on the ratio of that department's budgeted FTEs to total budgeted statutory FTEs.

### 2021 versus 2020 Total Budget by Program

Total Budget	2020 Budget	2021 Budget	Increase (Decrease)	
Reliability Standards	\$ 8,302,592	\$ 7,856,641	\$ (445,951)	-5.4%
CMEP*	18,098,171	21,014,178	2,916,006	16.1%
RAPA	13,122,303	12,631,436	(490,867)	-3.7%
Event Analysis	4,733,857	4,287,213	(446,644)	-9.4%
Situation Awareness	4,326,699	4,450,989	124,289	2.9%
Personnel Certification	1,738,288	1,736,522	(1,766)	-0.1%
Training and Education	1,014,986	1,084,523	69,537	6.9%
<b>NERC Budget, excluding E-ISAC</b>	<b>\$ 51,336,896</b>	<b>\$ 53,061,501</b>	<b>\$ 1,724,604</b>	<b>3.4%</b>
E-ISAC (non-CRISP)	\$ 22,523,983	\$ 21,625,531	\$ (898,451)	-4.0%
E-ISAC (CRISP)	8,796,155	8,196,207	(599,948)	-6.8%
<b>Total E-ISAC Budget</b>	<b>\$ 31,320,137</b>	<b>\$ 29,821,738</b>	<b>\$ (1,498,399)</b>	<b>-4.8%</b>
<b>Total Budget</b>	<b>\$ 82,657,034</b>	<b>\$ 82,883,239</b>	<b>\$ 226,205</b>	<b>0.3%</b>

\*Includes Align and ERO SEL costs, including \$1.8M for Align development costs funded by operating reserves.

The primary areas of increase are in CMEP, Situation Awareness, and Training and Education. The increases for CMEP and Situation Awareness reflect the addition of staff reallocated from other areas and, for CMEP, the 2021 development costs for Align and software expenses and debt service for the ERO SEL (discussed above). The increase for Training and Education is related to a reclassification of expenses from Human Resources and Administration for training that benefits the ERO Enterprise.

The decrease in E-ISAC is related to the reevaluation of the E-ISAC strategic plan and optimization of current resources (discussed above), and a reduction in indirect cost allocation. The decrease in CRISP is primarily due to a reduction in participant-paid costs for the Pacific Northwest National Laboratory (PNNL) (mainly due to additional DOE funding), the annual security review, and pilot programs. The decreases in the remaining programs are the result of either or a combination of (1) reallocation of FTEs to other program areas, which also results in lower allocations of indirect costs and fixed assets from Administrative Services, and (2) lower spending as part of the costs savings efforts discussed above, including lower meeting and travel expenses and reduced or deferred contract resources and system enhancements that are not urgently needed.

The following table presents a 2021 versus 2020 comparison of budgeted FTEs by department and reflects 2021 personnel additions, open position reductions, interdepartmental transfers of previously budgeted positions, and attrition assumptions. The number of FTEs represents the number of employees employed full time during the year, plus the number of employees employed part time (less than full schedule) or during a portion of the year, converted to a full-time basis. Headcount represents the total number of personnel employed at any point in time. NERC's 2021 personnel budget is based upon a targeted headcount, associated compensation and benefit costs, and an assumed vacancy rate. The vacancy rate accounts for attrition and for variations from the budget assumptions on the timing of new hires.

## 2021 versus 2020 FTEs by Department

FTEs*	2020 Budget	2021 Budget	Increase (Decrease)	
Reliability Standards	17.86	16.92	(0.94)	-5.3%
CMEP	33.84	35.72	1.88	5.6%
RAPA	23.50	25.38	1.88	8.0%
Event Analysis	9.40	7.52	(1.88)	-20.0%
Situation Awareness	5.64	6.58	0.94	16.7%
Personnel Certification	2.82	2.82	-	0.0%
Training and Education	1.88	1.88	-	0.0%
Administrative Programs	74.26	77.08	2.82	3.8%
<b>NERC FTEs, excluding E-ISAC</b>	<b>169.20</b>	<b>173.90</b>	<b>4.70</b>	<b>2.8%</b>
E-ISAC (non-CRISP)	41.36	36.66	(4.70)	-11.4%
E-ISAC (CRISP)	2.82	2.82	-	0.0%
<b>Total E-ISAC FTEs</b>	<b>44.18</b>	<b>39.48</b>	<b>(4.70)</b>	<b>-10.6%</b>
<b>Total FTEs</b>	<b>213.38</b>	<b>213.38</b>	<b>(0.00)</b>	<b>0.0%</b>

*\*Reflects 2021 additions and transfers between departments, anticipated timing of 2021 hires, and assumes 6% attrition in all programs*

The Administrative Programs encompass a number of necessary support functions, including IT, Legal and Regulatory, Finance and Accounting, and Human Resources and Administration. It also includes General and Administrative functions, which include the CEO, the Chief Engineer, the Chief Administrative Officer (CAO), and their support staff, as well as External Affairs staff. For FERC and external reporting purposes, these programs are allocated as indirect expenses to the operating areas on a per FTE basis.

For 2021, NERC is budgeting no increase or decrease in FTEs versus 2020. This includes the addition of two positions in IT related to cyber security and the addition of one position in Compliance Assurance to support the ERO SEL. These additions are offset by reductions of open positions in other areas, especially in the E-ISAC as a result of the reevaluation of its long-term strategy discussed above. The decrease of FTEs in E-ISAC is also attributed to planned use of contract support versus budgeted FTEs. The remaining FTE increases and decreases among the program areas reflect the reallocation of staff among the departments, which is subject to continual strategic evaluation. The table above reflects the addition, reduction, and reallocations of staff resulting in flat FTEs in 2021 as compared to 2020.

The 2020 organizational chart can be found in Appendix 1. The difference between the number of positions reflected and total FTEs is due to assumptions regarding vacancy rates and timing of new hires.

## Reserves

NERC is proposing an overall reserve budget of \$10.8M across all categories of reserves. This represents an increase of \$2.0M (22.8%) from the total reserve amounts included in NERC's 2020 budget. The reserve categories are as follows:

- **Future Obligation Reserve** – Includes funding that has been received to satisfy future obligations under lease, credit, loan, or other agreements to which the company is a party. This reserve is budgeted to be \$1.1M at December 31, 2021.
- **System Operator Certification Reserve** – Includes surplus funding from operator certification fees that are above incurred expenses and shall be used solely to support operator testing and certification needs. The 2021 System Operator Certification Reserve is budgeted at \$921k at December 31, 2021, and is comprised primarily of existing funds.
- **CRISP Reserve** – Represents funds dedicated to support CRISP. These reserves are established pursuant to a CRISP budget agreed to and funded entirely by utilities participating in CRISP. These reserves have no impact on assessments and are segregated from other reserves pursuant to the terms of the CRISP agreements. The CRISP reserves are projected to be \$500k in the 2021 budget.
- **Operating Contingency Reserve** – Includes both general working capital funds resulting from day-to-day operations and additional funds for contingencies that were not anticipated. NERC's current policy on Operating Contingency Reserves requires a reserve target of 3.5–7.0% of the company's total expense and fixed asset budget, except as otherwise approved by the Board after review and recommendation by the Board Finance and Audit Committee (FAC). This percentage is calculated against NERC's total budget for operating and capital expenditures, less those costs related to CRISP and System Operator Certification, each of which has a separate reserve category. NERC is proposing to use \$1.8M of the Operating Contingency Reserve for funding for the 2021 budget, resulting in a projected Operating Contingency Reserve of approximately \$5.8M at December 31, 2021, which is 8.0% of total budgeted operating and fixed asset costs. The projected reserve is higher than target to provide additional reserves during uncertain economic conditions due to the pandemic, allowing funding for the deferred projects resulting from cost savings efforts in 2020 and 2021 discussed above if needed.
- **Assessment Stabilization Reserve** – To date, this reserve has been funded entirely by previously received penalties and is projected to have a balance of \$2.5M as of January 1, 2021. This includes \$1.0M in penalty money received for the 12 months ended June 30, 2020, which NERC proposes to leave in the Assessment Stabilization Reserve and not use to reduce the 2021 assessment. For purposes of the company's 2021 BP&B, NERC is not currently proposing any release of Assessment Stabilization Reserve funds to offset U.S. assessments. The Assessment Stabilization Reserve will be used to stabilize and reduce U.S. assessments in one or more future periods in the applicable year's BP&B, subject to review and approval by the Board and FERC.

The following table is a statement of activities and fixed asset expenditures comparing the 2020 budget, 2020 projection, and 2021 budget.

## Introduction and Executive Summary

Statement of Activities and Fixed Asset Additions						
2020 Budget & Projection, and 2021 Budget						
STATUTORY						
	2020	2020	Variance		Variance	% Inc
	Budget	Projection	2020 Projection v 2020 Budget Over(Under)	2021 Budget	2021 Budget v 2020 Budget Over(Under)	2021 Over 2020
<b>Funding</b>						
<b>NERC Funding</b>						
NERC Assessments	\$ 72,011,373	\$ 72,011,373	\$ -	\$ 72,011,373	\$ -	
Penalties Released*	-	-	-	-	-	
<b>Total NERC Funding</b>	<b>\$ 72,011,373</b>	<b>\$ 72,011,373</b>	<b>\$ -</b>	<b>\$ 72,011,373</b>	<b>\$ -</b>	<b>0.0%</b>
Third-Party Funding (CRISP)	\$ 7,814,577	\$ 6,732,693	\$ (1,081,884)	\$ 7,064,343	\$ (750,234)	
Testing Fees	1,735,000	1,735,150	150	1,801,634	66,634	
Services & Software	60,000	60,000	-	60,000	-	
Miscellaneous	-	60,500	60,500	-	-	
Interest & Investment Income	386,000	129,000	(257,000)	218,200	(167,800)	
<b>Total Funding (A)</b>	<b>\$ 82,006,951</b>	<b>\$ 80,728,716</b>	<b>\$ (1,278,234)</b>	<b>\$ 81,155,551</b>	<b>\$ (851,400)</b>	<b>-1.0%</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 35,462,611	\$ 34,705,981	\$ (756,630)	\$ 36,636,628	\$ 1,174,017	
Payroll Taxes	2,113,486	2,005,530	(107,956)	2,122,568	9,082	
Benefits	5,420,461	4,639,787	(780,675)	5,703,799	283,338	
Retirement Costs	3,601,601	3,406,529	(195,072)	3,726,439	124,838	
<b>Total Personnel Expenses</b>	<b>\$ 46,598,160</b>	<b>\$ 44,757,827</b>	<b>\$ (1,840,333)</b>	<b>\$ 48,189,435</b>	<b>\$ 1,591,275</b>	<b>3.4%</b>
<b>Meeting &amp; Travel Expenses</b>						
Meetings & Conference Calls	\$ 1,112,250	\$ 542,756	\$ (569,494)	\$ 890,751	\$ (221,499)	
Travel	2,211,000	444,536	(1,766,464)	1,310,997	(900,003)	
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 3,323,250</b>	<b>\$ 987,292</b>	<b>\$ (2,335,958)</b>	<b>\$ 2,201,748</b>	<b>\$ (1,121,502)</b>	<b>-33.7%</b>
<b>Operating Expenses, excluding Depreciation</b>						
Consultants & Contracts	\$ 12,435,902	\$ 11,939,382	\$ (496,520)	\$ 12,691,813	\$ 255,911	
Office Rent	3,450,468	3,540,468	90,000	3,603,442	152,974	
Office Costs	9,102,374	9,798,748	696,374	10,185,789	1,083,415	
Professional Services	2,511,600	2,328,145	(183,455)	2,185,100	(326,500)	
Miscellaneous	82,750	91,980	9,230	100,150	17,400	
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 27,583,094</b>	<b>\$ 27,698,723</b>	<b>\$ 115,630</b>	<b>\$ 28,766,294</b>	<b>\$ 1,183,200</b>	<b>4.3%</b>
<b>Total Direct Expenses</b>	<b>\$ 77,504,504</b>	<b>\$ 73,443,843</b>	<b>\$ (4,060,661)</b>	<b>\$ 79,157,477</b>	<b>\$ 1,652,973</b>	<b>2.1%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 306,623</b>	<b>\$ 110,800</b>	<b>\$ (195,823)</b>	<b>\$ 129,661</b>	<b>\$ (176,962)</b>	<b>-57.7%</b>
<b>Total Expenses (B)</b>	<b>\$ 77,811,127</b>	<b>\$ 73,554,643</b>	<b>\$ (4,256,484)</b>	<b>\$ 79,287,138</b>	<b>\$ 1,476,011</b>	<b>1.9%</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 4,195,824</b>	<b>\$ 7,174,074</b>	<b>\$ 2,978,249</b>	<b>\$ 1,868,413</b>	<b>\$ (2,327,411)</b>	
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 4,706,349</b>	<b>\$ 7,250,350</b>	<b>\$ 2,544,001</b>	<b>\$ 2,751,500</b>	<b>\$ (1,954,849)</b>	<b>-41.5%</b>
<b>Financing Activity</b>						
Loan or Financing Lease - Borrowing (-)	(1,338,000)	(2,100,000)	(762,000)	(100,000)	1,238,000	
Loan or Financing Lease - Principal Payments (+)	1,477,558	550,000	(927,558)	944,601	(532,957)	
<b>Net Financing Activity (D)</b>	<b>\$ 139,558</b>	<b>\$ (1,550,000)</b>	<b>\$ (1,689,558)</b>	<b>\$ 844,601</b>	<b>\$ 705,043</b>	<b>505.2%</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 82,657,034</b>	<b>\$ 79,254,993</b>	<b>\$ (3,402,041)</b>	<b>\$ 82,883,239</b>	<b>\$ 226,205</b>	<b>0.3%</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ (650,083)</b>	<b>\$ 1,473,724</b>	<b>\$ 2,123,806</b>	<b>\$ (1,727,688)</b>	<b>\$ (1,077,605)</b>	
<b>FTEs</b>	<b>213.38</b>	<b>199.92</b>	<b>(13.46)</b>	<b>213.38</b>	<b>0.00</b>	<b>0.0%</b>

\*Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve to offset U.S. assessments as approved by the NERC Board and FERC. Actual penalties invoiced in the current reporting year are shown as an increase to the Assessment Stabilization Reserve on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

## Projections for 2022–2023

Management is currently developing preliminary operating and fixed asset projections for 2022 and 2023. Significant assumptions considered in preparing these projections include:

- Salary and benefit cost increases generally consistent with 2021 assumptions;
- Continued reduced meeting and travel costs relative to pre-pandemic levels due to anticipated greater leveraging of technology for virtual meetings and collaboration tools for smaller working meetings with stakeholders;
- Debt service repayment obligations in connection with the company’s Capital Financing Program, including financing for the ERO SEL established in 2020;
- Continued execution of the E-ISAC Long-Term Strategic Plan, which focuses on improving effectiveness and efficiency of current products, platforms, and services and, in the longer-term, providing additional value in the areas of analytical capabilities, operational technology risks and mitigation, enhanced information sharing capabilities, and extending services to support the downstream natural gas sector; and
- Funding for additional FTEs and data management system enhancements across the company deferred in 2020 and 2021 that are necessary for the ERO Enterprise to continue to fulfill its mission in the long-term.

While NERC was able to reduce certain human resource and technology investments in the 2020 and 2021 periods, this represents a deferral of short-term cost impacts but not an elimination of these strategies. It is anticipated that NERC will continue to make investments in technology on behalf of the entire ERO Enterprise, including the Align tool and ERO SEL. Since the bulk of NERC’s budget consists of people and technology, continued investments in human resources and software tools are necessary to support NERC’s strategic goals and mission.

NERC’s preliminary 2022 budget projection is \$87.0M, which is a 5.0% increase over 2021, and the 2022 assessment projection is \$77.8M, which is an 8.0% increase over 2021. In 2023, the budget projection is \$91.4M (5.0% increase over 2022) and the assessment projection is \$82.1M (5.5% increase over 2022).

As noted above, these budget and assessment increases versus 2021 reflect a measured return to pre-COVID-19 planning assumptions. However, steps have been taken and are being contemplated to reduce costs in certain budget areas. As a result, the current 2022 budget projection is **\$3.8M less** than the 2022 budget projection of \$90.8M that was included in the 2020 BP&B (including debt service and financing activity), and the 2022 assessment projection is **\$2.8M less** than the 2022 assessment projection of \$80.6M that was included in the 2020 BP&B. As with all future year projections, these numbers are preliminary and the assessments do not yet consider the use of Assessment Stabilization Reserve funds to help mitigate increases, a decision that would be made during the 2022 and 2023 BP&B processes.

NERC continues to be sensitive to the economic uncertainties facing the sector resulting from the COVID-19 pandemic. As most companies, NERC is beginning a process to evaluate its own workforce, facilities, and external engagement model, and contemplates expanded use of technology to reduce meeting and travel costs and potentially real estate costs. NERC commits to thoughtfully balancing fiscal concerns with the evolution of BPS risk into different arenas, and will ensure that its budgets for 2022 and 2023 reflect activities that focus on the highest risks to reliability and security, and to continue to assess program areas and prioritize initiatives. NERC also commits to judicious use of reserves to manage assessment increases.

## Introduction and Executive Summary

### Statement of Activities and Fixed Asset Additions 2021 Budget & Projected 2022 and 2023 Budgets

	2021 Budget	2022 Projection	\$ Change 22 vs 21	% Change 22 vs 21	2023 Projection	\$ Change 23 vs 22	% Change 23 vs 22
<b>Funding</b>							
<b>ERO Funding</b>							
NERC Assessments	\$ 72,011,373	\$ 77,780,279	\$ 5,768,905	8.0%	\$ 82,093,851	\$ 4,313,572	5.5%
Penalties Released	-	-	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 72,011,373</b>	<b>\$ 77,780,279</b>	<b>\$ 5,768,905</b>	<b>8.0%</b>	<b>\$ 82,093,851</b>	<b>\$ 4,313,572</b>	<b>5.5%</b>
<b>Third-Party Funding</b>							
Third-Party Funding	\$ 7,064,343	\$ 7,362,732	\$ 298,389	4.2%	\$ 7,391,796	\$ 29,064	0.4%
Testing Fees	1,801,634	1,793,367	(8,267)	-0.5%	1,784,267	(9,100)	-0.5%
Services & Software	60,000	60,000	-	0.0%	60,000	-	0.0%
Miscellaneous	-	-	-	-	-	-	-
Interest & Investment Income	218,200	218,200	-	0.0%	218,200	-	0.0%
<b>Total Funding (A)</b>	<b>\$ 81,155,551</b>	<b>\$ 87,214,578</b>	<b>\$ 6,059,027</b>	<b>7.5%</b>	<b>\$ 91,548,114</b>	<b>\$ 4,333,536</b>	<b>5.0%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 36,636,628	\$ 38,914,526	\$ 2,277,898	6.2%	\$ 41,073,320	\$ 2,158,794	5.5%
Payroll Taxes	2,122,568	2,218,966	96,398	4.5%	2,308,184	89,218	4.0%
Benefits	5,703,799	6,433,071	729,272	12.8%	7,218,100	785,029	12.2%
Retirement Costs	3,726,439	3,963,771	237,333	6.4%	4,190,141	226,370	5.7%
<b>Total Personnel Expenses</b>	<b>\$ 48,189,435</b>	<b>\$ 51,530,335</b>	<b>\$ 3,340,900</b>	<b>6.9%</b>	<b>\$ 54,789,746</b>	<b>\$ 3,259,411</b>	<b>6.3%</b>
<b>Meeting Expenses</b>							
Meetings & Conference Calls	\$ 890,751	\$ 1,117,646	\$ 226,895	25.5%	\$ 1,120,963	\$ 3,317	0.3%
Travel	1,310,997	1,310,997	-	0.0%	1,442,098	131,101	10.0%
<b>Total Meeting Expenses</b>	<b>\$ 2,201,748</b>	<b>\$ 2,428,643</b>	<b>\$ 226,895</b>	<b>10.3%</b>	<b>\$ 2,563,061</b>	<b>\$ 134,418</b>	<b>5.5%</b>
<b>Operating Expenses, excluding Depreciation</b>							
Consultants & Contracts	\$ 12,691,813	\$ 12,679,116	\$ (12,697)	-0.1%	\$ 13,413,444	\$ 734,328	5.8%
Office Rent	3,603,442	3,934,030	330,588	9.2%	3,300,553	(633,477)	-16.1%
Office Costs	10,185,789	10,458,513	272,724	2.7%	10,743,244	284,731	2.7%
Professional Services	2,185,100	2,304,100	119,000	5.4%	2,504,600	200,500	8.7%
Miscellaneous	100,150	100,650	500	0.5%	100,650	-	0.0%
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 28,766,294</b>	<b>\$ 29,476,409</b>	<b>\$ 710,115</b>	<b>2.5%</b>	<b>\$ 30,062,491</b>	<b>\$ 586,082</b>	<b>2.0%</b>
<b>Total Direct Expenses</b>							
<b>Total Direct Expenses</b>	<b>\$ 79,157,477</b>	<b>\$ 83,435,386</b>	<b>\$ 4,277,910</b>	<b>5.4%</b>	<b>\$ 87,415,298</b>	<b>\$ 3,979,911</b>	<b>4.8%</b>
<b>Indirect Expenses</b>							
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Other Non-Operating Expenses</b>							
<b>Other Non-Operating Expenses</b>	<b>\$ 129,661</b>	<b>\$ 135,000</b>	<b>\$ 5,339</b>	<b>4.1%</b>	<b>\$ 135,000</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total Expenses (B)</b>	<b>\$ 79,287,138</b>	<b>\$ 83,570,386</b>	<b>\$ 4,283,249</b>	<b>5.4%</b>	<b>\$ 87,550,298</b>	<b>\$ 3,979,911</b>	<b>4.8%</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 1,868,413</b>	<b>\$ 3,644,191</b>	<b>\$ 1,775,778</b>	<b>95.0%</b>	<b>\$ 3,997,816</b>	<b>\$ 353,625</b>	<b>9.7%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>							
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 2,751,500</b>	<b>\$ 2,554,000</b>	<b>\$ (197,500)</b>	<b>-7.2%</b>	<b>\$ 2,904,350</b>	<b>\$ 350,350</b>	<b>13.7%</b>
<b>Financing Activity</b>							
Loan or Financing Lease - Borrowing (-)	(100,000)	(100,000)	-	0.0%	(100,000)	-	0.0%
Loan or Financing Lease - Principal Payments (+)	944,601	1,000,000	55,399	5.9%	1,025,000	25,000	2.5%
<b>Net Financing Activity (D)</b>	<b>\$ 844,601</b>	<b>\$ 900,000</b>	<b>\$ 55,399</b>	<b>6.6%</b>	<b>\$ 925,000</b>	<b>\$ 25,000</b>	<b>2.8%</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 82,883,239</b>	<b>\$ 87,024,386</b>	<b>\$ 4,141,148</b>	<b>5.0%</b>	<b>\$ 91,379,648</b>	<b>\$ 4,355,261</b>	<b>5.0%</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ (1,727,688)</b>	<b>\$ 190,191</b>	<b>\$ 1,917,879</b>	<b>-111.0%</b>	<b>\$ 168,466</b>	<b>\$ (21,725)</b>	<b>-11.4%</b>
<b>FTEs</b>	<b>213.38</b>	<b>217.14</b>	<b>3.76</b>	<b>1.8%</b>	<b>223.72</b>	<b>6.58</b>	<b>3.0%</b>

## Section A – 2021 Business Plan and Budget Program Area and Department Detail

### Reliability Standards and Power Risk Issue Strategic Management

NERC has an Engineering and Standards department that consolidates NERC’s technical resources together and provides engineering services to support the overall needs of the organization. Two groups in this department are focused specifically on the development and improvement of Reliability Standards: the Reliability Standards group and the Power Risk Issues and Strategic Management (PRISM) group.

Reliability Standards and Power Risk Issue Strategic Management (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
FTE Reporting	17.86	16.92	(0.94)
Direct Expenses	\$ 3,865,292	\$ 3,627,620	\$ (237,671)
Indirect Expenses	4,090,936	4,087,161	(3,775)
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	177,804	82,885	(94,919)
Financing Activity	168,560	58,974	(109,586)
Total Budget	\$ 8,302,592	\$ 7,856,641	\$ (445,951)

#### Background and Scope

The Reliability Standards program carries out the ERO’s statutory responsibility to develop, adopt, obtain approval of, and modify (as and when appropriate) mandatory NERC Reliability Standards (both continent-wide standards and regional reliability standards) to assure the BES is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the BPS. The purpose of the Reliability Standards group is to deliver high-quality risk-based Reliability Standards, facilitate continent-wide industry engagement, and support regulatory filings. The group focuses on expanding a risk-based approach to its projects, including ensuring that Reliability Standards are clear, timely, considerate of costs, effective in mitigating material risks, and do not unnecessarily burden industry with administrative requirements and/or detract from reliability or security.

The overarching purpose of the PRISM group is to leverage in-house expertise on Reliability Standards and standards development to implement cross-cutting efforts among NERC functions and NERC standing and technical committees. Particular emphasis is placed on developing NERC’s positions on emerging technologies and the over-arching effect of these technologies on Reliability Standards. Further, this group gauges the responses to address reliability risks and works toward monitoring risk mitigation. Additionally, this group provides in-house training on Reliability Standards to effectuate a consistent view of the meaning and purpose of the standards and their relationship with the various work products of the committees and subcommittees. The PRISM group also conducts statistical analysis around the results of standards to identify potential weaknesses, redundancies, and overall necessity.

#### Stakeholder Engagement and Benefit

NERC manages the work of over 200 industry contributors who serve on the Standards Committee, subgroups, and other project teams for the development of Reliability Standards. As part of the standard development process, industry technical experts scope, draft, and review new or revised Reliability Standards for approval by the industry ballot body, adoption by the Board, and filing with regulatory authorities in the United States and Canada. NERC standards staff provide project management and

leadership to develop solutions necessary to address reliability risks identified through the Reliability Risk Management Process (RRMP). These solutions may include the development of or modifications to Reliability Standards, in which standards staff (1) conduct outreach activities; (2) facilitate drafting teams, including assisting teams in maintaining adherence to the development process in the [Standard Processes Manual](#); (3) provide drafting support; and (4) ensure that the quality of documents produced is appropriate for approval by industry and the Board.

Additionally, federal, state, and provincial regulatory authorities, the Board, Regional Entities, and many industry stakeholders have expressed interest in the identification of costs incurred from implementing Reliability Standards compared to risks they address. These elements are considered by requesting industry feedback on costs throughout the standard development or revision process.

The PRISM group has significant interaction with stakeholder groups, including the NERC Reliability and Security Technical Committee (RSTC), the Standards Committee, and their subcommittees. The purpose of this engagement is to be apprised of all activities within the committee meetings and work plans to drive a cross-cutting approach to addressing standards-related issues. As Standard Authorization Requests (SARs) and Requests for Interpretations (RFIs) are developed, this group ensures the process to address these items is coordinated and efficient.

### **Tools and Technology**

The main tool used by the Reliability Standards program is NERC's Standards Balloting and Commenting System (SBS). This system provides a seamless user interface for balloting and submitting comments on Reliability Standards under development. NERC's annual budget accounts for ongoing maintenance and any necessary enhancements for this system. Additionally, the PRISM group is working to launch a cross-cutting tool, wEROck, to serve as a repository to track RISC-identified issues and NERC and Regional Entity stakeholder committee work plan items. The tool's main objective is to ensure complete visibility to the efforts and results of these RISC and ERO Enterprise activities by providing a central tool to (1) track the various work products in response to emerging risks identified by the RISC, RSTC, and Regional Entity committees, providing a greater level of work product efficiency, and (2) cross-cut across the ERO Enterprise organizations so that work products and activities can be leveraged for optimal visibility and ultimate mitigation. wEROck is being developed using in-house resources at NERC on existing internal platforms, and will include Regional Entity-facing reports or interfaces. The system will be used to keep the RSTC and other applicable stakeholder updated on project status.

### **Key Efforts Underway**

NERC ensures that the Reliability Standards Development Plan (RSDP) is effectively executed and that standards are focused on and mitigate significant risks to BES reliability. In support of Focus Areas 1, 4, and 5 of the *ERO Enterprise Long-Term Strategy*, the Reliability Standards group's key activities include:

- **Focusing on the selection of projects undertaken.** Resources are expended on issues determined to be a reliability risk through the RRMP. The Reliability Standards group applies broad project management skills to implement a variety of solutions to a reliability concern. An effective solution to an identified reliability risk may be a Reliability Standard, or it may be a guideline, information request, training, NERC Alert, technical conference, research, or a combination of these or other tools.
- **Addressing FERC directives and responding to FERC orders or special reports** through standard development projects, as necessary. Each project determines whether: (1) the directive will be complied with as issued; (2) there is another equally effective way to address the concern that fostered the directive; or (3) there is technical justification that resolution of the directive is no

longer needed, including whether the directive has been overcome by other events, processes, or advances in technology.

- **Standards Efficiency Review.** In 2018, NERC and industry began a comprehensive review of the Reliability Standards to measure their effectiveness and ability to mitigate the risks to the reliability and security of the BPS as compared to the industry burden for their implementation. One outcome of this review was the need to retire or enhance requirements based on operational experience. This includes an analysis of reliability risk, particularly emerging risks, and cost effectiveness. In 2019, projects were initiated to address the results of this review to retire or modify Reliability Standards. For more information, see the [Standards Efficiency Review](#) page on the NERC website.
- **Facilitating smooth transition to new standards.** This includes working with other NERC program areas and the Regional Entities to develop guidelines, webinars, and other activities to support auditor and industry training for new standards.

In support of Focus Areas 1, 2, and 4 of the *ERO Enterprise Long-Term Strategy*, key efforts underway for the PRISM group include:

- Completing NERC position documents for Distributed Energy Resources (DER), Interconnection Reliability Operating Limits (IROL) and System Operating Limits (SOL), and Battery Storage. These position documents will be compiled in collaboration with various NERC stakeholder groups, including but not limited to the RSTC, Inverter-Based Resource Performance Task force (IRPTF), and System Planning Impacts from Distributed Energy Resources Working Group (SPIDERWG);
- Developing statistical analysis around misoperations data to identify trends and discrete areas for improvement;
- Developing statistical analysis around balancing (BAL) standards and the effects of frequency response within the four interconnections;
- Conducting Reliability Standards training for NERC and Regional Entity staff to enable consistent understandings. The PRISM group has extensive experience in standards development. As a result, the PRISM team, as part of the Standards and Engineering Department, provides additional standards training as needed for the ERO Enterprise;
- Launch of the cross cutting tool, wEROCK discussed above; and
- Measuring the effectiveness of the recently approved Electric Gas Working Group (EGWG) industry guideline on fuel assurance. Appropriate measurement and determination of the efficacy of this guideline will be a key driver in a potential fuel assurance standard.

## 2021 Goals and Deliverables

In 2021, the Reliability Standards group will continue the key activities discussed above by addressing potential improvements to standards, any new directives issued by FERC, as well as any reliability risks identified through RRMP or by the RISC for which a Reliability Standard is part of the solution. Additionally, staff will work with industry to determine whether there is a need to make further improvements to the standards through periodic reviews that include: (1) a measured review of the content of standards, considering whether the requirements could more effectively mitigate risks to the BPS; (2) whether the standards are results-based and drafted with high quality; (3) whether the standards are concise or if the number of requirements could be reduced; and (4) whether compliance expectations are clear. The PRISM group will continue Reliability Standard training efforts for staff, expand analysis for the efficacy of standards and emerging technologies affecting the BPS, and coordinate with the RISC on alignment of identified risks and mitigating activities.

## **Future Plans**

In 2022 and beyond, as emerging technologies that are interconnected at scale continue to provide challenges and uncertainties to BPS reliability, standards alignment with the effects of these technologies is critical. This includes battery storage, DER, the proliferation of electric vehicles, cyber implications on system design, operations, and restoration, and systemic risks from interdependencies among gas, electric, and communications systems. NERC has access to increasing amounts of data for the purpose of identifying trends to BPS reliability risks, which can inform the efficacy of standards with respect to these emerging risks. NERC will continually evaluate approaches to ensure that standards are developed appropriately with respect to the commensurate cross-cutting influence and expertise available.

## **Resource Requirements**

### **Personnel**

The 0.94 decrease in FTEs from the 2020 budget to the 2021 budget is a result of a reallocation of staff as part of the continued effort to realign staff with current strategic needs.

### **Consultants and Contracts**

The \$74k increase for Consultants & Contracts expenses in 2021 is for knowledge-transfer and additional technical support. A detailed breakdown of 2020 and 2021 budgeted expenses is shown in *Exhibit B – Consultants and Contracts Costs*.

### **Other Costs**

The \$127k decrease in Meeting & Travel expenses in the 2021 budget is primarily related to the expected costs savings in this area, which are discussed in the *Introduction and Executive Summary*.

Section A – 2021 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2020 Budget & Projection, and 2021 Budget					
Reliability Standards and Power Risk Issue Strategic Management					
	2020	2020	Variance	2021	Variance
	Budget	Projection	2020 Projection	Budget	2021 Budget
			v 2020 Budget		v 2020 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 8,256,730	\$ 8,256,730	\$ -	\$ 7,833,694	\$ (423,036)
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 8,256,730</b>	<b>\$ 8,256,730</b>	<b>\$ -</b>	<b>\$ 7,833,694</b>	<b>\$ (423,036)</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	45,862	14,309	(31,553)	22,947	(22,915)
<b>Total Funding (A)</b>	<b>\$ 8,302,592</b>	<b>\$ 8,271,039</b>	<b>\$ (31,553)</b>	<b>\$ 7,856,641</b>	<b>\$ (445,951)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,622,756	\$ 2,462,692	\$ (160,064)	\$ 2,468,752	\$ (154,004)
Payroll Taxes	165,506	154,419	(11,086)	155,276	(10,230)
Benefits	416,307	334,976	(81,332)	415,057	(1,251)
Retirement Costs	290,052	259,358	(30,694)	272,927	(17,126)
<b>Total Personnel Expenses</b>	<b>\$ 3,494,622</b>	<b>\$ 3,211,446</b>	<b>\$ (283,176)</b>	<b>\$ 3,312,011</b>	<b>\$ (182,610)</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 59,800	\$ 19,840	\$ (39,960)	\$ 37,860	\$ (21,940)
Travel	220,000	47,034	(172,966)	115,147	(104,853)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 279,800</b>	<b>\$ 66,874</b>	<b>\$ (212,926)</b>	<b>\$ 153,007</b>	<b>\$ (126,793)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 40,320	\$ 151,280	\$ 110,960	\$ 114,552	\$ 74,232
Office Rent	-	-	-	-	-
Office Costs	50,050	64,608	14,558	45,850	(4,200)
Professional Services	-	-	-	-	-
Miscellaneous	500	1,000	500	2,200	1,700
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 90,870</b>	<b>\$ 216,888</b>	<b>\$ 126,018</b>	<b>\$ 162,602</b>	<b>\$ 71,732</b>
<b>Total Direct Expenses</b>	<b>\$ 3,865,292</b>	<b>\$ 3,495,208</b>	<b>\$ (370,084)</b>	<b>\$ 3,627,620</b>	<b>\$ (237,671)</b>
<b>Indirect Expenses</b>	<b>\$ 4,090,936</b>	<b>\$ 3,998,032</b>	<b>\$ (92,904)</b>	<b>\$ 4,087,161</b>	<b>\$ (3,775)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>				
<b>Total Expenses (B)</b>	<b>\$ 7,956,227</b>	<b>\$ 7,493,239</b>	<b>\$ (462,988)</b>	<b>\$ 7,714,782</b>	<b>\$ (241,446)</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 346,364</b>	<b>\$ 777,799</b>	<b>\$ 431,435</b>	<b>\$ 141,859</b>	<b>\$ (204,505)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 177,804</b>	<b>\$ 80,981</b>	<b>\$ (96,824)</b>	<b>\$ 82,885</b>	<b>\$ (94,919)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ (12,958)	\$ (12,958)	\$ (12,558)	\$ (12,558)
Loan or Financing Lease - Principal Payments (+)	168,560	71,262	(97,298)	71,533	(97,028)
<b>Net Financing Activity (D)</b>	<b>\$ 168,560</b>	<b>\$ 58,304</b>	<b>\$ (110,256)</b>	<b>\$ 58,974</b>	<b>\$ (109,586)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 8,302,592</b>	<b>\$ 7,632,524</b>	<b>\$ (670,068)</b>	<b>\$ 7,856,641</b>	<b>\$ (445,951)</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ 638,514</b>	<b>\$ 638,514</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	17.86	16.59	(1.27)	16.92	(0.94)

## Compliance Assurance and Organization Registration and Certification

Compliance Assurance and Organization Registration and Certification (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
FTE Reporting	21.62	23.50	1.88
Direct Expenses	\$ 5,881,314	\$ 6,591,671	\$ 710,357
Indirect Expenses	4,952,185	5,730,723	778,538
Other Non-Operating Expenses	-	27,500	27,500
Fixed Asset Additions	1,318,736	1,066,217	(252,519)
Financing Activity	(333,533)	270,191	603,723
Total Budget	\$ 11,818,703	\$ 13,686,302	\$ 1,867,599

### Background and Scope

#### Compliance Assurance

NERC's Compliance Assurance group works collaboratively with the Regional Entities to ensure effective implementation of risk-based compliance monitoring under the CMEP across the entire ERO Enterprise. This program ensures that Regional Entities monitor registered entities for compliance according to their own specific facts and circumstances, including the entity's inherent risks, evaluation of controls in place to mitigate the inherent risks, and other factors, such as risk elements and entity performance. Additionally, the risk-based compliance monitoring approach allows for the appropriate allocation of resources to the issues that pose a higher level of risk to the reliability of the BPS.

The CMEP provides for Regional Entities to develop customized compliance oversight plans (COPs) for each registered entity that identify: (1) the standards or requirements to be monitored; (2) the monitoring processes (tools) to be used by the Regional Entities, including compliance audits, self-certification, and spot checking; and (3) the interval of monitoring. NERC and the Regional Entities ensure that inherent risk assessments (IRAs) for registered entities begin with a consistent framework and that Regional Entities' implementation of the CMEP coalesce around effective and efficient practices, ensuring comprehensive data management procedures that address data reporting requirements, integrity, retention, security, and confidentiality.

The Compliance Assurance group's responsibilities include but are not limited to the following major activities and functions:

- Oversight of the Regional Entities' implementation of the risk-based compliance monitoring program and NERC ROP in North America;
- Development and execution of the annual CMEP Implementation Plan (IP);
- Oversight of the use of necessary compliance-related processes, procedures, IT platforms, tools, and templates;
- Development and delivery of education and training for ERO Enterprise staff;
- Training and outreach activities for the Critical Infrastructure Protection (CIP) Reliability Standards and subsequent enhancements to support industry compliance and security;

- Coordination with the Reliability Standards group to assist in the smooth transition of standards from development to enforceability, providing feedback on risks seen in the field that are not addressed by a standard, as well as information on where a standard is too broad; and
- Support for Regional Entity and industry committees, working groups, and task forces, such as the ERO Risk, Performance, and Monitoring group (NERC and Regional Entity collaboration group), NERC Compliance and Certification Committee (CCC), and NERC RSTC.

### **Organization Registration and Certification**

Organization Registration (Registration) identifies and registers BPS users, owners, and operators that are responsible for performing specified reliability functions to which requirements of mandatory Reliability Standards are applicable. Organization Certification (Certification) ensures that an applicant to be a RC, BA, or TOP has the tools, processes, training, and procedures to demonstrate its ability to meet the requirements of all the Reliability Standards applicable to the functions for which it is applying, thereby demonstrating the ability to become certified and then operational. The decision to certify changes to an already operating and certified RC, BA, or TOP is a collaborative decision between the affected Regional Entities and NERC. Together, the Registration and Certification groups manage the Organization Registration and Certification Program (ORCP).

The Registration and Certification group's responsibilities include but are not limited to the following major activities and functions:

- Oversight of the Regional Entities' implementation of the Registration and Certification programs in North America;
- Leading NERC-led Review Panel proceedings;
- Oversight of the use of necessary processes, procedures, IT platforms, tools, and templates;
- Leading and supporting Regional Entity and industry committees, working groups, and task forces, such as the ERO Organization Registration and Certification Group (NERC and Regional Entity collaboration group), NERC CCC, and the CCC Organization Registration and Certification Subcommittee;
- Maintaining the NERC Compliance Registry (NCR) and adhering to the Rules of Procedure, Sections 500, and Appendices 5A, 5B, and 5C; and
- Providing training on IT applications, mainly CORES and the Coordinated Functional Registration (CFR) tool, to Regional Entities and registered entities to enhance utilization of these applications.

### **Stakeholder Engagement and Benefit**

Compliance Assurance engages with stakeholders in two primary ways:

1. Through the CCC. The CCC is chartered to engage with, support, and advise the Board and NERC regarding all facets of the CMEP and Registration and Certification programs. Among other things, Compliance Assurance works with the CCC on activities related to the ERO Enterprise Effectiveness Survey, in seeking input and advice on the development of draft Reliability Standard Audit Worksheets (RSAWs) and the Compliance Guidance process, and coordinating ERO Enterprise Program Alignment Process issues.
2. Through stakeholder outreach. This is conducted through webinars related to specific processes throughout the year, such as to discuss development and evolution of the CMEP IP, and through Regional Entity and NERC workshops and conferences.

Registration and Certification engages with the CCC's Organization Registration and Certification Subcommittee (ORCS), which oversees the ORCP. Registration and Certification staff also work with entities individually on specific questions pertaining to an entity's unique facts and circumstances. As appropriate, the Registration and Certification group conducts webinars and other outreach explaining various work products or high-profile activities, including CMEP Practice Guides, modifications to existing documents, IT application developments, etc. The Registration and Certification group also engages industry stakeholders by presenting at NERC and Regional Entity workshops and other forums.

### **Tools and Technology**

Historically, NERC has used the Compliance Reporting and Tracking System (CRATS) as its compliance database. CRATS also included modules for Reliability Standards, Technical Feasibility Exceptions (TFEs), and Registration. NERC has been working closely with the Regional Entities to implement strategic investments in tools that will replace CRATS and the CMEP and Registration data applications used among the Regional Entities with single, common applications, known as Align and its associated ERO SEL for CMEP and CORES for Registration. CORES was initially released in 2019 and Align and the ERO SEL will both be complete in 2021. Funding for support of the CRATS application in 2021 and beyond, at reduced levels, will be required for historical purposes.

The objectives and benefits of the Align tool include (1) a single common portal and experience for registered entities; (2) improved integration of and access to data, as well as increased analytics; and (3) standardized business processes and consistent application of the CMEP, resulting in increased productivity and reduced application costs across the ERO Enterprise. The ERO SEL will complement the Align tool by supporting the secure transfer, management, retention, and destruction of sensitive registered entity files used in CMEP activities. Collectively, the Align tool and the ERO SEL will provide a platform to enable harmonization of Regional Entity practices, driving to a common registered entity experience while facilitating the secure submission, review, and retention of evidence generated during CMEP activities. Continued development of Align and the development of the ERO SEL will occur in 2020. Implementation of the ERO SEL and the first release of Align to support self-reporting, self-logging, enforcement, and mitigation is planned for the first quarter of 2021, with two more releases in 2021 to support Compliance Assurance activities. For more information, see the [Align Project](#) page on the NERC website.

CORES similarly creates consistent Regional Entity and registered entity processes and improves data maintenance, including capturing data elements to be integrated with the Align application. Additionally, registered entities are able to directly manage their registration needs. The initial release of CORES was implemented in 2019, with further enhancements occurring in 2020. For more information, see the [CORES Technology Project](#) page on the NERC website.

The BES Notification and Exception System tool (BESnet) is also used in support of the Registration group's activities. The BESnet application allows registered entities to submit to their respective Regional Entity notifications of changes to BES assets that affect the registered entity's responsibilities for compliance with the Reliability Standards.

### **Key Efforts Underway**

In support of Focus Areas 1, 4, and 5 of the *ERO Enterprise Long-Term Strategy*, current and ongoing efforts and activities for Compliance Assurance are as follows:

#### **NERC Oversight of Risk-Based Compliance Monitoring**

NERC continues to implement risk-based compliance monitoring as part of its stated objectives of ensuring BPS reliability, improving consistency, effectiveness, and efficiency of ERO Enterprise compliance

operations, focusing on identified risks and reducing unnecessary burdens on registered entities. Ensuring the successful implementation of NERC’s risk-based CMEP remains the priority of Compliance Assurance’s oversight plan for the Regional Entities. As part of that oversight, and in addition to offering regular feedback to the Regional Entities, NERC continues to identify areas for improvement or promoting consistency through training, guidance, or adjustments. For 2021 and beyond, there will be particular emphasis on oversight related to integrating Align into CMEP activities. NERC also produces an ERO Enterprise CMEP annual report, which includes an assessment of the risk-based CMEP implementation.

### **Program Alignment Process**

The ERO Enterprise continues to align CMEP activities across North America. The ERO Enterprise Program Alignment Process provides a structure for collecting, reviewing, resolving, and communicating discrepancies in practices across the ERO Enterprise. Alignment issues come to the ERO Enterprise from a variety of sources, including industry submittals and NERC oversight.

### **Align and ERO SEL Projects**

The development of the Align tool and ERO SEL discussed above have required NERC and the Regional Entities to coordinate extensively to harmonize several aspects of CMEP activities, improving overall program execution and alignment.

### **Regional Entity Training**

Compliance Assurance provides training to Regional Entity staff on the most important elements of risk-based compliance monitoring, including enhancements to registered entity IRAs, internal controls reviews, COP development, and Reliability Standards monitoring. NERC develops this training based on observations from its oversight activities of the Regional Entities, as well as the process reviews described above.

### **Small Group Advisory Sessions**

Compliance Assurance periodically hosts Small Group Advisory Sessions (SGAS) with industry that include in-depth discussions around the possible implementation of controls for newly approved, but not yet effective, Reliability Standards to address and mitigate cyber and physical security risks of the BPS. In 2020, as in 2019, the focus of the SGAS activities was related to supporting implementation of the Cyber Security Supply Chain Risk Management Reliability Standard.

Recent, current, and ongoing activities for Registration and Certification include:

- Development, rollout, and maintenance of CORES, discussed above, including continued focus on functionality for CFRs;
- Execution of Certification engagements and response to industry changes requiring Certification review, with particular emphasis on control center relocations, Energy Management System (EMS) replacements, and RC, BA, and TOP footprint changes; and
- Processing registration change requests, including NERC-led Review Panels and BES Exceptions.

### **2021 Goals and Deliverables**

In 2021, Compliance Assurance resources will focus on improvements implemented as a result of previous risk-based compliance monitoring activities. In continued support of the *ERO Enterprise Long-Term Strategic Plan*, specific objectives for this group are:

- Continue to mature the risk-based compliance monitoring program, providing ongoing oversight of the risk-based CMEP, including IRAs, consideration of internal controls, coordinated oversight of Multi-Region Registered Entities (MRREs), and ensuring COPs are addressing the relevant risks.

- Work closely with NERC’s Enforcement and IT departments, as well as staff in the Regional Entities, to implement the Align and ERO SEL tools.
- Support the successful implementation of the Cyber Security Supply Chain Risk Management Reliability Standard.
- Support the continued successful implementation of the CIP Version 5 Reliability Standards and subsequent enhancements as they become effective.
- Monitor and support effective implementation of the physical security Reliability Standards.
- Enhance and implement training to support monitoring of Reliability Standards, integrating principles from the *Compliance Monitoring Competency Guide*.
- Continue feedback to the Reliability Standards group through coordination between the standards and compliance functions to allow for clear stakeholder implementation of standards, as well as feedback on risks seen in the field. This effort will be supported through a common set of RSAWs, guidance, and outreach.
- Continue to focus on how registered entities have mitigated reliability and security risks while achieving compliance with the Reliability Standards, including applicable internal controls.
- Finalize revisions to BES Reference Document and transition to a CMEP Practice Guide;
- Support international CMEP activities, including reliability and security subject matter expertise and outreach.
- Provide support and leadership to the CCC as well as its subcommittees, working groups, and task forces. Support the CCC leadership and development and implementation of annual work plans.

The Registration and Certification group will continue the ongoing activities described above as applicable. With CORES fully deployed, there will be an opportunity in 2020 and beyond to explore how the ERO IT platforms can further enhance work products, communication, and data tracking and reporting.

### **Future Plans**

For 2022 and beyond, NERC anticipates full implementation of the Align and ERO SEL tool, providing significant impetus for continued harmonization of CMEP processes across the ERO Enterprise and enhanced CMEP workflow management. Additionally, the Align and ERO SEL implementation, along with continued coordination among NERC and the Regional Entities, should result in significant maturation and harmonization of risk-based CMEP processes, particularly in realizing opportunities to enhance the use of the risk-based CMEP processes to support CMEP planning activities.

### **Resource Requirements**

#### **Personnel**

The increase of 1.88 FTEs from the 2020 budget to the 2021 budget is a result of an added position to support the ERO SEL and the reallocation of staff as part of the continued effort to realign staff with current strategic needs. There have been no changes to FTEs for Registration and Certification.

#### **Consultants and Contracts**

The approximately \$90k for Consultants & Contracts in the 2021 budget is for the annual third-party certification to ensure compliance with security standards for the ERO SEL, for which the total cost is split evenly with Compliance Enforcement, and support and maintenance for BESnet. A detailed breakdown of the 2020 and 2021 budgeted expenses is shown in *Exhibit B – Consultants and Contracts Costs*.

**Other Costs**

The \$200k decrease in Meeting & Travel expenses from the 2020 budget to the 2021 budget is primarily related to the expected cost savings in this area, which is discussed in the *Introduction and Executive Summary*. The \$311k increase in Office Costs expenses from the 2020 budget to the 2021 budget is primarily attributable to the cost for software licensing, maintenance, and support for the ERO SEL, for which the total annual cost is split evenly with Compliance Enforcement.

The Fixed Asset budget includes approximately \$50k for planned enhancements for CORES and \$900k for the last year of development of Align (the total 2021 expenditure for Align is approximately \$1.8M, split evenly between Compliance Assurance and Compliance Enforcement, and will be fully funded by operating reserves as discussed in the *Introduction and Executive Summary*). Finally, the \$268k for loan or financing lease payments includes approximately \$188k for loan payments for the ERO SEL capital investment borrowing in 2020, again split evenly between Compliance Assurance and Compliance Enforcement.

Section A – 2021 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions 2020 Budget & Projection, and 2021 Budget					
Compliance Assurance and Organization Registration and Certification					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 11,763,186	\$ 11,763,186	\$ -	\$ 13,654,127	\$ 1,890,941
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 11,763,186</b>	<b>\$ 11,763,186</b>	<b>\$ -</b>	<b>\$ 13,654,127</b>	<b>\$ 1,890,941</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	55,517	20,261	(35,257)	32,175	(23,342)
<b>Total Funding (A)</b>	<b>\$ 11,818,703</b>	<b>\$ 11,783,446</b>	<b>\$ (35,257)</b>	<b>\$ 13,686,302</b>	<b>\$ 1,867,599</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,646,298	\$ 3,956,031	\$ 309,733	\$ 4,038,791	\$ 392,493
Payroll Taxes	222,053	227,310	5,256	244,418	22,365
Benefits	686,630	712,894	26,264	824,511	137,881
Retirement Costs	404,705	421,012	16,307	449,687	44,983
<b>Total Personnel Expenses</b>	<b>\$ 4,959,686</b>	<b>\$ 5,317,246</b>	<b>\$ 357,560</b>	<b>\$ 5,557,407</b>	<b>\$ 597,721</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 89,200	\$ 13,257	\$ (75,943)	\$ 51,742	\$ (37,458)
Travel	400,000	57,347	(342,653)	237,413	(162,587)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 489,200</b>	<b>\$ 70,604</b>	<b>\$ (418,596)</b>	<b>\$ 289,155</b>	<b>\$ (200,045)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 90,320	\$ 88,400	\$ (1,920)	\$ 89,552	\$ (768)
Office Rent	-	-	-	-	-
Office Costs	341,358	508,489	167,131	652,307	310,949
Professional Services	-	-	-	-	-
Miscellaneous	750	2,750	2,000	3,250	2,500
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 432,428</b>	<b>\$ 599,639</b>	<b>\$ 167,211</b>	<b>\$ 745,109</b>	<b>\$ 312,681</b>
<b>Total Direct Expenses</b>	<b>\$ 5,881,314</b>	<b>\$ 5,987,489</b>	<b>\$ 106,175</b>	<b>\$ 6,591,671</b>	<b>\$ 710,357</b>
<b>Indirect Expenses</b>	<b>\$ 4,952,185</b>	<b>\$ 5,660,866</b>	<b>\$ 708,681</b>	<b>\$ 5,730,723</b>	<b>\$ 778,538</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>\$ 27,500</b>	<b>\$ 27,500</b>
<b>Total Expenses (B)</b>	<b>\$ 10,833,499</b>	<b>\$ 11,663,355</b>	<b>\$ 829,856</b>	<b>\$ 12,349,894</b>	<b>\$ 1,516,395</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 985,204</b>	<b>\$ 120,091</b>	<b>\$ (865,112)</b>	<b>\$ 1,336,408</b>	<b>\$ 351,204</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 1,318,736</b>	<b>\$ 3,000,661</b>	<b>\$ 1,681,925</b>	<b>\$ 1,066,217</b>	<b>\$ (252,519)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (735,667)	\$ (1,018,345)	\$ (282,678)	\$ (17,609)	\$ 718,058
Loan or Financing Lease - Principal Payments (+)	402,134	100,902	(301,232)	287,799	(114,334)
<b>Net Financing Activity (D)</b>	<b>\$ (333,533)</b>	<b>\$ (917,443)</b>	<b>\$ (583,910)</b>	<b>\$ 270,191</b>	<b>\$ 603,723</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 11,818,703</b>	<b>\$ 13,746,573</b>	<b>\$ 1,927,870</b>	<b>\$ 13,686,302</b>	<b>\$ 1,867,599</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ (1,963,127)</b>	<b>\$ (1,963,127)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>21.62</b>	<b>23.49</b>	<b>1.87</b>	<b>23.50</b>	<b>1.88</b>

## Compliance Enforcement

<b>Compliance Enforcement</b> (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
FTE Reporting	12.22	12.22	0.00
Direct Expenses	\$ 2,822,301	\$ 3,129,467	\$ 307,165
Indirect Expenses	2,799,061	2,979,976	180,915
Other Non-Operating Expenses	-	27,500	27,500
Fixed Asset Additions	1,025,155	960,433	(64,722)
Financing Activity	(367,050)	230,499	597,549
<b>Total Budget</b>	<b>\$ 6,279,468</b>	<b>\$ 7,327,875</b>	<b>\$ 1,048,407</b>

### Background and Scope

The Enforcement group is responsible for overseeing enforcement processes, the application of penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliance with Reliability Standards. The group works collaboratively with the Regional Entities to ensure consistent and effective implementation of the risk-based CMEP. The group focuses on ensuring that the ERO Enterprise dedicates resources to the matters that pose the greatest risk to the reliability of the BPS. The scope of the Enforcement group's activities include the following:

- Monitoring Regional Entities' enforcement processes and providing oversight of their outcomes to ensure alignment across the ERO Enterprise;
- Collecting and analyzing enforcement data and trends to help identify emerging risks to the BPS and inform the development of enforcement policies and processes;
- Filing Notices of Penalty (NOPs) and other disposition documents associated with noncompliance discovered through Regional Entity or NERC-led CMEP activities;
- Collaborating with other NERC departments, including Compliance Assurance, Reliability Standards, and Event Analysis; and
- Training ERO Enterprise staff and registered entities, as well as supporting other outreach efforts.

### Stakeholder Engagement and Benefit

Enforcement engages with stakeholders through interaction with and presentations to the CCC, NERC and Regional Entity workshops, and ERO Enterprise webinars to communicate with registered entities about the most significant risks to reliability and security. Enforcement uses those forums to share information about violations and their mitigation to reduce those significant risks.

### Tools and Technology

Historically, NERC has used CRATS to track violations, mitigation plans, and reporting required by NERC as the ERO. As discussed in the *Compliance Assurance and Organization Registration and Certification* section above, NERC has been working closely with the Regional Entities to implement strategic investments in tools that will replace CRATS and the CMEP data applications used among the Regional Entities with single, common applications, known as Align and its associated ERO SEL. Align and the ERO SEL will both be complete in 2021. Funding for support of the CRATS application in 2021 and beyond, at reduced levels, will be required for historical purposes. For more information, see the [Align Project](#) page on the NERC website.

## Key Efforts Underway

In support of Focus Areas 1, 4, and 5 of the *ERO Enterprise Long-Term Strategy*, current and ongoing efforts and activities for Compliance Enforcement are as follows:

### Risk-based Enforcement

The ERO Enterprise's responsibility to address risks to reliability and security includes resolving violations that posed significant risks. Enforcement is identifying those serious violations, ensuring appropriate resolution of those cases, and communicating results to industry.

### Streamlining of Minimal Risk Noncompliance

Enforcement continues to enhance risk-based enforcement by identifying additional opportunities to streamline the resolution of minimal risk noncompliance. This effort includes examining the processes to review and assess the risk of noncompliance in order to resolve minimal risk noncompliance more efficiently. Enforcement also considers modifications to the Self-Logging Program to make the program more beneficial to participants and facilitate more efficient resolution of self-logged issues.

### Program Alignment Process

The ERO Enterprise continues to align CMEP activities across North America. The ERO Enterprise Program Alignment Process provides a structure for collecting, reviewing, resolving, and communicating discrepancies in practices across the ERO Enterprise. Alignment issues come to the ERO Enterprise from a variety of sources, including industry submittals and NERC oversight.

### Align and ERO SEL Projects

The development of the Align tool and ERO SEL discussed above have required NERC and the Regional Entities to coordinate extensively to harmonize several aspects of CMEP activities, improving overall program execution and alignment.

### Continued Outreach

NERC CMEP staff provides CMEP training to ERO Enterprise staff through workshops, instructor-led training events, eLearning opportunities, and oversight of the training and education activities of the Regional Entities. These opportunities focus on identifying gaps in staff knowledge and capabilities related to the risk-based CMEP.

## 2021 Goals and Deliverables

Specific 2021 objectives for the Enforcement department include continuing to:

- Focus on identifying and mitigating the greatest risks to reliability and security.
- Support the implementation of the Align and ERO SEL tools.
- Continue to find ways to efficiently process and close out lower risk violations.
- Educate relevant parties on the risk assessment process.
- Mature the Coordinated Oversight program for MRREs.

## Future Plans

In 2022 and beyond, NERC and the Regional Entities will continue to conduct outreach activities that focus on self-logging, compliance exceptions, mitigation, and risk assessment of noncompliance. NERC plans to use existing industry events, such as Regional Entity and NERC conferences and industry webinars, to provide information on enforcement activities. Enforcement will continue to identify areas for improvement and promotion of alignment through training, guidance, or other adjustments.

## Resource Requirements

### Personnel

There is no change in FTEs from the 2020 budget to the 2021 budget.

### Consultants and Contracts

The increase of \$69k in Consultants & Contracts from the 2020 budget to the 2021 budget is primarily for the annual third-party certification to ensure compliance with security standards for the ERO SEL, for which the total cost is split evenly with Compliance Assurance. A detailed breakdown of the 2020 and 2021 budgeted expenses is shown in *Exhibit B – Consultants and Contracts Costs*.

### Other Costs

The \$243k increase in Office Costs expenses from the 2020 budget to the 2021 budget is primarily attributable to the cost for software licensing, maintenance, and support for the ERO SEL, for which the total annual cost is split evenly with Compliance Assurance.

The Fixed Asset budget includes \$900k for the last year of development of Align (the total 2021 expenditure for Align is approximately \$1.8M, split evenly between Compliance Assurance and Compliance Enforcement, and will be fully funded by operating reserves as discussed in the *Introduction and Executive Summary*). The \$240k for loan or financing lease payments includes approximately \$188k for loan payments for the ERO SEL capital investment borrowing in 2020, again split evenly between Compliance Assurance and Compliance Enforcement.

**Section A – 2021 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>Compliance Enforcement</b>					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 6,248,089	\$ 6,248,089	\$ -	\$ 7,311,144	\$ 1,063,055
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 6,248,089</b>	<b>\$ 6,248,089</b>	<b>\$ -</b>	<b>\$ 7,311,144</b>	<b>\$ 1,063,055</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	31,379	8,745	(22,634)	16,731	(14,648)
<b>Total Funding (A)</b>	<b>\$ 6,279,468</b>	<b>\$ 6,256,834</b>	<b>\$ (22,634)</b>	<b>\$ 7,327,875</b>	<b>\$ 1,048,407</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,829,637	\$ 1,541,039	\$ (288,599)	\$ 1,839,039	\$ 9,401
Payroll Taxes	113,039	101,557	(11,482)	115,307	2,267
Benefits	230,971	124,991	(105,981)	220,988	(9,984)
Retirement Costs	197,746	151,710	(46,036)	196,667	(1,078)
<b>Total Personnel Expenses</b>	<b>\$ 2,371,393</b>	<b>\$ 1,919,296</b>	<b>\$ (452,098)</b>	<b>\$ 2,372,000</b>	<b>\$ 606</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 6,200	\$ 5,795	\$ (405)	\$ 6,310	\$ 110
Travel	55,000	7,858	(47,142)	32,645	(22,355)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 61,200</b>	<b>\$ 13,653</b>	<b>\$ (47,547)</b>	<b>\$ 38,955</b>	<b>\$ (22,245)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ -	\$ 9,000	\$ 9,000	\$ 69,000	\$ 69,000
Office Rent	-	-	-	-	-
Office Costs	389,208	521,560	132,352	632,612	243,404
Professional Services	-	15,000	15,000	15,000	15,000
Miscellaneous	500	500	-	1,900	1,400
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 389,708</b>	<b>\$ 546,060</b>	<b>\$ 156,352</b>	<b>\$ 718,512</b>	<b>\$ 328,804</b>
<b>Total Direct Expenses</b>	<b>\$ 2,822,301</b>	<b>\$ 2,479,009</b>	<b>\$ (343,293)</b>	<b>\$ 3,129,467</b>	<b>\$ 307,165</b>
<b>Indirect Expenses</b>	<b>\$ 2,799,061</b>	<b>\$ 2,443,643</b>	<b>\$ (355,418)</b>	<b>\$ 2,979,976</b>	<b>\$ 180,915</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>\$ 27,500</b>	<b>\$ 27,500</b>
<b>Total Expenses (B)</b>	<b>\$ 5,621,363</b>	<b>\$ 4,937,652</b>	<b>\$ (683,711)</b>	<b>\$ 6,136,943</b>	<b>\$ 515,580</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 658,105</b>	<b>\$ 1,319,183</b>	<b>\$ 661,077</b>	<b>\$ 1,190,932</b>	<b>\$ 532,827</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 1,025,155</b>	<b>\$ 2,895,496</b>	<b>\$ 1,870,341</b>	<b>\$ 960,433</b>	<b>\$ (64,722)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (602,333)	\$ (1,007,919)	\$ (405,586)	\$ (9,157)	\$ 593,177
Loan or Financing Lease - Principal Payments (+)	235,283	43,557	(191,727)	239,656	4,372
<b>Net Financing Activity (D)</b>	<b>\$ (367,050)</b>	<b>\$ (964,362)</b>	<b>\$ (597,313)</b>	<b>\$ 230,499</b>	<b>\$ 597,549</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 6,279,468</b>	<b>\$ 6,868,786</b>	<b>\$ 589,317</b>	<b>\$ 7,327,875</b>	<b>\$ 1,048,407</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ (611,951)</b>	<b>\$ (611,951)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>12.22</b>	<b>10.14</b>	<b>(2.08)</b>	<b>12.22</b>	<b>0.00</b>

## Reliability Assessments and Performance Analysis

The Reliability Assessments and Performance Analysis (RAPA) program identifies, prioritizes, and enables activities to reduce known and emerging risks to the BPS. Three primary groups between two NERC departments are focused on this program: (1) the Reliability Assessments and Technical Committee group and (2) the Performance Analysis group, which are part of the Risk Identification and Mitigation department, and (3) the Power System Analysis and Advanced System Analytics and Modeling group, which is part of the Engineering and Standards department.

<b>Reliability Assessments and Performance Analysis</b>			
(in whole dollars)			
	<b>2020 Budget</b>	<b>2021 Budget</b>	<b>Increase (Decrease)</b>
FTE Reporting	23.50	25.38	1.88
Direct Expenses	\$ 6,753,513	\$ 6,554,566	\$ (198,947)
Indirect Expenses	5,382,810	5,873,428	490,618
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	833,953	118,866	(715,086)
Financing Activity	152,027	84,575	(67,452)
<b>Total Budget</b>	<b>\$ 13,122,303</b>	<b>\$ 12,631,436</b>	<b>\$ (490,867)</b>

### Background and Scope

#### Reliability Assessments and Technical Committee

The Reliability Assessments (RA) and Technical Committee group includes RA staff as well as the NERC staff secretaries of the RSTC. RA staff carry out the ERO's statutory responsibility to conduct assessments of the overall reliability and adequacy of the BPS and associated emerging reliability risks that could impact the short, mid, and long-term planning horizons, as well as other reliability issues requiring in-depth analysis. RA activities directly address the risk priorities established by the RISC, and the group relies on its own engineering and analysis expertise, as well as Regional Entity and stakeholder resources. Annual reports and assessments produced by RA staff include:

- Long-Term Reliability Assessment (LTRA) (supplemented by the Probabilistic Assessment)
- Summer and Winter Reliability Assessments
- Special Reliability Assessments (selected based on high-risk issues that require an independent assessment from the ERO)

The NERC RSTC and its subgroups provide the oversight, guidance, and leadership essential to enhancing BPS reliability by addressing areas of strategic focus efficiently and comprehensively, and ensuring technical accuracy. The NERC staff secretaries coordinate and administer these activities and efforts.

The RA and Technical Committee group works closely with stakeholders to create assessment development schedules with adequate stakeholder review at every level. All NERC reliability assessments typically have a sponsoring technical committee, subcommittee, or other subgroup. The long-term and seasonal assessments are conducted by the Reliability Assessment Subcommittee (RAS), and ultimately endorsed by the RSTC. Special assessments often require a separate and specialized task force or advisory group to help construct, conduct, and produce special topic assessments.

### **Performance Analysis**

The Performance Analysis (PA) group monitors the performance of and identifies risks to reliability of the BPS through analyzing industry data from industry and measuring historic trends. PA is responsible for the collection, management, and analysis of data related to the performance of four areas of BPS operations: transmission, generation, protection system misoperations, and demand response. Analysis performed by PA includes identifying potential risks of concern related to system, equipment, entity, and organizational performance that may indicate a need to develop remediation strategies, improvements to reporting applications, new data collection or analysis tools, or data used to create, revise, or retire Reliability Standards or consider new Reliability Standards or reporting areas. Such analyses provide the foundation for the annual *State of Reliability* (SOR) report and other analytical reports and technical papers to the industry. PA staff leads the ERO, technical committee, and stakeholder process to publish the SOR report examining the year-over-year performance indicators of the grid.

### **Power System Analysis and Advanced System Analytics and Modeling**

Power System Analysis (PSA) staff provide technical leadership and support in the areas of resource and demand balancing and system analysis and modeling, including technical support for the NERC BAL and modeling (MOD) Reliability Standards. This has become particularly important as new technologies are added to the system, and significant changes in the resource mix are being both experienced and projected. PSA staff are responsible for:

- Assisting the RA and Technical Committee group in their independent reliability assessments;
- Interconnection-wide analysis of steady-state and dynamic conditions, including frequency, Essential Reliability Services (ERS), stability, short circuit ratio, and oscillatory behavior aspects, including support for the Resources Subcommittee and its subgroups and submission of the Frequency Response Annual Analysis (FRAA) report to FERC; and
- Assuring that the BES electrical elements necessary for its reliable operation are identified and subject to the Reliability Standards.

Advanced System Analytics and Modeling (ASAM) staff provide support for the development and improvement of long-term, sustainable interconnection-based power flow, dynamic, and load models that exhibit the accuracy and fidelity reflecting actual BES reliability performance and dynamic conditions. As new technology incorporation into the BPS accelerates, there is a need for new and improved models towards simulation of their contributions and impacts on reliability. This will facilitate improved design and maximize technology incorporation while maintaining the reliable operation of the BPS. ASAM staff:

- Provide guidance on the appropriate development and use of new and existing models to study emerging risks, including ensuring that BPS planning can adequately assure system reliability and security as the transmission and distribution interface evolves and resource penetration on the distribution system increases;
- Advance understanding of power system characteristics and behaviors by gathering larger phasor measurement units (PMU) datasets for advanced data analytics and modeling improvements;
- Promote and expand understanding of the growing need and available methods for probabilistic studies to augment deterministic studies in system planning studies, including support for the Probabilistic Assessment Working Group (PAWG) that reports to the RAS;
- Conduct advanced system studies of increasing penetrations of new resource technologies or new technologies facilitating these penetrations, such as Battery Energy Storage Systems (BESS), as well as piloting use of new resource models for system simulations;

- Publish Institute of Electrical and Electronics Engineers (IEEE) and other industry papers to promote continual advancement of BPS knowledge and understanding; and
- Support research projects, including NERC’s work with the Carnegie Mellon Industry Center (CEIC), the Power Systems Energy Research Center (PSERC), the DOE North American Energy Resilience Model (NAERM), and the DOE, Electric Power Research Institute (EPRI), and NERC solar project advancing modeling and protection for solar inverter-based resources.

ASAM further provides advanced statistical analysis functions to support the SOR report and various reliability assessments, the FRAA report and other parameters, analytical review of Reliability Standard effectiveness, and various reports on an emergent basis each year.

### **Stakeholder Engagement and Benefit**

The groups described above work collaboratively with NERC stakeholders, particularly through the RSTC and their technical subgroups, to create a reliability strategy that is relevant, timely, and effective to address the most important reliability risks. These efforts include:

- Synthesizing key information identified through analysis and assessment efforts;
- Extracting and prioritizing the associated reliability risks;
- Sharing and integrating risk analysis insights across the ERO Enterprise; and
- Translating knowledge into actionable guidance and recommendations for the Board and industry, along with state, federal, and provincial policymakers.

Further, these groups continue to work closely with other organizations, including but not limited to the DOE, EPRI, IEEE, the Institute of Nuclear Power Operations (INPO), North American Transmission Forum (NATF), North American Generator Forum (NAGF), Interstate Natural Gas Association of America (INGAA), Natural Gas Supply Association (NGSA), Canadian Electricity Association (CEA), and International Council on Large Electric Systems (CIGRÉ).

### **Tools and Technology**

The following tools are used by RA, PA, PSA, and ASAM staff to support their activities:

- Advanced analytics and analysis software (e.g., SAS)
- Engineering software (e.g., PSS/E, PSLF, PowerWorld, TSAT, EMPT)
- Infrastructure and geographic-related vulnerabilities analysis software (e.g., Velocity Suite)
- Data management systems, including the:
  - Generating Availability Data System (GADS) and GADS Wind
  - Transmission Availability Data System (TADS)
  - Demand Response Availability Data System (DADS)
  - Reliability Assessment Data System (RADS)
  - Balancing Authority Submittal Site (BASS)
  - Frequency Response Analysis Tools (FRAT)
  - Inadvertent Interchange Tool (IIT)
  - Process Information (PI) Historian
  - Misoperations Information Data Analysis System (MIDAS)

## Key Efforts Underway

In addition to the development of the annual assessments and reports, and in support of Focus Areas 2 and 5 of the *ERO Enterprise Long-Term Strategy*, RA focus areas and ongoing activities include:

- Effective ERS. These efforts are expected to lead to a broad set of recommendations that will culminate with defined elements, an evaluation of initial metrics and data compilation of actual performance, and refinement of the ongoing assessment of ERS measures;
- Advancing the value of the seasonal reliability assessment by providing predictive evaluations of the operational risk in each assessment area. In addition to the Planning Reserve Margin analysis, seasonal reliability assessments use historical resource performance data to identify expected and potentially extreme operational risks;
- Advancing probabilistic assessments and evaluations of energy assurance; and
- Enhancing ERO Enterprise-wide effectiveness and efficiency of RA-related functions. This includes coordinating data and information systems across the ERO Enterprise and providing consistent oversight regarding data collection, checking, validation, and assessment.

Additionally, in FERC's Order No. 830 approving Reliability Standard TPL-007-1 (*Transmission System Planned Performance for Geomagnetic Disturbance Events*), FERC directed NERC to file a research work plan describing how NERC will conduct research into the geomagnetic disturbance (GMD)-related topics identified in the order. NERC developed a research plan<sup>10</sup> with EPRI and filed it with FERC on April 19, 2018. This \$3.4M research project was co-funded by NERC along with more than 20 owners and operators from the electric industry. As part of this effort and directed by FERC, the Board, on August 16, 2018, approved an ROP Section 1600 data request to collect GMD data. Results of the research plan will be filed with FERC in 2020, and NERC will begin implementing the Section 1600 data request for GMD. Further, NERC continues to work with industry to collect information on geomagnetically induced current (GIC) and the potential impacts on reliability.

PA continues to oversee and evaluate reliability trends that identify reliability risks by analyzing data contained in GADS, TADS, and DADS, along with reliability metrics and protection and controls system misoperations data. PA is currently expanding the GADS data trend analysis and has begun reflecting post-seasonal reliability review, insights from analysis of the GADS, TADS, and DADS, and integration of event analysis and misoperations. Additionally, PA is developing reporting requirements for solar and associated energy storage data collection.

Also in support of Focus Areas 2 and 4 of the *ERO Enterprise Long-Term Strategy*, the PSA and ASAM group is focusing on:

- Developing technical analyses in key reliability areas, resulting in comprehensive reports addressing areas of concern (e.g., frequency response, short circuit strength, inter-area oscillation, DER integration, and systemic interdependencies, such as gas/electric and communications/electric). The purpose of these technical analyses is to understand and evaluate BPS characteristics, behavior, and performance due to the changing resource mix and integration of new technology, thereby providing guidance and technical expertise to address key planning-related issues and Interconnection-wide concerns;
- Continuing to explore the use of state-of-the-art software to conduct power system analysis by enhancing the usage of real-time tools used by the industry to sharpen and fine-tune models as the system evolves with the integration of new technology;

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<sup>10</sup> [Revised Geomagnetic Disturbance Research Work Plan of the North American Electric Reliability Corporation](#)

- Conducting detailed forensic analyses of significant system disturbances;
- Providing technical expertise, research, and feedback to the industry, including those that support development of key reliability planning-related standards;
- Providing industry insight related to modeling improvements and interconnection-wide system analysis through a State of Modeling report, with recommendations for enhancement and industry engagement;
- In coordination with the IRPTF, performing event analyses, investigating abnormal performance of inverter-based resources, particularly solar photovoltaic, and developing industry recommendations and addressing potential reliability gaps;
- Supporting industry in the reliable integration of increased levels of DER, providing industry technical guidance on key reliability impacts and developing recommended practices and guidelines (modeling, planning, and operations) to ensure BPS reliability;
- Supporting industry adoption and advancement of synchrophasor technology through the Synchronized Measurement Subcommittee (SMS) and studying interconnection-wide oscillatory behavior (and other interconnection-wide phenomena) through PMU data collected from RCs;
- Supporting industry understanding and expertise in power plant modeling through the System Analysis and Modeling Subcommittee's (SAMS's) Power Plant Modeling and Verification Task Force (PPMVTF), advancing capabilities to perform a disturbance based model verification, working with software vendors, and supporting implementation of MOD-026-1 and MOD-027-1;
- Driving improvements of dynamic load modeling capabilities in support of industry stability studies for planning and real-time reliability assessments, advancing state-of-the-art modeling capability across North America, and supporting the SAMS's Load Modeling Task Force (LMTF);
- Supporting studies and technical positions on the changing nature of end use loads, advocating for grid-friendly load behavior, and engaging with industries collaboratively, working with utility members, to represent BPS needs;
- Performing annual assessments of case quality and fidelity on the interconnection-wide cases released by the MOD-032 designees and developing a feedback loop mechanism with the MOD-032 designees to instigate improvements to models;
- Proactively addressing deficiencies in interconnection-wide models and providing industry education on key modeling topics (e.g., generic model notifications for wind, solar, battery) as identified by NERC or industry;
- Providing a report of results from a Composite Reliability Study using probabilistic—or near probabilistic—methods for transmission as well as resources;
- Supporting a Battery Storage Assessment using the Joint WECC/NERC Battery Study of the Western Interconnection to determine the adequacy of battery energy injection to support frequency response and primary frequency reserve margin, etc.; and
- Conducting advanced statistical studies in support of the Standards Efficiency Review and the SOR report.

Finally, in support of Focus Areas 2 and 4 of the *ERO Enterprise Long-Term Strategy*, in 2020 NERC formed a staff group focused on BPS security and grid transformation. This group will develop and promote cyber security planning, operations, and recovery strategies to improve the posture and performance of the BPS to cyber threats. In addition, this group will support the ERO Enterprise and industry to implement security risk mitigation priorities. NERC is also focusing on security initiatives specifically for the ERO Enterprise,

including sharing of best practices; development of security training and participation in regional and continent-wide security exercises; and supporting NERC, the Regional Entities, and industry on matters related to the interface between reliability and security, including providing support for the implementation of risk mitigation priorities recommended by the RISC.

### **2021 Goals and Deliverables**

In 2021, the groups discussed above will continue the efforts described above as applicable, with particular focus on risk issues identified in the latest RISC report. The groups will focus on various assessments and technical reports under the direction of the RSTC. High risk issues include:

- Protection system misoperations
- Reduced situational awareness from loss of EMS
- Unacceptable inverter performance
- Increased amounts of DER
- Reducing potential for the BES initiating wildfires
- Energy adequacy
- Cyber security in planning and operations

As the grid evolves, the ability to collect and the quality and integration of data becomes increasingly important, requiring continued investment in enhancements to and maintenance of the suite of data management tools. Minor enhancements and modifications to the existing software applications are expected.

### **Future Plans**

In 2022 and beyond, NERC will need to continue to build and maintain the analytical capabilities needed to support the reliability and security of the changing grid. This will include the implementation of data collection applications to include solar inventory, event, and performance reporting, as well as the integration of energy storage with the solar and wind facilities, security assessment and design basis, and the development of a strategic plan to re-platform data collection applications as needed to create better integration of collection efforts and analysis for the ERO Enterprise. These shared analytics, data warehouses, and tools advance the capabilities and credibility of the ERO as a trusted source for reliability and security assessment information and decision-making guidance. In addition, these capabilities provide industry and other stakeholders with important information to assist them in ensuring reliability in light of the unprecedented changes in the character and composition of the BPS.

### **Resource Requirements**

#### **Personnel**

The increase of 2.82 FTEs from the 2020 budget to the 2021 budget is the result of resource allocations to realign staff with current needs.

#### **Consultants and Contracts**

The decrease of \$349k for Consultants & Contracts from the 2020 budget to the 2021 budget is primarily a result of reduced or deferred project-based contract resources as part of the cost savings efforts discussed in the *Introduction and Executive Summary*. The budget includes \$100k for a research project partnerships with EPRI noted above. A detailed breakdown of 2020 and 2021 budgeted expenses are shown in *Exhibit B – Consultants and Contracts Costs*.

**Other Costs**

The \$219k decrease for Meeting & Travel expenses from the 2020 budget to the 2021 budget is primarily related to the expected cost savings in this area, which is discussed in the *Introduction and Executive Summary*. Similarly, the \$715k decrease for Fixed Asset expenditures from the 2020 budget to the 2021 budget is related to deferred spending for major enhancements for GADS, TADS, and DADS. The \$143k increase for Office Costs is primarily attributable to additional expenses for software licenses and support, and the inclusion of \$50k of dues expenses for the research partnership with PSERC noted above.

Statement of Activities and Fixed Asset Additions 2020 Budget & Projection, and 2021 Budget					
Reliability Assessments and Performance Analysis					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 13,001,958	\$ 13,001,958	\$ -	\$ 12,538,528	\$ (463,430)
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 13,001,958</b>	<b>\$ 13,001,958</b>	<b>\$ -</b>	<b>\$ 12,538,528</b>	<b>\$ (463,430)</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	60,000	60,000	-	60,000	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	60,345	19,198	(41,147)	32,908	(27,437)
<b>Total Funding (A)</b>	<b>\$ 13,122,303</b>	<b>\$ 13,081,156</b>	<b>\$ (41,147)</b>	<b>\$ 12,631,436</b>	<b>\$ (490,867)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,662,883	\$ 3,526,377	\$ (136,506)	\$ 3,830,459	\$ 167,576
Payroll Taxes	233,091	218,576	(14,515)	244,412	11,321
Benefits	595,261	490,213	(105,048)	622,466	27,205
Retirement Costs	407,604	390,295	(17,309)	425,191	17,587
<b>Total Personnel Expenses</b>	<b>\$ 4,898,839</b>	<b>\$ 4,625,461</b>	<b>\$ (273,378)</b>	<b>\$ 5,122,528</b>	<b>\$ 223,689</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 286,800	\$ 149,588	\$ (137,212)	\$ 168,856	\$ (117,944)
Travel	300,000	63,279	(236,721)	199,429	(100,571)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 586,800</b>	<b>\$ 212,867</b>	<b>\$ (373,933)</b>	<b>\$ 368,285</b>	<b>\$ (218,515)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 752,570	\$ 596,150	\$ (156,420)	\$ 403,203	\$ (349,367)
Office Rent	-	-	-	-	-
Office Costs	513,304	606,419	93,115	655,950	142,646
Professional Services	-	-	-	-	-
Miscellaneous	2,000	4,000	2,000	4,600	2,600
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 1,267,874</b>	<b>\$ 1,206,569</b>	<b>\$ (61,305)</b>	<b>\$ 1,063,753</b>	<b>\$ (204,121)</b>
<b>Total Direct Expenses</b>	<b>\$ 6,753,513</b>	<b>\$ 6,044,897</b>	<b>\$ (708,616)</b>	<b>\$ 6,554,566</b>	<b>\$ (198,947)</b>
<b>Indirect Expenses</b>	<b>\$ 5,382,810</b>	<b>\$ 5,364,448</b>	<b>\$ (18,363)</b>	<b>\$ 5,873,428</b>	<b>\$ 490,618</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 12,136,324</b>	<b>\$ 11,409,345</b>	<b>\$ (726,979)</b>	<b>\$ 12,427,994</b>	<b>\$ 291,671</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 985,980</b>	<b>\$ 1,671,811</b>	<b>\$ 685,831</b>	<b>\$ 203,442</b>	<b>\$ (782,538)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 833,953</b>	<b>\$ 257,657</b>	<b>\$ (576,295)</b>	<b>\$ 118,866</b>	<b>\$ (715,086)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ (17,385)	\$ (17,385)	\$ (18,010)	\$ (18,010)
Loan or Financing Lease - Principal Payments (+)	152,027	95,617	(56,410)	102,585	(49,442)
<b>Net Financing Activity (D)</b>	<b>\$ 152,027</b>	<b>\$ 78,232</b>	<b>\$ (73,795)</b>	<b>\$ 84,575</b>	<b>\$ (67,452)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 13,122,303</b>	<b>\$ 11,745,234</b>	<b>\$ (1,377,069)</b>	<b>\$ 12,631,436</b>	<b>\$ (490,867)</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ 1,335,922</b>	<b>\$ 1,335,922</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>23.50</b>	<b>22.26</b>	<b>(1.24)</b>	<b>25.38</b>	<b>1.88</b>

## Situation Awareness

<b>Situation Awareness</b> (in whole dollars)			
	<b>2020 Budget</b>	<b>2021 Budget</b>	<b>Increase (Decrease)</b>
FTE Reporting	5.64	6.58	0.94
Direct Expenses	\$ 2,578,597	\$ 2,674,692	\$ 96,095
Indirect Expenses	1,291,874	1,604,603	312,728
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	349,049	148,541	(200,508)
Financing Activity	107,180	23,153	(84,026)
Total Budget	\$ 4,326,699	\$ 4,450,989	\$ 124,289

### Background and Scope

NERC's Situation Awareness group and the Regional Entities monitor BPS conditions, significant occurrences and emerging risks, and threats across the 16 RC regions in North America to maintain an understanding of conditions and situations that could impact reliable operation. This group also supports the development and publication of NERC Alerts and awareness products and facilitates information sharing among industry, the Regional Entities, and the government during crisis situations and major system disturbances. The process for understanding the potential threats or vulnerabilities to BPS reliability starts with understanding occurrences and events in the context in which they occur.

### Stakeholder Engagement and Benefit

BPS conditions continually change and provide recognizable signatures through automated tools, mandatory reports and voluntary information sharing, and third-party publicly available sources. The significant majority of these signatures represents conditions and occurrences that have little or no reliability impact, either positive or adverse, on the BPS. However, being cognizant of the short-term condition of the BPS and the signatures associated with the entire range of reliability performance helps the ERO identify significant occurrences more accurately and efficiently. Registered entities continue to robustly share information and collaborate with the ERO to maintain and improve overall reliability.

The Situation Awareness group assists the RSTC's Operating Reliability Subcommittee (ORS) in enhancing BPS reliability with their efforts to provide operational guidance to the industry by managing NERC-sponsored technology tools and services that support operational coordination, and by providing technical support and advice as requested.

### Tools and Technology

The group uses and supports the following reliability-related tools in support of Situation Awareness activities:

- **Resource Adequacy (Area Control Error [ACE] Frequency) Tool** – This software application provides continuous monitoring of key resource adequacy performance metrics, including pre-established thresholds and limits defined in standards. It alerts RCs and resource subcommittees to conditions that could result in critical inadequacies, such as major tie errors, inaccurate load forecasts, and inadequate frequency response.

- **Inadvertent Interchange** – This tool facilitates the entering of monthly scheduling data and submittal of monthly inadvertent performance standards reports to NERC. It also assists in the monitoring and resolution of reliability issues originated by inadvertent interchange imbalances.
- **Frequency Monitoring Network (FNet)** – Operated by the Power Information Technology Laboratory at the University of Tennessee, FNet is a low-cost, quickly deployable GPS-synchronized wide-area frequency measurement network. High dynamic accuracy frequency disturbance recorders are used to measure the frequency, phase angle, and voltage of the power system at ordinary 120V outlets. This measurement data is continuously transmitted via the Internet to the FNet servers hosted at the University of Tennessee and Virginia Tech.
- **Intelligent Alarms Tool** – This tool detects short-term and long-term frequency deviations using data transmitted to NERC by the BAs. When coupled with FNet, this tool allows immediate differentiation of the cause of a frequency deviation—a generator trip or a scheduling error.
- **PowerIQ and Power RT** – These tools provide more detailed insight into current-day conditions impacting BPS conditions in both normal operations and stressed conditions.
- **SAFNR** – This system provides near real-time information about the current operating conditions of the BPS and valuable information from a wide-area view about BPS impacts from hurricanes, hot and cold weather extremes, and varying system conditions.
- **RCIS** – This system allows RCs to post messages and share operating information in real time.
- **NERC Alerts** – This secure alerting system enables NERC to issue alerts to registered entities and the electricity sector when NERC discovers, identifies, or is provided with information that is critical to ensuring the reliability of the BPS.
- **PI Historian System** – The PI Historian system initially provided the ability to collect and analyze system inertia data in support of the recommendations in the 2015 Essential Reliability Services Task Force (ERSTF) report. The system also offers longer term value by enabling the continued strategy to transition away from outside applications by replicating the functionality of Resource Adequacy and Intelligent Alarms in-house. The system also creates the necessary foundation for NERC’s eventual receipt and consumption of streaming synchrophasor data in near real time.

### Key Efforts Underway

In support of Focus Areas 2 and 4 of the *ERO Enterprise Long-Term Strategy*, Situation Awareness is focusing on the following priorities and ongoing activities:

- Ensuring that the ERO is aware of all BES events above a threshold of impact;
- Enabling the sharing of information and data to facilitate wide-area situational awareness;
- Facilitating the exchange of information among industry, the Regional Entities, and the U.S. and Canadian governments during crisis situations;
- Keeping industry informed of emerging reliability threats and risks, including any expected actions;
- Administering the NERC Alerts process as specified in ROP Section 810 to issue Advisory (Level 1) Alerts on significant and emerging reliability and security-related topics as needed, and facilitate the tracking of actions specified in Recommendation (Level 2) and Essential Action (Level 3) Alerts;
- Continuing to set the conditions to bring in limited streaming synchrophasor data for wide-area situational awareness and event triage applications; and

- Looking at the importance of having visibility and understanding of the reliability or availability of natural gas and its interdependency with electrical generation.

Additionally, after the initial release of SAFNR v3 at the end of 2019 with ResilientGrid as the new vendor, the Situation Awareness group is continuing to focus on enhancements to the SAFNR application. The new SAFNR platform allows users to have a more robust tool to increase situation awareness and the sharing of information with E-ISAC, FERC, and the Regional Entities. The new software has more functionality and automatic model updates, weather overlays, fire data, and allows users to integrate gas data. The upgrade also allows for rapid and accurate situational awareness that appropriately protects the proprietary information in the tool while maximizing the value of understanding shared to the right audiences. Further, the enhanced SAFNR incorporates functionality elements piloted during GridEx IV that will enable the Situation Awareness group to provide the E-ISAC and the ESCC with more timely and understandable common operating picture information.

### **2021 Goals and Deliverables**

In 2021, the Situation Awareness group will continue to execute the activities discussed above, including continued focus on implementation of the upgraded SAFNR system and development of any needed enhancements. Additional 2021 plans include (1) minor enhancements to RCIS; (2) enhancing natural gas situational awareness by working with vendors to gain a better understanding of the tools and methods that are and will be available to monitor natural gas availability, transmission, and distribution across the BES; and (3) working with the E-ISAC to increase situational awareness related to physical security.

### **Future Plans**

In 2022 and beyond, efforts related to natural gas and physical security situational awareness will continue. The Situation Awareness group is also planning for needed upgrades to or replacements of the RCIS, Resource Adequacy Tool, and NERC Alerts applications if need arises.

### **Resource Requirements**

#### **Personnel**

The increase of 0.94 FTEs from the 2020 budget to the 2021 budget is the result of resource allocations to realign staff with current needs.

#### **Consultants and Contracts**

The \$15k for Consultants & Contracts in the 2021 budget is for PI Historian enhancements. A detailed breakdown of the 2020 and 2021 budgeted expenses is shown in *Exhibit B – Consultants and Contracts Costs*.

#### **Other Costs**

The \$22k increase for Meetings & Travel is due to a reclassification of conference server expenses specifically for communication with the RCs from Office Costs to Conference Calls. The \$93k decrease in Office Costs from the 2020 budget to the 2021 budget is also a result of this reclassification as well as lower spending on certain software licenses and support. The decrease of \$200k in Fixed Assets from the 2020 budget to the 2021 budget is primarily due to the fact that the 2020 budget included a one-time expense of \$250k for an upgrade to the video wall in the NERC Atlanta office situation awareness room.

**Section A – 2021 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>Situation Awareness</b>					
	2020	2020	Variance	2021	Variance
	Budget	Projection	2020 Projection v 2020 Budget Over(Under)	Budget	2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 4,312,217	\$ 4,312,217	\$ -	\$ 4,441,980	\$ 129,763
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 4,312,217</b>	<b>\$ 4,312,217</b>	<b>\$ -</b>	<b>\$ 4,441,980</b>	<b>\$ 129,763</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	14,483	5,099	(9,384)	9,009	(5,474)
<b>Total Funding (A)</b>	<b>\$ 4,326,699</b>	<b>\$ 4,317,316</b>	<b>\$ (9,384)</b>	<b>\$ 4,450,989</b>	<b>\$ 124,289</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 900,228	\$ 951,118	\$ 50,889	\$ 993,129	\$ 92,900
Payroll Taxes	59,293	58,918	(374)	65,048	5,756
Benefits	227,569	214,237	(13,332)	268,930	41,360
Retirement Costs	100,163	99,224	(939)	111,336	11,174
<b>Total Personnel Expenses</b>	<b>\$ 1,287,253</b>	<b>\$ 1,323,497</b>	<b>\$ 36,244</b>	<b>\$ 1,438,443</b>	<b>\$ 151,190</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 30,000	\$ 37,324	\$ 7,324	\$ 66,310	\$ 36,310
Travel	35,000	9,450	(25,550)	20,774	(14,226)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 65,000</b>	<b>\$ 46,774</b>	<b>\$ (18,226)</b>	<b>\$ 87,084</b>	<b>\$ 22,084</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000
Office Rent	-	-	-	-	-
Office Costs	1,225,844	1,070,189	(155,655)	1,133,065	(92,779)
Professional Services	-	-	-	-	-
Miscellaneous	500	1,000	500	1,100	600
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 1,226,344</b>	<b>\$ 1,071,189</b>	<b>\$ (155,155)</b>	<b>\$ 1,149,165</b>	<b>\$ (77,179)</b>
<b>Total Direct Expenses</b>	<b>\$ 2,578,597</b>	<b>\$ 2,441,460</b>	<b>\$ (137,137)</b>	<b>\$ 2,674,692</b>	<b>\$ 96,095</b>
<b>Indirect Expenses</b>	<b>\$ 1,291,874</b>	<b>\$ 1,424,254</b>	<b>\$ 132,379</b>	<b>\$ 1,604,603</b>	<b>\$ 312,728</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 3,870,471</b>	<b>\$ 3,865,713</b>	<b>\$ (4,758)</b>	<b>\$ 4,279,294</b>	<b>\$ 408,823</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 456,228</b>	<b>\$ 451,602</b>	<b>\$ (4,626)</b>	<b>\$ 171,694</b>	<b>\$ (284,534)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 349,049</b>	<b>\$ 271,748</b>	<b>\$ (77,300)</b>	<b>\$ 148,541</b>	<b>\$ (200,508)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ (4,616)	\$ (4,616)	\$ (4,930)	\$ (4,930)
Loan or Financing Lease - Principal Payments (+)	107,180	25,386	(81,793)	28,084	(79,096)
<b>Net Financing Activity (D)</b>	<b>\$ 107,180</b>	<b>\$ 20,770</b>	<b>\$ (86,409)</b>	<b>\$ 23,153</b>	<b>\$ (84,026)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 4,326,699</b>	<b>\$ 4,158,232</b>	<b>\$ (168,467)</b>	<b>\$ 4,450,989</b>	<b>\$ 124,289</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ 159,084</b>	<b>\$ 159,084</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>5.64</b>	<b>5.91</b>	<b>0.27</b>	<b>6.58</b>	<b>0.94</b>

## Event Analysis

Event Analysis (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
FTE Reporting	9.40	7.52	(1.88)
Direct Expenses	\$ 2,426,341	\$ 2,389,731	\$ (36,610)
Indirect Expenses	2,153,124	1,833,832	(319,293)
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	93,581	37,190	(56,392)
Financing Activity	60,811	26,461	(34,350)
Total Budget	\$ 4,733,857	\$ 4,287,213	\$ (446,644)

### Background and Scope

The Event Analysis group performs assessments of the reliability and adequacy of the BES. This includes identifying potential issues of concern related to system, equipment, entity, and human performance that may indicate a need to develop remediation strategies, action plans, or data used to revise, retire, or consider new Reliability Standards. The group analyzes and determines the cause of the events, promptly ensures tracking of corrective actions, and provides lessons learned for industry consumption. Event Analysis ensures that reporting and analysis are consistent to allow wide-area assessment of trends and risks. The group analyzes all voluntarily reportable events for sequence of events, root cause, risk to reliability, and mitigation, and keeps the industry well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions.

Additional resources within this group focus on identifying human-error risks and those precursor factors that allow human error to impact system reliability. The group educates industry regarding risks, precursors, and mitigation methods. Resources also support compliance and Reliability Standards training initiatives and trending and analysis to identify emerging reliability risks. These efforts are conducted in collaboration with industry human performance projects, including those of ERO Enterprise human performance groups, the RSTC's Event Analysis Subcommittee (EAS), and other partners.

### Stakeholder Engagement and Benefit

The Event Analysis group coordinates the use of collective resources, consistency in analysis, and timely delivery of event analysis reports as per the [ERO Event Analysis Process](#). The ERO disseminates lessons learned and other useful information to the electric industry obtained from or as a result of event analysis. The Event Analysis team conducts in-depth analyses of approximately 150 events per year on average. Each year, the team also conducts calls facilitated by the Regional Entities with over 140 registered entities to discuss in detail and finalize root and contributing causes for the categorized events analyzed. Major analysis to date includes continuing assessment of EMS outages, continued collaboration with the RAPA groups on frequency response performance, analyses of substation equipment failure events, and protective relay trends, including ground overcurrent relay misoperations, relay communication system failures, and the importance of commissioning testing. Additionally, substantial work and analysis is being done in the area of inverters and inverter technologies.

### Tools and Technology

The Event Analysis Management System (TEAMS) is used to track and process records originating from the EOP-004 reporting, OE-417 reporting, Event Analysis, and the ERO Cause Code Assignment processes.

Relevant reports are recorded, uploaded, and tied together into a single event. The data in TEAMS is used to fuel event cause coding, general system performance analysis, and key performance indicators.

### **Key Efforts Underway**

In support of Focus Areas 2 and 4 of the *ERO Enterprise Long-Term Strategic Plan*, Event Analysis focus areas and ongoing activities include:

- Work with the Regional Entities to obtain and review information from registered entities on qualifying events and disturbances to advance awareness of events above a threshold level; facilitate analysis of root and contributing causes, risks to reliability, wide-area assessments, and remediation efforts; and disseminate information regarding events in a timely manner.
- Ensure that all reportable events are analyzed for sequence of events, root cause, risk to reliability, and mitigation.
- Continue to refine risk-based methods to support better identification of reliability risks, including the use of more sophisticated cause codes for analysis.
- Conduct events (webinars, workshops, and conference support) to inform industry and the ERO of lessons learned, root cause analysis, trends, human performance, and extreme weather preparedness and recommendations, including events like the annual NERC Monitoring and Situational Awareness Conference and annual Electric Human Performance Symposium.
- Develop reliability recommendations and alerts as needed and track industry accountability for critical reliability recommendations.
- Ensure that industry is well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions.
- Conduct major event analysis and reporting of major findings and recommendations that will improve reliability.

The Event Analysis department also supports several of the top-priority reliability risk projects as identified and described in the *Reliability Assessment and Performance Analysis* section.

### **2021 Goals and Deliverables**

In addition to continuing the activities described above, in 2021 the Event Analysis group will continue to update/upgrade data collection and shortage capabilities and capacity for TEAMS commensurate with resource availability for the year. Additionally, the Event Analysis and PA groups will work to improve the linkage between performance and event analysis data in an effort to enhance the ability to conduct event analyses, as well as to identify key areas for trend analyses across multiple databases. The Event Analysis group will also lead the planning and execution of the annual ERO Enterprise and industry-wide Electric Power Human Performance Symposium.

### **Future Plans**

In 2022 and beyond, the Event Analysis group will continue to work to improve the depth of event analyses across the ERO Enterprise, including enhancing data collection abilities, data analysis tools, and capacity and integration with other database systems. The group will also work with industry leaders to provide education on human-error and performance topics to improve human-system interaction on the BES going forward.

## Resource Requirements

### Personnel

The 1.88 decrease in FTEs from the 2020 budget to the 2021 budget is the result of resource allocations to realign staff with current needs.

### Consultants and Contracts

The \$105k increase for Consultants & Contracts from the 2020 budget to the 2021 budget is primarily attributable to a reclassification of TEAMS support and maintenance from the IT department to the Event Analysis department. A detailed breakdown of the 2020 and 2021 budgeted expenses is shown in *Exhibit B – Consultants and Contracts Costs*.

### Other Costs

The \$76k decrease for Meeting & Travel expenses from the 2020 budget to the 2021 budget is primarily related to the expected cost savings in this area, which is discussed in the *Introduction and Executive Summary*.

**Section A – 2021 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>Event Analysis</b>					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 4,709,719	\$ 4,709,719	\$ -	\$ 4,276,917	\$ (432,802)
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 4,709,719</b>	<b>\$ 4,709,719</b>	<b>\$ -</b>	<b>\$ 4,276,917</b>	<b>\$ (432,802)</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	24,138	8,427	(15,711)	10,296	(13,842)
<b>Total Funding (A)</b>	<b>\$ 4,733,857</b>	<b>\$ 4,718,145</b>	<b>\$ (15,711)</b>	<b>\$ 4,287,213</b>	<b>\$ (446,644)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,651,222	\$ 1,756,762	\$ 105,539	\$ 1,630,745	\$ (20,477)
Payroll Taxes	94,949	95,205	256	85,892	(9,056)
Benefits	259,683	208,594	(51,089)	218,265	(41,418)
Retirement Costs	181,837	192,158	10,321	179,177	(2,660)
<b>Total Personnel Expenses</b>	<b>\$ 2,187,691</b>	<b>\$ 2,252,719</b>	<b>\$ 65,028</b>	<b>\$ 2,114,080</b>	<b>\$ (73,611)</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 33,600	\$ 8,483	\$ (25,117)	\$ 18,930	\$ (14,670)
Travel	150,000	27,942	(122,058)	89,031	(60,969)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 183,600</b>	<b>\$ 36,425</b>	<b>\$ (147,175)</b>	<b>\$ 107,961</b>	<b>\$ (75,639)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 10,000	\$ 93,200	\$ 83,200	\$ 115,590	\$ 105,590
Office Rent	-	-	-	-	-
Office Costs	44,550	44,617	67	50,500	5,950
Professional Services	-	-	-	-	-
Miscellaneous	500	500	-	1,600	1,100
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 55,050</b>	<b>\$ 138,317</b>	<b>\$ 83,267</b>	<b>\$ 167,690</b>	<b>\$ 112,640</b>
<b>Total Direct Expenses</b>	<b>\$ 2,426,341</b>	<b>\$ 2,427,461</b>	<b>\$ 1,120</b>	<b>\$ 2,389,731</b>	<b>\$ (36,610)</b>
<b>Indirect Expenses</b>	<b>\$ 2,153,124</b>	<b>\$ 2,354,477</b>	<b>\$ 201,353</b>	<b>\$ 1,833,832</b>	<b>\$ (319,293)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 4,579,465</b>	<b>\$ 4,781,938</b>	<b>\$ 202,473</b>	<b>\$ 4,223,562</b>	<b>\$ (355,903)</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 154,392</b>	<b>\$ (63,793)</b>	<b>\$ (218,185)</b>	<b>\$ 63,651</b>	<b>\$ (90,741)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 93,581</b>	<b>\$ 47,690</b>	<b>\$ (45,891)</b>	<b>\$ 37,190</b>	<b>\$ (56,392)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ (7,630)	\$ (7,630)	\$ (5,635)	\$ (5,635)
Loan or Financing Lease - Principal Payments (+)	60,811	41,967	(18,843)	32,096	(28,715)
<b>Net Financing Activity (D)</b>	<b>\$ 60,811</b>	<b>\$ 34,337</b>	<b>\$ (26,473)</b>	<b>\$ 26,461</b>	<b>\$ (34,350)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 4,733,857</b>	<b>\$ 4,863,966</b>	<b>\$ 130,109</b>	<b>\$ 4,287,213</b>	<b>\$ (446,644)</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ (145,820)</b>	<b>\$ (145,820)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>9.40</b>	<b>9.77</b>	<b>0.37</b>	<b>7.52</b>	<b>(1.88)</b>

## Electricity Information Sharing and Analysis Center

E-ISAC (including CRISP) (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
FTE Reporting	44.18	39.48	(4.70)
Direct Expenses	\$ 20,018,016	\$ 20,100,328	\$ 82,312
Indirect Expenses	10,119,683	9,315,576	(804,107)
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	861,280	271,624	(589,656)
Financing Activity	321,157	134,209	(186,948)
Total Budget	\$ 31,320,137	\$ 29,821,738	\$ (1,498,399)

### Background and Scope

In 2017 the E-ISAC, with guidance from the ESCC MEC, the NERC Board, and various trade associations and stakeholder groups, developed a long-term strategic plan to better define its mission and focus its resources in helping the electric sector protect itself from escalating cyber and physical security risks. The E-ISAC strategic plan has three primary areas of focus—engagement, information sharing, and analysis. The strategic plan embraces the ongoing need to review priorities under each focus area, ensure alignment between priorities, optimize resource allocation, and establish metrics to measure progress. The central underpinning of the strategic plan is for the E-ISAC to focus on providing timely and actionable information and analysis to industry regarding cyber and physical security threats and mitigation strategies. To advance this important objective, the strategic plan also recognizes the critical interdependencies between the E-ISAC, industry, U.S. and Canadian government agencies, and other stakeholders.

The E-ISAC also oversees the Cybersecurity Risk Information Sharing Program (CRISP), a unique public-private initiative among the E-ISAC, the North American electric utility industry, DOE, and the U.S. Intelligence Community that delivers real-time, relevant, and actionable cyber security risk information to all E-ISAC member electricity asset owners and operators, including those from Canada and Mexico. The program leverages subject matter expertise and resources from the E-ISAC, DOE, PNNL, and the Argonne National Laboratory. Using passive information sharing devices (ISD) on participant networks outside boundary firewalls, participant data is collected and then matched against known threat signatures—classified and unclassified—to identify potential threats and provide participants with recommended mitigation steps. Aggregated indicators of compromise and other relevant security information are shared with all E-ISAC members, regardless of participation in CRISP. The majority of the CRISP budget is funded by participating utilities, with a small portion funded through NERC assessments.

### Stakeholder Engagement and Benefit

The E-ISAC focuses on providing value to the electricity industry asset owners and operators, and active engagement of members and partners (government and other security organizations) increases data sources and leverages cross-sector security resources. Successful engagement with electric industry members and other stakeholders is critical to building trust, which is vital to cyber and physical security risk identification, sharing, analysis, and mitigation.

## Tools and Technology

The primary technologies and tools used in support of the E-ISAC's operations include:

- The E-ISAC Portal
- Hardware and software funded and supported as part of CRISP
- Industry broadcast communication systems
- A customer relationship management (CRM) system
- An event management system
- A high frequency disaster recovery communication system
- Data storage and management systems
- E-mail and secure text communications systems
- Technology to facilitate threat communications among members
- Incident management tools
- Various third-party physical and cyber security sharing information services

## Key Efforts Underway

During 2019, the E-ISAC took steps to improve the efficiency of operations and reduce or eliminate certain lower value activities. In support of Focus Areas 3, 4, and 5 of the *ERO Enterprise Long-Term Strategy*, leadership was strengthened and security operations reorganized to align and optimize cyber and physical security teams as part of an integrated watch operations team. Portal posting and other publications were also reorganized and enhanced to provide greater context and more information that is actionable. In addition, a performance management group was created to oversee the implementation of process improvements, technology, and metrics to improve the quality, timeliness, and value of information sharing, data management, and analysis. Recent accomplishments include:

- Establishing 24x5 watch operations and hiring experienced security operations staff to facilitate a migration to a 24x7 model by Q3 2020;
- Launching a critical broadcast program to quickly disseminate information regarding imminent threats and other important notifications;
- Increasing inbound and outbound information sharing with members and government partners;
- Supporting numerous DOE initiatives, including CRISP expansion and Cyber Analytics Tools and Techniques (CATT) 2.0™;
- Implementing a CRM system based on the Salesforce platform;
- Increasing and diversifying membership, both within the United States and Canada;
- Establishing an Industry Engagement Program and increasing and diversifying participation in security exercises and training;
- Developing, in coordination with the industry-supported Physical Security Advisory Group, a two-year action plan to expand physical security risk identification, risk mitigation, and preparedness;
- Entering into detailed collaboration agreements with the Canadian Independent System Operator (IESO), the Downstream Natural Gas ISAC (DNG-ISAC) and the Multi-State ISAC (MS-ISAC); and
- Building analytical capabilities and strengthening the E-ISAC's talent pool, including both cyber and physical security expertise.

As part of management’s planning efforts for 2020 and 2021, and taking into account feedback from the Board, MEC, members and other stakeholders, E-ISAC leadership assessed progress to date, re-confirmed operating and strategic priorities, and identified both gaps and opportunities to further improve products, services and, ultimately, provide greater value to members. The following is a summary of actions the E-ISAC will be undertaking to address these gaps and opportunities.

The primary focus of the E-ISAC over the next two years will be improving the effectiveness and efficiency of current products, platforms, and services. These efforts support Focus Area 5 of the *ERO Enterprise Long-Term Strategy* to capture effectiveness, efficiency, and continuous improvement opportunities. The E-ISAC will sharpen its focus and execution in building and maintaining membership by demonstrating value through improved analysis, timely sharing of actionable information, and collaboration with key government and strategic partners, while ensuring that E-ISAC operations are both effective and efficient. These efforts and the actions identified below are closely aligned with the *ERO Enterprise Long-Term Strategy* objective to develop and share information to foster BPS resiliency through security. Key efforts will include:

- Demonstrating the value of information sharing by providing improved and more frequent information to our members;
- Engaging with both industry and government to ensure alignment on key priorities and making improvements to increase the effectiveness of our supporting products, services, and platforms; and
- Focusing and, as appropriate, reallocating resources to ensure proper support for these key priorities.

With these efforts in mind, the following practices will be used to guide resource allocation and investments while ensuring alignment with the three primary focus areas under the E-ISAC strategic plan:

- Fostering an inclusive, stable, productive and effective work environment that attracts and maintains a diverse, talented, and action-oriented workforce;
- Aggressively pursuing initiatives that increase operational effectiveness;
- Prudently choosing resource intensive initiatives that expand the E-ISAC’s scope and avoiding or deferring those that disperse its focus; and
- Exploring opportunities to refine and increase the effectiveness and efficiency of resource utilization supporting security exercises (e.g. GridEx), conferences (e.g. GridSecCon), and other resource intensive activities.

### **2021 Goals and Deliverables**

The E-ISAC remains focused on furtherance of the strategic efforts discussed above as 2021 marks the fourth year of the long-term strategy. Building on its existing foundation and current resources, the E-ISAC 2021 budget reflects a continued measured approach in strengthening the resources and technology required to support the three primary elements of the E-ISAC’s strategic plan—engagement, information sharing, and analysis.

#### **Engagement**

- Expand and diversify membership by leveraging industry data and the CRM platform to identify and target prospects and proactively engage with underrepresented segments of the industry, including those in the public power segment.

- Develop more robust mechanisms to obtain and act upon stakeholder feedback, and improve services for existing members.

### Information Sharing

- Increase the span, quality, and volume of voluntary shares from members.
- Improve and expand automated information sharing to increase the timeliness and volume of sharing and reduce the effort required by members to share information with the E-ISAC and use information from the E-ISAC.
- Work with government partners to increase E-ISAC and industry access to classified information through threat briefings and collaboration.
- Mature security operations processes to provide members with more timely and relevant information, leveraging 24x7 security operations staffing.

### Analysis

- Improve the frequency, timeliness, and quality of valuable, in-depth analysis and reports.
- Operationalize the objectives described in agreements with DOE, IESO, DNG-ISAC and MS-ISAC.
- Facilitate collaboration between U.S. and Canadian government agencies in support of mutual priorities and programs, including Pathfinder, Cyber Space Solarium,<sup>11</sup> Project Lighthouse, and the recommendations of the National Infrastructure Advisory Council (NIAC).<sup>12</sup>
- Expand CRISP program participation, streamline governance, and drive greater program value through data enrichment and analysis.

### Future Plans

For the long-term horizon (three to five years), the E-ISAC will focus on providing additional value to members and other stakeholders in four key areas:

1. Enhancing analytical capabilities, both internal and in partnership with third parties, while ensuring these enhancements provide value to members;
2. Working closely with the MEC working group, government, and industry partners to identify and share operational technology risks and risk mitigation strategies;
3. Enhancing capability to better leverage classified and other critical threat and intelligence information (both non-public governmental and private sector) to provide timely and actionable information to the sector regarding security risks; and
4. Conducting a detailed evaluation of the benefits, costs, governance, and funding issues and options for extending E-ISAC services and capabilities to support the downstream natural gas sector, given cross-sector interdependencies.

In addition, the E-ISAC will continue to evaluate partnership opportunities with the commercial sector, other ISACs, and government sponsored research and development organizations. The E-ISAC will also work closely with stakeholders and government partners to carefully evaluate the benefits, resource requirements, potential challenges, and risks associated with each of these initiatives, as well as in the

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<sup>11</sup> Cyberspace Solarium Report, March 2020

<sup>12</sup> NIAC, Transforming the U.S. Cyber Threat Partnership Final Report, December 2019

formulation of appropriate program activities, budgets, and schedules through transparent resource planning and budget approval processes.

## Resource Requirements

### Personnel

The decrease of 4.70 FTEs from the 2020 budget to the 2021 budget is a result of the reevaluation of the E-ISAC strategic plan as discussed above, including an increased use of contract support versus budgeted FTEs as part of a phased transition of contractors to full-time employees.

### Consultants and Contracts

Consultants & Contracts expenses for the E-ISAC 2021 budget, including CRISP, are approximately \$8.7M, which is an increase of \$636k from 2020. Excluding CRISP, E-ISAC's Consultants & Contracts expenses are increasing \$987k over 2020, primarily attributable to the increased use of contract support noted above, which is offset by lower spending in Personnel. CRISP's Consultants & Contracts expenses are \$6.3M, which is \$352k less than the 2020 budget, due to a decrease in participant-paid costs for PNNL (primarily due to an offset of additional DOE funding), the annual security review, and pilot programs. A detailed breakdown of the budgeted 2020 and 2021 costs for E-ISAC is provided in *Exhibit B – Consultants and Contracts Costs*.

### Other Costs

The \$167k decrease for Meeting & Travel expenses from the 2020 budget to the 2021 budget is primarily related to the expected cost savings in this area, which is discussed in the *Introduction and Executive Summary*. The \$338k decrease for Fixed Assets from the 2020 budget to the 2021 budget is due a combination of a reduction of costs and reclassification of expenses to Consultants & Contracts.

**Section A – 2021 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>E-ISAC (including CRISP)</b>					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 23,363,353	\$ 23,363,353	\$ -	\$ 22,673,035	\$ (690,318)
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 23,363,353</b>	<b>\$ 23,363,353</b>	<b>\$ -</b>	<b>\$ 22,673,035</b>	<b>\$ (690,318)</b>
Third-Party Funding	\$ 7,814,577	\$ 6,732,693	\$ (1,081,884)	\$ 7,064,343	\$ (750,234)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	60,000	60,000	-	-
Interest & Investment Income	142,207	47,262	(94,945)	84,360	(57,847)
<b>Total Funding (A)</b>	<b>\$ 31,320,137</b>	<b>\$ 30,203,308</b>	<b>\$ (1,116,829)</b>	<b>\$ 29,821,738</b>	<b>\$ (1,498,399)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 7,494,261	\$ 6,618,002	\$ (876,259)	\$ 7,283,602	\$ (210,659)
Payroll Taxes	461,786	391,376	(70,410)	413,208	(48,578)
Benefits	1,060,720	766,810	(293,910)	990,022	(70,698)
Retirement Costs	808,861	657,300	(151,561)	776,988	(31,874)
<b>Total Personnel Expenses</b>	<b>\$ 9,825,628</b>	<b>\$ 8,433,488</b>	<b>\$ (1,392,140)</b>	<b>\$ 9,463,819</b>	<b>\$ (361,809)</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 103,200	\$ 63,600	\$ (39,600)	\$ 82,812	\$ (20,388)
Travel	361,000	59,994	(301,006)	214,268	(146,732)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 464,200</b>	<b>\$ 123,594</b>	<b>\$ (340,606)</b>	<b>\$ 297,080</b>	<b>\$ (167,120)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 8,090,000	\$ 8,058,816	\$ (31,184)	\$ 8,725,641	\$ 635,641
Office Rent	-	-	-	-	-
Office Costs	1,462,689	1,527,317	64,628	1,469,438	6,749
Professional Services	175,000	135,545	(39,455)	135,000	(40,000)
Miscellaneous	500	600	100	9,350	8,850
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 9,728,189</b>	<b>\$ 9,722,278</b>	<b>\$ (5,911)</b>	<b>\$ 10,339,429</b>	<b>\$ 611,240</b>
<b>Total Direct Expenses</b>	<b>\$ 20,018,016</b>	<b>\$ 18,279,360</b>	<b>\$ (1,738,657)</b>	<b>\$ 20,100,328</b>	<b>\$ 82,312</b>
<b>Indirect Expenses</b>	<b>\$ 10,119,683</b>	<b>\$ 8,417,848</b>	<b>\$ (1,701,836)</b>	<b>\$ 9,315,576</b>	<b>\$ (804,107)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 30,137,699</b>	<b>\$ 26,697,207</b>	<b>\$ (3,440,492)</b>	<b>\$ 29,415,905</b>	<b>\$ (721,795)</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 1,182,438</b>	<b>\$ 3,506,100</b>	<b>\$ 2,323,663</b>	<b>\$ 405,833</b>	<b>\$ (776,604)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 861,280</b>	<b>\$ 671,953</b>	<b>\$ (189,327)</b>	<b>\$ 271,624</b>	<b>\$ (589,656)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ (27,281)	\$ (27,281)	\$ (28,579)	\$ (28,579)
Loan or Financing Lease - Principal Payments (+)	321,157	150,045	(171,112)	162,789	(158,369)
<b>Net Financing Activity (D)</b>	<b>\$ 321,157</b>	<b>\$ 122,764</b>	<b>\$ (198,393)</b>	<b>\$ 134,209</b>	<b>\$ (186,948)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 31,320,137</b>	<b>\$ 27,491,925</b>	<b>\$ (3,828,212)</b>	<b>\$ 29,821,738</b>	<b>\$ (1,498,399)</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ 2,711,383</b>	<b>\$ 2,711,383</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>44.18</b>	<b>34.93</b>	<b>(9.25)</b>	<b>39.48</b>	<b>(4.70)</b>

**Section A – 2021 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>E-ISAC Only</b>					
	<b>2020</b>	<b>2020</b>	<b>Variance</b>	<b>2021</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2020 Projection</b>	<b>Budget</b>	<b>2021 Budget</b>
			<b>v 2020 Budget</b>		<b>v 2020 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 22,417,776	\$ 22,417,776	\$ -	\$ 21,577,172	\$ (840,604)
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 22,417,776</b>	<b>\$ 22,417,776</b>	<b>\$ -</b>	<b>\$ 21,577,172</b>	<b>\$ (840,604)</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	60,000	60,000	-	-
Interest & Investment Income	106,207	27,262	(78,945)	48,360	(57,847)
<b>Total Funding (A)</b>	<b>\$ 22,523,983</b>	<b>\$ 22,505,038</b>	<b>\$ (18,945)</b>	<b>\$ 21,625,531</b>	<b>\$ (898,451)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 7,024,462	\$ 6,103,560	\$ (920,902)	\$ 6,608,091	\$ (416,371)
Payroll Taxes	433,408	368,519	(64,889)	384,291	(49,117)
Benefits	981,788	709,332	(272,455)	912,362	(69,425)
Retirement Costs	758,234	612,087	(146,148)	726,065	(32,170)
<b>Total Personnel Expenses</b>	<b>\$ 9,197,892</b>	<b>\$ 7,793,498</b>	<b>\$ (1,404,394)</b>	<b>\$ 8,630,808</b>	<b>\$ (567,084)</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 90,000	\$ 61,742	\$ (28,258)	\$ 75,240	\$ (14,760)
Travel	325,000	46,169	(278,831)	192,901	(132,099)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 415,000</b>	<b>\$ 107,911</b>	<b>\$ (307,089)</b>	<b>\$ 268,141</b>	<b>\$ (146,859)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 1,412,500	\$ 2,423,545	\$ 1,011,045	\$ 2,399,918	\$ 987,418
Office Rent	-	-	-	-	-
Office Costs	1,025,974	1,220,147	194,173	1,357,910	331,936
Professional Services	-	545	545	-	-
Miscellaneous	250	350	100	8,900	8,650
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 2,438,724</b>	<b>\$ 3,644,587</b>	<b>\$ 1,205,863</b>	<b>\$ 3,766,728</b>	<b>\$ 1,328,004</b>
<b>Total Direct Expenses</b>	<b>\$ 12,051,616</b>	<b>\$ 11,545,996</b>	<b>\$ (505,620)</b>	<b>\$ 12,665,677</b>	<b>\$ 614,061</b>
<b>Indirect Expenses</b>	<b>\$ 9,473,746</b>	<b>\$ 7,617,759</b>	<b>\$ (1,855,987)</b>	<b>\$ 8,627,890</b>	<b>\$ (845,856)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 21,525,362</b>	<b>\$ 19,163,755</b>	<b>\$ (2,361,607)</b>	<b>\$ 21,293,567</b>	<b>\$ (231,795)</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 998,621</b>	<b>\$ 3,341,282</b>	<b>\$ 2,342,662</b>	<b>\$ 331,964</b>	<b>\$ (666,656)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 695,706</b>	<b>\$ 473,247</b>	<b>\$ (222,459)</b>	<b>\$ 207,678</b>	<b>\$ (488,028)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ (24,688)	\$ (24,688)	\$ (26,466)	\$ (26,466)
Loan or Financing Lease - Principal Payments (+)	302,914	135,784	(167,130)	150,753	(152,161)
<b>Net Financing Activity (D)</b>	<b>\$ 302,914</b>	<b>\$ 111,096</b>	<b>\$ (191,818)</b>	<b>\$ 124,286</b>	<b>\$ (178,628)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 22,523,983</b>	<b>\$ 19,748,099</b>	<b>\$ (2,775,884)</b>	<b>\$ 21,625,531</b>	<b>\$ (898,451)</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ 2,756,939</b>	<b>\$ 2,756,939</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>41.36</b>	<b>31.61</b>	<b>(9.75)</b>	<b>36.66</b>	<b>(4.70)</b>

**Section A – 2021 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>CRISP Only</b>					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 945,577	\$ 945,577	\$ -	\$ 1,095,863	\$ 150,286
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 945,577</b>	<b>\$ 945,577</b>	<b>\$ -</b>	<b>\$ 1,095,863</b>	<b>\$ 150,286</b>
Third-Party Funding	\$ 7,814,577	\$ 6,732,693	\$ (1,081,884)	\$ 7,064,343	\$ (750,234)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	36,000	20,000	(16,000)	36,000	-
<b>Total Funding (A)</b>	<b>\$ 8,796,155</b>	<b>\$ 7,698,270</b>	<b>\$ (1,097,884)</b>	<b>\$ 8,196,207</b>	<b>\$ (599,948)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 469,799	\$ 514,442	\$ 44,643	\$ 675,511	\$ 205,712
Payroll Taxes	28,378	22,857	(5,521)	28,917	539
Benefits	78,933	57,477	(21,455)	77,660	(1,273)
Retirement Costs	50,627	45,214	(5,413)	50,923	296
<b>Total Personnel Expenses</b>	<b>\$ 627,736</b>	<b>\$ 639,990</b>	<b>\$ 12,254</b>	<b>\$ 833,011</b>	<b>\$ 205,275</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 13,200	\$ 1,858	\$ (11,342)	\$ 7,572	\$ (5,628)
Travel	36,000	13,825	(22,175)	21,367	(14,633)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 49,200</b>	<b>\$ 15,683</b>	<b>\$ (33,517)</b>	<b>\$ 28,939</b>	<b>\$ (20,261)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 6,677,500	\$ 5,635,271	\$ (1,042,229)	\$ 6,325,723	\$ (351,777)
Office Rent	-	-	-	-	-
Office Costs	436,715	307,170	(129,545)	111,528	(325,187)
Professional Services	175,000	135,000	(40,000)	135,000	(40,000)
Miscellaneous	250	250	-	450	200
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 7,289,465</b>	<b>\$ 6,077,691</b>	<b>\$ (1,211,774)</b>	<b>\$ 6,572,701</b>	<b>\$ (716,764)</b>
<b>Total Direct Expenses</b>	<b>\$ 7,966,400</b>	<b>\$ 6,733,364</b>	<b>\$ (1,233,036)</b>	<b>\$ 7,434,651</b>	<b>\$ (531,749)</b>
<b>Indirect Expenses</b>	<b>\$ 645,937</b>	<b>\$ 800,088</b>	<b>\$ 154,151</b>	<b>\$ 687,687</b>	<b>\$ 41,750</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 8,612,337</b>	<b>\$ 7,533,452</b>	<b>\$ (1,078,885)</b>	<b>\$ 8,122,338</b>	<b>\$ (490,000)</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 183,817</b>	<b>\$ 164,818</b>	<b>\$ (18,999)</b>	<b>\$ 73,869</b>	<b>\$ (109,948)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 165,574</b>	<b>\$ 198,706</b>	<b>\$ 33,132</b>	<b>\$ 63,946</b>	<b>\$ (101,628)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ (2,593)	\$ (2,593)	\$ (2,113)	\$ (2,113)
Loan or Financing Lease - Principal Payments (+)	18,243	14,261	(3,982)	12,036	(6,207)
<b>Net Financing Activity (D)</b>	<b>\$ 18,243</b>	<b>\$ 11,668</b>	<b>\$ (6,575)</b>	<b>\$ 9,923</b>	<b>\$ (8,320)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 8,796,155</b>	<b>\$ 7,743,826</b>	<b>\$ (1,052,329)</b>	<b>\$ 8,196,207</b>	<b>\$ (599,948)</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ (45,556)</b>	<b>\$ (45,556)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>2.82</b>	<b>3.32</b>	<b>0.50</b>	<b>2.82</b>	<b>0.00</b>

## Personnel Certification and Continuing Education

Personnel Certification and Continuing Education (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
FTE Reporting	2.82	2.82	-
Direct Expenses	\$ 1,046,033	\$ 982,466	\$ (63,567)
Indirect Expenses	645,937	687,687	41,750
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	28,074	56,446	28,372
Financing Activity	18,243	9,923	(8,320)
Total Budget	\$ 1,738,288	\$ 1,736,522	\$ (1,766)

### Background and Scope

The Personnel Certification group oversees the System Operator Certification Program that promotes reliability of the North American BPS by ensuring that employers have a workforce of system operators that meet minimum qualifications. NERC monitors system operators to ensure they maintain their required credentials to work in system control centers across North America. NERC's system operator certification exam tests specific knowledge of job skills and Reliability Standards. It also prepares operators to handle the BPS during normal and emergency operations. Certification is maintained by completing NERC-approved Credential Maintenance Program courses and activities. These industry-accepted qualifications are set through internationally recognized processes and procedures for agencies that certify persons. ROP Section 600 addresses Personnel Certification activities in the area of System Operator Certification.

The Personnel Certification Governance Committee (PCGC) is a NERC standing committee that provides oversight to the policies and processes used to implement and maintain the integrity and independence of the NERC System Operator Certification Program. The PCGC provides reports to the Board regarding the governance and administration of the System Operator Certification Program.

The Credential Maintenance Working Group (CMWG) reports to the PCGC and is responsible for developing and maintaining the Credential Maintenance Program under the general guidelines set by the PCGC. Credential maintenance of the System Operator Certification program is accomplished by obtaining Continuing Education Hours (CEHs). The Credential Maintenance Program acknowledges high quality learning activities within the electric utility industry via the approval of continuing education providers and their approved courses.

The Exam Working Group (EWG) consists of subject matter experts from all regions of North America and is responsible for doing an extensive job analysis survey of certified operators across the industry, which provides the basis for the exams. The job analysis survey results in an exam content outline for each of the four exams. The exam content outline is the framework used to associate tasks to exam questions. NERC contracts with psychometric consultants who assist a working group of certified system operators in the development and maintenance of each exam.

The System Operator Certification and Credential Maintenance programs are self-funded through exam and continuing education provider fees, and the PCGC oversees the programs' budgets.

### **Stakeholder Engagement and Benefit**

The Personnel Certification group collaborates with the PCGC, CMWG, and EWG on the completion of System Operator Certification program tasks. Personnel Certification staff coordinate and administer the PCGC, CMWG, and EWG meetings and all activities associated with the System Operator Certification program. Industry stakeholders also benefit from the ability to participate in the Job Task Analysis (JTA) and the Item Writing Workshop (IWW), which occur every three years.

### **Tools and Technology**

The primary tool of the System Operator Certification and the Credential Maintenance programs is a credential maintenance database known as the System Operator Certification Continuing Education Database (SOCCED). Candidates and System Operators use the tool for purchasing a certification exam application and, upon successfully passing the exam, credential maintenance. Continuing education providers use SOCCEd to become a provider and upload courses for approval as well as earned CEHs to System Operator transcripts.

### **Key Efforts Underway**

The Personnel Certification department is focused on the following priorities and ongoing activities:

- Analysis of System Operator Certification program survey results;
- Updates to the System Operator Certification Exam Item Bank to ensure relevance to current Reliability Standards;
- Enhancements to the exam “skills assessment” process to better assess the skills and knowledge of System Operators;
- Upon industry and FERC acceptance, development of an implementation plan for One Credential transition;
- Evaluating credential review and rationalization to maintain credentials;
- Reinstatement of Provider Renewal Audits;
- Revising the Credential Maintenance Program Manual; and
- Continued improvements to the SOCCEd system to enhance user experiences.

### **2021 Goals and Deliverables**

Under the guidance of the PCGC, the Personnel Certification group is dedicated to enhancing the System Operator Certification program to support reliable operation of the BPS. In 2021, the group will focus on further development of the credential maintenance portion of the certification program. Key deliverables for the System Operator Certification program include:

- Analysis of System Operator Certification Program survey results;
- Annual analysis of the System Operator Certification Exam Item Bank;
- Annual analysis of Appendix A topics;
- Credential maintenance requirements; and
- Continued enhancements for SOCCEd.

Under the guidance of the PCGC and CMWG, the Personnel Certification group will continue to focus on revisions, approval, and implementation of the Credential Maintenance Program Manual to provide clear and concise definitions, instructions, and processes for the program. The CMWG is also overseeing the

development of guidelines that will assist industry with the creation and administration of their own System Operator Certification credential maintenance programs.

### **Future Plans**

In 2022 and beyond, the Personnel Certification group will focus on transition and implementation plans for the primary activities in 2021. For the System Operator Certification Program, this includes transitioning to One Credential and the appropriate credential maintenance requirements, and for the Credential Maintenance Program this includes improvement of the Credential Maintenance Program Manual.

### **Resource Requirements**

#### **Personnel**

There is no change in FTEs from the 2020 budget to the 2021 budget.

#### **Consultants and Contracts**

The \$107k increase for Consultants & Contracts from the 2020 budget to the 2021 budget is primarily attributable to the inclusion of expenses for the JTA, which occurs every three years, and a reclassification of expenses from Office Costs to Consultants & Contracts (with a corresponding decrease in Office Costs). A detailed breakdown of 2020 and 2021 budgeted expenses is shown in *Exhibit B – Consultants and Contracts Costs*.

#### **Other Costs**

The \$31k decrease for Meeting & Travel expenses from the 2020 budget to the 2021 budget is primarily related to the expected cost savings in this area, which is discussed in the *Introduction and Executive Summary*. The \$28k increase in Fixed Assets from the 2020 budget to the 2021 budget is mainly attributable to expenses related to a re-platform of SOCCED.

**Section A – 2021 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>Personnel Certification</b>					
	2020	2020	Variance	2021	Variance
	Budget	Projection	2020 Projection v 2020 Budget Over(Under)	Budget	2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Third-Party Funding</b>					
Testing Fees	1,735,000	1,735,150	150	1,801,634	66,634
Services & Software	-	-	-	-	-
Miscellaneous	-	500	500	-	-
Interest & Investment Income	7,241	4,000	(3,241)	7,200	(41)
<b>Total Funding (A)</b>	<b>\$ 1,742,241</b>	<b>\$ 1,739,650</b>	<b>\$ (2,591)</b>	<b>\$ 1,808,834</b>	<b>\$ 66,593</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 372,765	\$ 354,227	\$ (18,538)	\$ 304,433	\$ (68,333)
Payroll Taxes	24,774	26,349	1,575	22,091	(2,683)
Benefits	64,235	40,049	(24,187)	44,346	(19,890)
Retirement Costs	40,459	33,882	(6,577)	33,665	(6,794)
<b>Total Personnel Expenses</b>	<b>\$ 502,233</b>	<b>\$ 454,507</b>	<b>\$ (47,726)</b>	<b>\$ 404,534</b>	<b>\$ (97,699)</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 34,400	\$ 10,796	\$ (23,604)	\$ 20,192	\$ (14,208)
Travel	30,000	7,140	(22,860)	13,190	(16,810)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 64,400</b>	<b>\$ 17,936</b>	<b>\$ (46,464)</b>	<b>\$ 33,382</b>	<b>\$ (31,018)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 282,000	\$ 288,650	\$ 6,650	\$ 388,650	\$ 106,650
Office Rent	-	-	-	-	-
Office Costs	197,400	164,076	(33,324)	155,600	(41,800)
Professional Services	-	-	-	-	-
Miscellaneous	-	30	30	300	300
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 479,400</b>	<b>\$ 452,756</b>	<b>\$ (26,644)</b>	<b>\$ 544,550</b>	<b>\$ 65,150</b>
<b>Total Direct Expenses</b>	<b>\$ 1,046,033</b>	<b>\$ 925,199</b>	<b>\$ (120,834)</b>	<b>\$ 982,466</b>	<b>\$ (63,567)</b>
<b>Indirect Expenses</b>	<b>\$ 645,937</b>	<b>\$ 718,152</b>	<b>\$ 72,214</b>	<b>\$ 687,687</b>	<b>\$ 41,750</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,691,971</b>	<b>\$ 1,643,351</b>	<b>\$ (48,620)</b>	<b>\$ 1,670,153</b>	<b>\$ (21,818)</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 50,271</b>	<b>\$ 96,299</b>	<b>\$ 46,029</b>	<b>\$ 138,681</b>	<b>\$ 88,410</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 28,074</b>	<b>\$ 14,546</b>	<b>\$ (13,528)</b>	<b>\$ 56,446</b>	<b>\$ 28,372</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ (2,327)	\$ (2,327)	\$ (2,113)	\$ (2,113)
Loan or Financing Lease - Principal Payments (+)	18,243	12,801	(5,442)	12,036	(6,207)
<b>Net Financing Activity (D)</b>	<b>\$ 18,243</b>	<b>\$ 10,474</b>	<b>\$ (7,769)</b>	<b>\$ 9,923</b>	<b>\$ (8,320)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 1,738,288</b>	<b>\$ 1,668,371</b>	<b>\$ (69,917)</b>	<b>\$ 1,736,522</b>	<b>\$ (1,766)</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ 3,953</b>	<b>\$ 71,279</b>	<b>\$ 67,326</b>	<b>\$ 72,312</b>	<b>\$ 68,359</b>
<b>FTEs</b>	<b>2.82</b>	<b>2.98</b>	<b>0.16</b>	<b>2.82</b>	<b>0.00</b>

## Training and Education

<b>Training and Education</b> (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
FTE Reporting	1.88	1.88	-
Direct Expenses	\$ 553,483	\$ 610,153	\$ 56,670
Indirect Expenses	430,625	458,458	27,833
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	18,716	9,297	(9,419)
Financing Activity	12,162	6,615	(5,547)
<b>Total Budget</b>	<b>\$ 1,014,986</b>	<b>\$ 1,084,523</b>	<b>\$ 69,537</b>

### Background and Scope

ROP Section 901 acknowledges the need to acquire and sustain informed, knowledgeable, and skilled personnel in order to assure the reliable operation of the North American BPS. The Training and Education group facilitates the learning and development of ERO Enterprise staff<sup>13</sup> as well as BPS industry participants. The program oversees and coordinates learning activities and resources that support the acquisition and increase of knowledge and skills among stakeholders.

In support of the ERO Enterprise's efforts to engage and retain highly qualified talent with the leadership and technical skills needed to support its mission, the Training and Education group facilitates continuous learning among the ERO Enterprise's executive and professional staff. These learning opportunities and resources are aimed at improving competencies critical to success and succession planning.

### Stakeholder Engagement and Benefit

The Training and Education group's stakeholders are comprised of ERO Enterprise employees and BPS industry learners, project sponsors and managers, subject matter experts, and anyone else with an interest in the outcome of a learning event. The Training and Education program uses one-way mass communication media, such as emails, newsletters, flyers and marketing videos to convey information about learning events and resources. Two-way communication methods, such as face-to-face meetings and webinars, are used whenever three or more stakeholders are engaged to analyze learning needs, mutually solve problems, or delegate responsibilities and tasks. Learners are typically engaged through learning events and products and resources, such as custom-made and off-the-shelf interactive self-paced e-learning modules, video-based learning, and in-person and live-webinar instructor-led training.

### Tools and Technology

The Training and Education group uses the following tools and technology to support their activities:

- Learning Management System (LMS) platform and content library for online learning modules
- E-learning content management systems and authoring tools
- Graphic design and video editing software
- Video camera, lighting, green screen, and audio equipment
- Audience Response Ware (ARW) (interactive audience response software and hardware)

<sup>13</sup> NERC's Human Resources group focuses on learning and development for NERC staff specifically.

### **Key Efforts Underway**

The Training and Education team's key efforts are based on the ERO Enterprise's long-term strategic goal of increasing workforce training that develops the skills needed to perform high quality rigorous activities while keeping up with the fast changing pace of supporting technology. The Training and Education group is currently focused on the follow priorities and ongoing activities:

- Assisting in the facilitation of the ERO Enterprise CMEP staff workshop by designing, developing, and delivering video-based and interactive e-learning resources as well as the management of supporting resources, such as the ARW technology;
- Developing learning products for industry-facing workshops and conferences;
- Developing CMEP e-learning modules for ERO Enterprise auditors, systems training products for data systems, including DADS and GADS Wind, and functional program training modules, such as the Cause Analysis e-learning module;
- Designing the ERO Enterprise Systems Training website; and
- Deploying a new LMS system as well as a new off-the-shelf content management system for the ERO Enterprise.

### **2021 Goals and Deliverables**

The Training and Education group's deliverables for 2021 include:

- Development of promotional and training videos, e-learning modules and instructor-led training in support of the releases of the Align and ERO SEL system software;
- Identification, design, development, and implementation of a management development program and other employee training;
- Any necessary updates or enhancements to existing instructional design support tools and software;
- Implementing training and adoption for the new LMS among ERO Enterprise employees;
- Continued development of the ERO Enterprise Systems Training website;
- Updating systems training products for data systems including GADS, GADS Wind, TADS, DADS, etc. to reflect the enhancements to the data systems; and
- Design and development of cause analysis training.

### **Future Plans**

In 2022 and beyond, the Training and Education group expects to focus on the following:

- Development of learning resources for subsequent releases of/enhancements to the Align and ERO SEL tools;
- Implementation of the management development program;
- Continued development of the ERO Enterprise Systems Training website;
- Delivery of an orientation/onboarding program for ERO Enterprise employees; and
- Any necessary updates or enhancements to existing instructional design support tools and software.

## Resource Requirements

### Personnel

There is no change in FTEs from the 2020 budget to the 2021 budget.

### Consultants and Contracts

The \$60k increase for Consultants & Contracts from the 2020 budget to the 2021 budget is due to the reclassification of staff training expenses benefiting the ERO Enterprise from the Human Resources department to Training and Education. A detailed breakdown of 2020 and 2021 budgeted expenses is shown in *Exhibit B – Consultants and Contracts Costs*.

Statement of Activities and Fixed Asset Additions					
2020 Budget & Projection, and 2021 Budget					
Training and Education					
	2020	2020	Variance	2021	Variance
	Budget	Projection	2020 Projection v 2020 Budget Over(Under)	Budget	2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 1,010,158	\$ 1,010,158	\$ -	\$ 1,081,949	\$ 71,791
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 1,010,158</b>	<b>\$ 1,010,158</b>	<b>\$ -</b>	<b>\$ 1,081,949</b>	<b>\$ 71,791</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	4,828	1,700	(3,127)	2,574	(2,254)
<b>Total Funding (A)</b>	<b>\$ 1,014,986</b>	<b>\$ 1,011,859</b>	<b>\$ (3,127)</b>	<b>\$ 1,084,523</b>	<b>\$ 69,537</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 212,108	\$ 232,307	\$ 20,198	\$ 226,511	\$ 14,403
Payroll Taxes	17,391	17,725	334	18,582	1,191
Benefits	52,397	64,670	12,273	63,864	11,468
Retirement Costs	23,836	26,045	2,208	25,471	1,635
<b>Total Personnel Expenses</b>	<b>\$ 305,733</b>	<b>\$ 340,746</b>	<b>\$ 35,014</b>	<b>\$ 334,429</b>	<b>\$ 28,696</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 12,250	\$ 1,159	\$ (11,091)	\$ 1,262	\$ (10,988)
Travel	10,000	226	(9,774)	3,297	(6,703)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 22,250</b>	<b>\$ 1,385</b>	<b>\$ (20,865)</b>	<b>\$ 4,559</b>	<b>\$ (17,691)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 110,000	\$ 154,180	\$ 44,180	\$ 170,000	\$ 60,000
Office Rent	-	-	-	-	-
Office Costs	115,000	91,280	(23,720)	100,465	(14,535)
Professional Services	-	-	-	-	-
Miscellaneous	500	500	-	700	200
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 225,500</b>	<b>\$ 245,960</b>	<b>\$ 20,460</b>	<b>\$ 271,165</b>	<b>\$ 45,665</b>
<b>Total Direct Expenses</b>	<b>\$ 553,483</b>	<b>\$ 588,091</b>	<b>\$ 34,609</b>	<b>\$ 610,153</b>	<b>\$ 56,670</b>
<b>Indirect Expenses</b>	<b>\$ 430,625</b>	<b>\$ 474,751</b>	<b>\$ 44,126</b>	<b>\$ 458,458</b>	<b>\$ 27,833</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 984,107</b>	<b>\$ 1,062,842</b>	<b>\$ 78,735</b>	<b>\$ 1,068,610</b>	<b>\$ 84,503</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 30,878</b>	<b>\$ (50,984)</b>	<b>\$ (81,862)</b>	<b>\$ 15,913</b>	<b>\$ (14,966)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 18,716</b>	<b>\$ 9,616</b>	<b>\$ (9,100)</b>	<b>\$ 9,297</b>	<b>\$ (9,419)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ (1,539)	\$ (1,539)	\$ (1,409)	\$ (1,409)
Loan or Financing Lease - Principal Payments (+)	12,162	8,462	(3,700)	8,024	(4,138)
<b>Net Financing Activity (D)</b>	<b>\$ 12,162</b>	<b>\$ 6,923</b>	<b>\$ (5,239)</b>	<b>\$ 6,615</b>	<b>\$ (5,547)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 1,014,986</b>	<b>\$ 1,079,382</b>	<b>\$ 64,396</b>	<b>\$ 1,084,523</b>	<b>\$ 69,537</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ (67,523)</b>	<b>\$ (67,523)</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	1.88	1.97	0.09	1.88	0.00

## Administrative Programs

Administrative Programs (in whole dollars)						
	Direct Expenses, Fixed Assets, and Net Financing Activity			FTEs		
	2020 Budget	2021 Budget	Increase (Decrease)	2020 Budget	2021 Budget	Increase (Decrease)
General & Administrative	\$ 11,584,094	\$ 11,304,770	\$ (279,324)	16.92	17.86	0.94
Legal and Regulatory	4,588,376	4,631,911	43,535	15.04	15.98	0.94
Information Technology	12,830,975	12,936,602	105,627	24.44	26.32	1.88
Human Resources & Administration	2,724,553	2,775,720	51,167	9.40	9.40	-
Finance and Accounting	2,423,239	2,052,043	(371,196)	8.46	7.52	(0.94)
<b>Total Administrative Programs</b>	<b>\$ 34,151,237</b>	<b>\$ 33,701,046</b>	<b>\$ (450,191)</b>	<b>74.26</b>	<b>77.08</b>	<b>2.82</b>

### Program Scope and Functional Description

NERC's Administrative Programs area includes the budget for all business and administrative functions of the organization, including (1) General and Administrative; (2) Legal and Regulatory; (3) Information Technology; (4) Human Resources & Administration; (5) Finance and Accounting; and (6) other general administrative expenses necessary to support program area activities. The costs of the Administrative Programs functions are allocated to the statutory programs as indirect expenses. The resource requirements and comparative budget information for each of these functions are described below.

#### General and Administrative

The General and Administrative area is responsible for the administration and general management of the organization. Expenses allocated in this area include office rent as well as personnel and related costs of (1) the CEO, the Chief Engineer, the CAO, and their support staff; (2) External Affairs staff, described below; and (3) Board costs, detailed below.

#### External Affairs

The External Affairs group provides strategic and communications advice on policy-related matters, manages internal and external messaging and outreach, and serves as the primary representative for NERC on policy-related matters to external audiences, including those in the United States, Canada, and Mexico. The External Affairs group includes staff who are focused on three areas:

- **Legislative and Regulatory** – Addresses policy matters that arise in legislative arenas and manages regulatory outreach related to FPA Section 215. Engagement occurs with federal and state regulators and legislators, and other governmental and non-governmental stakeholder organizations. NERC is registered as a lobbying organization under applicable laws and complies with all lobbying rules and regulations. Engagement occurs through direct communication with legislators, regulators, government officials and their staffs.
- **Communications** – Manages all external and internal communications that support NERC initiatives, including newsletters, media coordination and messaging, as well as facilitating consistency of message across the ERO Enterprise. This group works with senior management on identified strategic objectives of the corporation as well as internal initiatives, and is responsible for managing the content of NERC's website and NERC's social media presence.
- **North American Affairs** – Serves as the liaison with government entities and industry stakeholders in Mexico and Canada. Key activities include supporting NERC business units and Regional Entities. This group also facilitates communication and information exchange with entities outside North America.

The External Affairs group is focused on the following efforts and activities:

### **Legislative and Regulatory**

- Communications coordination with Congress and executive branch agencies (i.e., DOE, White House) on reliability, security, and related matters;
- Coordinating with Government Accountability Office, Congressional Research Service, and other government entities on reports;
- Congressional hearing preparation and coordination on energy and security legislation and related matters;
- Support of FERC technical conferences, coordination and strategic import related to meetings with the Chairman, Commissioners, and FERC staff;
- Education and communication on reliability and security matters to states (e.g., the National Association of Regulatory Utility Commissioners);
- Building strategic partnerships with stakeholders and policymakers;
- Supporting business units through guidance, advice, and written materials related to external messaging for the E-ISAC, Reliability Assessments, and other initiatives;

### **Communication**

- Supporting ERO Enterprise-wide communication efforts;
- Coordinating with the IT department to improve the NERC website, reducing extraneous, outdated pages and documents, and improving search capability and user experience;
- Supporting the E-ISAC in communication and outreach efforts, especially as related to GridSecCon and GridEx, including convening and chairing a communications working group;
- Managing media inquiries and messaging, including social media presence;
- Working with NERC departments on communication matters related to Align and the ERO SEL and adapting the Standards and Compliance Bulletin to reflect the entire ERO Enterprise footprint ;
- Managing internal communications in coordination with Human Resources;

### **North American Affairs**

- Reviewing standards adoption and Canadian enforcement status in coordination with NERC business units;
- Identifying and expanding messaging related to international value of the ERO with international organizations and agencies;
- Maintaining relationships across the ERO Enterprise, focusing on those Regional Entities with international borders;
- Acting as the primary liaison with Canadian provincial, federal, and industry stakeholder groups related to reliability;
- Supporting the outreach efforts to Canada and Mexico by NERC business units and the E-ISAC; and
- Communicating the value of a North American ERO to external stakeholders and policymakers.

External Affairs continues to see increased activity in the legislative and regulatory arenas. As a registered lobbying organization in a number of jurisdictions, tracking and monitoring advocacy efforts for reliability and security could potentially trigger reporting requirements at the state level, calling for more vigilance in tracking costs. Additionally, communications activities are increasing to support further coordination across the ERO Enterprise, the E-ISAC, and a potential future website redesign.

### Resource Requirements

The 0.94 increase in FTEs from the 2020 budget to the 2021 budget is a result of a shift in personnel previously charged to Finance and Accounting to the General and Administrative area for financial reporting purposes. The \$20k for Consultants & Contracts in the 2021 budget is for communications support for External Affairs. A detailed breakdown of 2020 and 2021 budgeted expenses are shown in *Exhibit B – Consultant and Contracts Costs*.

### Board Costs

The following table details the Board costs included in the total General and Administrative expenses.

Board of Trustee Expenses	2020 Budget	2021 Budget	Increase (Decrease)	
<b>Meeting and Travel Expenses</b>				
Quarterly Board Meetings	\$ 185,000	\$ 145,130	\$ (39,870)	-21.6%
Trustee Travel	165,000	97,934	(67,066)	-40.6%
<b>Total</b>	<b>\$ 350,000</b>	<b>\$ 243,064</b>	<b>\$ (106,936)</b>	<b>-30.6%</b>
<b>Professional Services</b>				
Independent Trustee Fees	\$ 1,410,000	\$ 1,392,500	\$ (17,500)	-1.2%
Trustee Search Fees	50,000	50,000	-	0.0%
<b>Total</b>	<b>\$ 1,460,000</b>	<b>\$ 1,442,500</b>	<b>\$ (17,500)</b>	<b>-1.2%</b>
<b>Total</b>	<b>\$ 1,810,000</b>	<b>\$ 1,685,564</b>	<b>\$ (124,436)</b>	<b>-6.9%</b>

The \$107k decrease for Meeting & Travel expenses from the 2020 budget to the 2021 budget is primarily related to the expected cost savings in this area, which is discussed in the *Introduction and Executive Summary*.

### Legal and Regulatory

The Legal and Regulatory department supports the NERC program areas and is responsible for providing a wide range of legal support to the NERC management team regarding antitrust, corporate, commercial, insurance, contract, employment, real estate, copyright, tax, legislation, and other legal matters. The department also addresses legal and regulatory matters that arise in connection with the delegation agreements with the Regional Entities. Additionally, the Legal and Regulatory department includes the Internal Audit and Corporate Risk Management group, explained further below.

### Internal Audit and Corporate Risk Management

The Internal Audit and Corporate Risk Management (IACRM) group performs independent, objective activities designed to add value and improve NERC and Regional Entity operations. The activities ensure:

- Risks are appropriately identified, prioritized, and managed across NERC and the ERO Enterprise;
- The effectiveness of risk management processes is monitored and evaluated;
- Systems of internal control are adequately promoted and are effectively functioning; and

- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board are reported.

The Internal Audit (IA) function specifically engages with the CCC to collaborate on ERO Enterprise audits as required by ROP Sections 406, 506, and Appendix 4A. As part of IA's audit efforts on behalf of the CCC, IA collaborates with NERC's CMEP and ORCP teams to take an ERO Enterprise-wide approach to the annual CMEP and ORCP self-certification process. IA, the CCC, and the Board Enterprise-wide Risk Committee (EWRC) collectively determine whether NERC and the ERO Enterprise comply with the ROP, allowing for timely reporting and consistent remediation effort, as necessary.

The Corporate Risk Management (CRM) function is also continuing to work with the Regional Entities to enhance the ERO Enterprise-wide corporate risk identification and risk mitigation efforts. This occurs through collaborative interactions to identify high priority ERO Enterprise risks, remediating internal control weaknesses, implementing performance improvement recommendations, and sharing lessons learned and best practices. Deliverables include more streamlined and coordinated reports and harmonized assessment of ERO Enterprise risks and processes. At times, CRM also interfaces with stakeholders to perform risk assessment activities.

In 2021 and beyond, IACRM will continue to perform risk-based audits and participate in special projects that will provide value to NERC and the ERO Enterprise. IACRM also will seek to leverage the CMEP's Align application, with minimum customization, to implement a governance, risk management, and compliance (GRC) tool to support IACRM activities.

### **Resource Requirements**

The 0.94 decrease in FTEs from the 2020 budget to the 2021 budget is the result of resource allocations to realign staff with current needs. There is a \$90k decrease for Contracts & Consultants from the 2020 budget to the 2021 budget as a result of reduced spending on outside auditor support for IACRM. A detailed breakdown of 2020 and 2021 budgeted expenses are shown in *Exhibit B – Consultants and Contracts Costs*. Outside law firms and consultants supporting Legal area are budgeted as Professional Services. The Professional Services budget for Legal and Regulatory in 2021 is \$100k less than 2020.

### **Information Technology**

NERC's IT department provides the technology needed for the organization to meet ERO statutory obligations. IT also supports, configures, and secures corporate and enterprise applications and infrastructure leveraged by the ERO Enterprise and registered entities. The IT department includes a Project Management Office (PMO) that provides project management skills and leadership for major ERO Enterprise and NERC IT projects, including those of the E-ISAC.

NERC's IT strategy includes the following:

- Emphasis on reducing the NERC infrastructure and support footprint in order to allocate a larger portion of budget funding to enhance and improve the registered entity and Regional Entity experience;
- Adoption of an enterprise IT investment planning methodology that ensures only projects with compelling and approved business cases are funded; and
- A "platform" strategy that enables more cost-effective configuration solutions versus creating custom solutions. Examples of these platforms include Microsoft Dynamics xRM, Microsoft SharePoint, the Salesforce CRM system, and the BWISE GRC system.

NERC's IT department is currently focused on four key areas: ERO Enterprise new functionality, ERO Enterprise applications, E-ISAC, and NERC infrastructure support.

**ERO Enterprise New Functionality.** This includes technologies designed to improve or add capability to the registered entities, Regional Entities, and NERC staff. For those projects that involve regional or registered entities, subject matter experts are regularly engaged on the project team to provide business requirements, functionality testing, and outreach. The benefits of this approach ensure that the systems delivered are the systems that meet stakeholder needs now and in the future. IT and PMO staff are currently focused on supporting the following key ERO Enterprise IT projects, including development, implementation, and future enhancements:

- The Align, ERO SEL, and CORES projects – NERC has been working closely with the Regional Entities to implement strategic investments in tools to support key ERO statutory functions. These tools will replace various manual processes and numerous applications in use today with robust, platform-based tools that can serve the needs of the entire ERO Enterprise. The existing CMEP and Registration data applications, along with the various evidence storage solutions in use today by NERC and the Regional Entities, are being replaced with three enterprise-grade tools:
  - Align, a single, common business application for use in implementing the risk-based CMEP;
  - The ERO SEL, a highly secure storage area to protect and manage certain registered entity data; and;
  - The CORES system, which provides a single tool for use in Entity Registration.

For more information, see the *Compliance Assurance and Organization Registration and Certification* section and the [Align Project](#) and [CORES Technology Project](#) pages on the NERC website.

- Situation Awareness tools – The initial release of SAFNR v3 occurred at the end of 2019, and additional ongoing enhancements are scheduled for 2020 and beyond. This system provides near real-time information to NERC, FERC, and the Regional Entities on current operating conditions of the BPS from a wide-area view. The upgrade allows for rapid and accurate situational awareness that appropriately protects the proprietary information in the tool while maximizing the value of understanding shared to the right audiences. Additionally, minor enhancements to RCIS are planned for 2021, with an evaluation of a replacement solution in 2022, as well as potential future enhancements or replacements for the Resource Adequacy Tool and NERC Alerts system. For more information, see the *Situation Awareness* section.
- Data management system enhancements – As the grid evolves, the collection, quality, and integration of data becomes increasingly important, requiring continued investment in enhancements to the suite of data management tools, including GADS, GADS Wind, TADS, DADS, RADS, MIDAS, and TEAMS. Enhancements and modifications to these existing software applications are expected in 2021, with the potential for expanded enhancements in 2022 and beyond, including a system for data associated with solar energy storage. For more information, see the *Reliability Assessment and Performance Analysis* and *Event Analysis* sections.

**ERO Enterprise Application and Infrastructure Support.** This includes the underlying infrastructure and resources required to support existing and future ERO Enterprise applications, such as server host machines, virtual servers, storage, back-up and restore systems, networks, and communications. This also includes event preparedness and business continuity, as well as a continued strong emphasis on security processes and tools. Collaboration and sharing information between NERC and the Regional Entities will continue to be a cornerstone of this work, with strong efforts to support consistent technology approaches across the ERO Enterprise when and where possible.

**E-ISAC.** This includes ongoing efforts to support E-ISAC resource needs to provide analysis of information received from various sources, share and disseminate actionable intelligence about threats to the sector, and optimize the exchange of information both within and externally to the E-ISAC. Integrating key service and support functions across the E-ISAC technology ecosystem will help to eliminate any inefficiencies and ensure E-ISAC staff are able to continue their efforts to expand analysis and information sharing services. Additionally, work will continue to develop data sharing and support the vision of the E-ISAC long-term strategy.

**NERC Infrastructure Support.** This includes similar items as noted above in the ERO Enterprise application and infrastructure support category, including but not limited to Microsoft Office productivity tools, audio visual systems, and laptops, as well as business continuity and security technologies.

In 2022 and beyond, NERC IT and PMO staff will continue to oversee the requirements, design, and implementation of new and enhanced technology for NERC and the ERO Enterprise. This includes planned enhancements for Align and the ERO SEL, CORES, and the suite of data management tools, as well as potential upgrades to or replacements of RCIS, the NERC Alerts system, and the NERC website.

### **Resource Requirements**

The increase of 1.88 FTEs in IT from the 2020 budget to the 2021 budget is the result of additional positions related to cyber security to enhance the cyber security posture of the ERO Enterprise. There is a \$170k decrease for Consultants & Contracts expenses from the 2020 budget to the 2021 budget primarily as a result of the reclassification of application support expenses to other departments and some cost savings efforts. A detailed breakdown of 2020 and 2021 budgeted consultants and contracts expenses is shown in *Exhibit B – Consultants and Contracts Costs*. There is a \$427k increase in Office Costs from the 2020 budget to the 2021 budget as a result of increased software license and support expenses, particularly for enhanced security, and there is a \$225k decrease in Fixed Assets primarily due to reduced spending on capital software. Finally, the 2021 budget assumes \$100k for financing lease proceeds for IT equipment, as well as approximately \$570k of financing lease payments for existing equipment, including laptops, network switches and servers, and audio visual equipment.

### **Human Resources and Administration**

The Human Resources and Administration group primarily includes benefits administration, employee relations, performance and compensation management, training and development, facilities management of NERC's two office locations, and meeting planning and coordination.

### **Leadership, Management, and Professional and Administrative Staff Training and Development**

As part of the ERO Enterprise's ongoing efforts to engage and retain highly qualified talent with the leadership and technical skills to support its mission, NERC's executives, managers, and professional and support staff participate in ongoing training and development to improve competencies critical to success and succession planning. As such, NERC continues to invest in learning opportunities in several areas, including (1) an e-learning platform for improving soft and technical skills; (2) broad-based staff development training through real-world access via tours of and training on control centers, electric substations, and power generation plants; and (3) access to additional education, including but not limited to degree-oriented university education, pursuit of specialized certifications, and other in-house and external training that provides essential competencies and skills development. A key current and future focus includes ongoing coaching, education, and culture and leadership training with respect to the ERO Enterprise transformation discussed in the *About NERC* section at the beginning of this document, as well as a concerted focus on diversity and inclusion training.

### **Compensation Strategy**

NERC relies on data and advisory from multiple perspectives to hire and retain the necessary staff to support the company's goals and objectives. Under the mandate of the CGHRC, NERC performs periodic market compensation studies to benchmark the pay practices of similar organizations and roles for which NERC hires. Management will continue to closely monitor market conditions through periodic compensation studies and real-time pay trends of its candidate pool.

### **Compensation Consulting**

Consultants are periodically retained to examine appropriate compensation based on current market data. This ensures that decisions affecting compensation are made in light of the current market climate and that qualified employees are attracted and retained within a defined total remuneration range. NERC also periodically retains compensation subject matter experts to perform periodic assessments of the Board compensation model to ensure alignment with market practices.

### **Surveys**

NERC periodically retains a vendor to conduct Board and committee effectiveness surveys to identify improvement opportunities. Human Resources will also launch additional surveys as appropriate, based on business needs, which may include periodic internal climate surveys.

### **Succession Planning**

Minimizing disruption of knowledge, skill, and experience of key staff is critical to the company's success. Human Resource works with senior management to identify essential roles and develop strategies to build succession and contingency plans for any loss of staff.

### **Human Resources Products and Services Automation**

Human Resource continues to operate, maintain, and investigate investment in additional electronic platforms for Human Resource support services that reduce administrative burden and improve employee access to tools and information.

### **Resource Requirements**

There is no change in FTEs from the 2020 budget to the 2021 budget in the Human Resources and Administration area. Consultants & Contracts expenses are decreasing \$150k for this area primarily as a result of cost savings efforts discussed in the *Introduction and Executive Summary*. A detailed breakdown of 2020 and 2021 budgeted expenses is shown in *Exhibit B – Consultants and Contracts Costs*.

### **Finance and Accounting**

NERC's Finance and Accounting department manages all finance and accounting functions, including employee payroll, 401(k), 457(b), and 457(f) plans, travel and expense reporting, monthly financial reporting, sales and use tax, and insurance. This area also holds primary responsibility for the development of the annual BP&B. Over the past several years, NERC's Finance and Accounting department implemented additional systems, policies, procedures, and controls governing day-to-day practices, including contract and personnel procurements, expense reimbursement, and back office systems and procedures. The department will continue to refine, improve and, where necessary, implement additional procedures and controls.

### **Resource Requirements**

The 0.94 decrease in FTEs from the 2020 budget to the 2021 budget is a result of a shift in personnel previously charged to Finance and Accounting to the General and Administrative area for financial reporting purposes. Consultants & Contracts expenses are decreasing \$50k for this area primarily as a

result of cost savings efforts discussed in the *Introduction and Executive Summary*. A detailed breakdown of 2020 and 2021 budgeted expenses is shown in *Exhibit B – Consultants and Contacts Costs*.

### Miscellaneous Expenses

Miscellaneous expenses include employee engagement and employee rewards and recognition.

Statement of Activities and Fixed Asset Additions 2020 Budget & Projection, and 2021 Budget					
Administrative Programs					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ (654,036)	\$ (654,036)	\$ -	\$ (1,800,000)	\$ (1,145,964)
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ (654,036)</b>	<b>\$ (654,036)</b>	<b>\$ -</b>	<b>\$ (1,800,000)</b>	<b>\$ (1,145,964)</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ (654,036)</b>	<b>\$ (654,036)</b>	<b>\$ -</b>	<b>\$ (1,800,000)</b>	<b>\$ (1,145,964)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 13,070,451	\$ 13,307,427	\$ 236,976	\$ 14,021,169	\$ 950,718
Payroll Taxes	721,605	714,095	(7,510)	758,335	36,729
Benefits	1,826,687	1,682,354	(144,333)	2,035,351	208,664
Retirement Costs	1,146,339	1,175,545	29,206	1,255,330	108,991
<b>Total Personnel Expenses</b>	<b>\$ 16,765,082</b>	<b>\$ 16,879,422</b>	<b>\$ 114,340</b>	<b>\$ 18,070,184</b>	<b>\$ 1,305,102</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 456,800	\$ 232,914	\$ (223,886)	\$ 436,477	\$ (20,323)
Travel	650,000	164,266	(485,734)	385,803	(264,197)
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 1,106,800</b>	<b>\$ 397,180</b>	<b>\$ (709,620)</b>	<b>\$ 822,280</b>	<b>\$ (284,520)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 3,060,692	\$ 2,499,706	\$ (560,986)	\$ 2,600,625	\$ (460,067)
Office Rent	3,450,468	3,540,468	90,000	3,603,442	152,974
Office Costs	4,762,971	5,200,193	437,222	5,290,002	527,031
Professional Services	2,336,600	2,177,600	(159,000)	2,035,100	(301,500)
Miscellaneous	77,000	81,100	4,100	75,150	(1,850)
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 13,687,731</b>	<b>\$ 13,499,067</b>	<b>\$ (188,664)</b>	<b>\$ 13,604,319</b>	<b>\$ (83,412)</b>
<b>Total Direct Expenses</b>	<b>\$ 31,559,613</b>	<b>\$ 30,775,669</b>	<b>\$ (783,944)</b>	<b>\$ 32,496,783</b>	<b>\$ 937,170</b>
<b>Indirect Expenses</b>	<b>\$ (31,866,236)</b>	<b>\$ (30,856,469)</b>	<b>\$ 1,009,767</b>	<b>\$ (32,571,444)</b>	<b>\$ (705,208)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 306,623</b>	<b>\$ 80,800</b>	<b>\$ (225,823)</b>	<b>\$ 74,661</b>	<b>\$ (231,962)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ (654,036)</b>	<b>\$ (654,036)</b>	<b>\$ -</b>	<b>\$ (1,800,000)</b>	<b>\$ (1,145,964)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ -	\$ -	\$ -	\$ -
Loan or Financing Lease - Principal Payments (+)	-	-	-	-	-
<b>Net Financing Activity (D)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ (654,036)</b>	<b>\$ (654,036)</b>	<b>\$ -</b>	<b>\$ (1,800,000)</b>	<b>\$ (1,145,964)</b>
<b>FTEs</b>	<b>74.26</b>	<b>71.88</b>	<b>(2.38)</b>	<b>77.08</b>	<b>2.82</b>

## Section B – Supplemental Financial Information

### Breakdown by Statement of Activity Sections

The following detailed schedules support the consolidated Statement of Activities.

### Table B-1 – Operating Reserve and Assessment Analysis

Operating Reserve and Assessment Analysis						
Statutory						
	Total Reserves	Future Obligation Reserve <sup>1</sup>	Operating Contingency Reserve <sup>2</sup>	System Operator Certification Reserve	CRISP Reserve	Assessment Stabilization Reserve <sup>3</sup>
<b>Beginning Operating Reserves Balance - 1/1/2020</b>	<b>\$ 12,117,076</b>	<b>\$ 2,119,719</b>	<b>\$ 6,199,083</b>	<b>\$ 777,274</b>	<b>\$ 500,000</b>	<b>\$ 2,521,000</b>
<b>Generation or (Use) from 2020 Operations</b>						
From 2020 budgeted operations, including debt service and financing	\$ (1,136,041)	\$ (485,958)	\$ (654,036)	\$ 3,953	\$ -	\$ -
From 2020 approved addition/(use) of reserves	(1,800,000)	-	(1,800,000)	-	-	-
Other addition/(use) of reserves	3,923,862	-	3,856,535	67,327	-	-
<b>Projected Operating Reserves - 12/31/20</b>	<b>\$ 13,104,897</b>	<b>\$ 1,633,761</b>	<b>\$ 7,601,582</b>	<b>\$ 848,554</b>	<b>\$ 500,000</b>	<b>\$ 2,521,000</b>
<b>Required Working Capital and Operating Reserves - 12/31/21</b>	<b>\$ 10,825,609</b>	<b>\$ 1,082,161</b>	<b>\$ 5,801,582</b>	<b>\$ 920,866</b>	<b>\$ 500,000</b>	<b>\$ 2,521,000</b>
Adjustment in funding to achieve required reserve balance	(2,279,288)	(551,600)	(1,800,000)	72,312	-	-
Less: Assessment Stabilization Reserve Release - Penalties	-	-	-	-	-	-
<b>Total Adjustments to Reserves</b>	<b>\$ (2,279,288)</b>	<b>\$ (551,600)</b>	<b>\$ (1,800,000)</b>	<b>\$ 72,312</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Assessment Reconciliation</b>						
2021 Expenses, Capital Expenditures & Net Financing	\$ 82,883,239					
Less: Assessment Stabilization Reserve Release - Penalties	-					
Adjustment in funding to achieve required reserve balance	(1,727,688)					
Less: Other Funding Sources	(9,144,177)					
<b>2021 NERC Assessment</b>	<b>\$ 72,011,373</b>					

<sup>1</sup>As further explained in the discussion of the Working Capital Reserve amount in Exhibit D, the Future Obligations Reserve offsets future, non-current liabilities.

<sup>2</sup>Except as otherwise approved by the Board, after review by the FAC, the amount of the Operating Contingency Reserve shall be between three and one half (3.5%) percent and seven (7%) percent of the company's total expense and fixed asset budget minus the sum of the System Operator Certification and CRISP budgets, each of which have separate reserves.

<sup>3</sup>Includes \$1.0M of Penalties received on September 19, 2019, and deposited in the Assessment Stabilization Reserve.

## Table B-2 – Penalties

### Penalty Sanctions and Allocation Method

ROP Section 1107.2 specifies that penalty monies received by NERC during the 12 months ended June 30 are to be used in the subsequent budget year to offset assessments. In 2015, the Board approved an updated *Working Capital and Operating Reserves Policy* that was approved by FERC. This updated policy allows NERC, with Board and FERC approval pursuant to ROP Section 1107.4, to place penalty funds into an Assessment Stabilization Reserve for use in future years to offset assessments. Penalty sanctions released from the Asset Stabilization Reserve are allocated to the following statutory programs to reduce assessments: (1) Reliability Standards and PRISM, (2) Compliance Assurance and Organization Registration and Certification, (3) Compliance Enforcement, (4) RAPA, (5) Situation Awareness, (6) Event Analysis, (7) E-ISAC (including CRISP), and (8) Training and Education. Penalty sanctions are allocated based on the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

For the 2021 budget, with Board and FERC approval, which is hereby requested, NERC will deposit \$1.0M of penalties collected during the period July 1, 2019–June 30, 2020 into the Assessment Stabilization Reserve. The 2021 assessment does not reflect a proposed release of funds from this reserve. The balance held in the Assessment Stabilization Reserve will be used for assessment offsets to stabilize and reduce assessments in future years.

Penalty Sanctions	Date Received	Amount Received
<b>Penalties received between 7/1/2019 and 6/30/2020</b>		
	September-19	\$ 1,000,000
		<u>\$ 1,000,000</u>
Penalties received prior to 6/30/2019, held in the assessment stabilization reserve		<u>\$ 1,521,000</u>
<b>Total penalties available on 1/1/2021 to offset assessments</b>		<u>\$ 2,521,000</u>
<b>Adjustments</b>		
Total penalties released to offset assessments in the 2021 Budget		\$ -
<b>Total penalties held in Assessment Stabilization Reserve 12/31/2021</b>		<u><u>\$ 2,521,000</u></u>

Table B-3 – Outside Funding

Outside Funding Breakdown By Program (Excludes Penalty Sanction)	2020 Budget	2021 Budget	Increase (Decrease)
<b>Reliability Standards</b>			
Interest & Investment Income Allocation	\$ 45,862	\$ 22,947	\$ (22,915)
<b>Total</b>	<b>\$ 45,862</b>	<b>\$ 22,947</b>	<b>\$ (22,915)</b>
<b>Compliance Assurance, Certification, and Registration</b>			
Interest & Investment Income Allocation	\$ 55,517	\$ 32,175	\$ (23,342)
<b>Total</b>	<b>\$ 55,517</b>	<b>\$ 32,175</b>	<b>\$ (23,342)</b>
<b>Compliance Enforcement</b>			
Interest & Investment Income Allocation	\$ 31,379	\$ 16,731	\$ (14,648)
<b>Total</b>	<b>\$ 31,379</b>	<b>\$ 16,731</b>	<b>\$ (14,648)</b>
<b>Reliability Assessment and Performance Analysis</b>			
Services and Software	\$ 60,000	\$ 60,000	\$ -
Interest & Investment Income Allocation	60,345	32,908	(27,437)
<b>Total</b>	<b>\$ 120,345</b>	<b>\$ 92,908</b>	<b>\$ (27,437)</b>
<b>Personnel Certification and Continuing Education</b>			
Testing Fees	\$ 455,000	\$ 520,000	\$ 65,000
Certificate Renewals	780,000	800,000	20,000
Continuing Education Fees	500,000	481,634	(2,675)
Interest & Investment Income Allocation	7,241	7,200	(41)
<b>Total</b>	<b>\$ 1,742,241</b>	<b>\$ 1,808,834</b>	<b>\$ 82,284</b>
<b>Training and Education</b>			
Interest & Investment Income Allocation	\$ 4,828	\$ 2,574	\$ (2,254)
<b>Total</b>	<b>\$ 4,828</b>	<b>\$ 2,574</b>	<b>\$ (2,254)</b>
<b>Event Analysis</b>			
Interest & Investment Income Allocation	\$ 24,138	\$ 10,296	\$ (13,842)
<b>Total</b>	<b>\$ 24,138</b>	<b>\$ 10,296</b>	<b>\$ (13,842)</b>
<b>Situation Awareness</b>			
Interest & Investment Income Allocation	\$ 14,483	\$ 9,009	\$ (5,474)
<b>Total</b>	<b>\$ 14,483</b>	<b>\$ 9,009</b>	<b>\$ (5,474)</b>
<b>E-ISAC</b>			
Third Party Funding (CRISP)	\$ 7,814,577	\$ 7,064,343	\$ (750,234)
Interest & Investment Income Allocation	142,207	84,360	(57,847)
<b>Total</b>	<b>\$ 7,956,784</b>	<b>\$ 7,148,703</b>	<b>\$ (808,081)</b>
<b>Grand Total</b>	<b>\$ 9,995,577</b>	<b>\$ 9,144,177</b>	<b>\$ (835,709)</b>

Interest & Investment Income – The \$168k decrease is due to anticipated lower interest rates in 2021.

Testing Fees and Certificate Renewals – The \$65k increase in testing fees and \$20k increase in certificate renewals is due to an increase in the estimate of the numbers of tests and renewals in 2021.

Third Party Funding (CRISP) – The \$750k decrease is due to a decrease in participant-paid costs for PNNL (primarily due to additional DOE funding), the annual security review, and pilot programs.

**Table B-4 – Personnel**

Personnel	2020 Budget	2021 Budget	Increase (Decrease)	
Salaries	\$ 35,462,611	\$ 36,636,628	\$ 1,174,017	3.3%
Payroll Taxes	2,113,486	2,122,568	9,082	0.4%
Benefits	5,420,461	5,703,799	283,338	5.2%
Retirement	3,601,601	3,726,439	124,838	3.5%
<b>Total</b>	<b>\$ 46,598,160</b>	<b>\$ 48,189,435</b>	<b>\$ 1,591,275</b>	<b>3.4%</b>
<b>FTEs</b>	213.38	213.38	-	0.0%
<b>Cost per FTE</b>				
Salaries	\$ 166,195	\$ 171,697	\$ 5,502	3.3%
Payroll Taxes	9,905	9,947	43	0.4%
Benefits	25,403	26,731	1,328	5.2%
Retirement	16,879	17,464	585	3.5%
<b>Total</b>	<b>\$ 218,381</b>	<b>\$ 225,839</b>	<b>\$ 7,457</b>	<b>3.4%</b>

Total salary expense is comprised of base salaries, incentive compensation, deferred compensation, employment agency fees, and temporary office expenses. The 2021 budget for base salaries assumes a 2.5% increase over actual 2020 base salaries for merit adjustments and up to 0.5% for equity and market adjustments. As directed by the Board, this is a placeholder increase; actual increases will be evaluated by the Board at year-end. The 2021 budget for incentive compensation is based on historical actuals and is comparable to prior years. The 2021 budgets for deferred compensation, employment agency fees, and temporary office expenses are generally consistent with 2020.

Benefits are increasing 5.2% primarily due to an estimated 15.0% increase in medical insurance premiums due to high loss-ratio trends and a 5.0% increase for vision and dental insurance premiums, offset by lower negotiated costs for NERC's benefits broker.

There have been no changes to NERC's retirement plans.

**Table B-5 – Meetings & Travel**

Meetings & Travel	2020 Budget	2021 Budget	Increase (Decrease)	
Meetings & Conference Calls	\$ 1,112,250	\$ 890,751	\$ (221,499)	-19.9%
Travel	2,211,000	1,310,997	(900,003)	-40.7%
<b>Total</b>	<b>\$ 3,323,250</b>	<b>\$ 2,201,748</b>	<b>\$ (1,121,502)</b>	<b>-33.7%</b>

Meetings & Travel expenses are decreasing due to the assumption that there will be fewer in-person meetings and reduced travel in 2021 as result of continued COVID-19 pandemic conditions as part of the overall cost savings efforts discussed in the *Introduction and Executive Summary*.

## Table B-6 – Consultants and Contracts

Refer to *Exhibit B – Consultant and Contract Costs*

## Table B-7 – Rent

Office Rent	2020 Budget	2021 Budget	Increase (Decrease)
Office Rent	\$ 3,228,468	\$ 3,329,442	\$ 100,974 3.1%
Maintenance	222,000	274,000	52,000 23.4%
<b>Total</b>	<b>\$ 3,450,468</b>	<b>\$ 3,603,442</b>	<b>\$ 152,974 4.4%</b>

Maintenance is increasing \$52k primarily due to recent higher real estate tax expense allocations on leased office space.

## Table B-8 – Office Costs

Office Costs	2020 Budget	2021 Budget	Increase (Decrease)
Telephone	\$ 356,562	\$ 330,800	\$ (25,762) -7.2%
Internet	269,350	294,650	25,300 9.4%
Office Supplies	250,050	276,450	26,400 10.6%
Computer Supplies	186,448	140,250	(46,198) -24.8%
Software License and Support	7,214,718	8,022,452	807,734 11.2%
Subscription and Publications	307,370	363,299	55,929 18.2%
Dues	86,050	142,445	56,395 65.5%
Postage	10,540	10,500	(40) -0.4%
Express Shipping	33,742	34,700	958 2.8%
Copying	80,042	39,500	(40,542) -50.7%
Audio/Visual and Hardware Lease	55,501	282,743	227,242 409.4%
Equipment Repair/Service Contracts	144,000	130,000	(14,000) -9.7%
Bank Charges	28,000	28,000	- 0.0%
Merchant Card Fees	80,000	90,000	10,000 12.5%
<b>Total</b>	<b>\$ 9,102,374</b>	<b>\$ 10,185,789</b>	<b>\$ 1,083,415 11.9%</b>

Computer Supplies are decreasing \$46k, Copying expenses are decreasing \$41k, and Office Supplies are increasing \$26k in 2021 to bring the budget closer to recent actual costs.

Software Licenses and Support includes non-capital software license and support costs, as well as support and service expenses for infrastructure management software, data center co-location, offsite backup of data, and network and security monitoring. The \$808k increase in 2021 is primarily due to an increase in these expenses in IT, particularly for enhanced security, as well as the addition of the software licenses and support costs for the ERO SEL in the Compliance Assurance and Enforcement departments.

Audio/Visual and Hardware Lease costs are increasing \$227k in the 2021 budget as a result of a reclassification of managed services and taxes expenses from Financing Lease Payments to Office Costs.

**Table B-9 – Professional Services**

Professional Services	2020 Budget	2021 Budget	Increase (Decrease)	
Independent Trustee Fees	\$ 1,410,000	\$ 1,392,500	\$ (17,500)	-1.2%
Trustee Search Fees	50,000	50,000	-	0.0%
Outside Legal	585,500	388,500	(197,000)	-33.6%
Government Relations	72,000	-	(72,000)	-100.0%
Accounting and Auditing Fees	155,000	155,000	-	0.0%
Insurance Commercial	225,000	185,000	(40,000)	-17.8%
Outside Services	14,100	14,100	-	0.0%
<b>Total</b>	<b>\$ 2,511,600</b>	<b>\$ 2,185,100</b>	<b>\$ (326,500)</b>	<b>-13.0%</b>

The \$197k decrease in Outside Legal and the \$72k decrease in Government Relations is due primarily to the cost savings efforts discussed in the *Introduction and Executive Summary*. The \$40k decrease for Insurance Commercial in 2021 is to bring the CRISP liability insurance budget closer to recent actual costs.

**Table B-10 – Miscellaneous**

Miscellaneous Expenses	2020 Budget	2021 Budget	Increase (Decrease)	
Miscellaneous Expense	\$ 7,750	\$ 10,250	\$ 2,500	32.3%
Employee Rewards and Recognition	48,000	20,900	(27,100)	-56.5%
Employee Engagement	4,500	41,000	36,500	811.1%
Sponsorships	22,500	28,000	5,500	24.4%
<b>Total</b>	<b>\$ 82,750</b>	<b>\$ 100,150</b>	<b>\$ 17,400</b>	<b>21.0%</b>

The \$27k decrease in Employee Rewards and Recognition in 2021 is due to a reclassification of some of these expenses to Employee Engagement, which contributes to the \$36k increase in that category.

**Table B-11 – Other Non-Operating Expenses**

Other Non-Operating Expenses	2020 Budget	2021 Budget	Increase (Decrease)	
Property and Other Tax Expense	\$ 165,000	\$ 60,000	\$ (105,000)	-63.6%
Interest Expense	141,623	69,661	(71,962)	-50.8%
<b>Total</b>	<b>\$ 306,623</b>	<b>\$ 129,661</b>	<b>\$ (176,962)</b>	<b>-57.7%</b>

The \$105k decrease in Property and Other Tax Expense in 2021 is primarily due to the recent repeal of certain federal and state excise taxes on not-for-profit entities. The \$72k decrease in Interest Expense is due to lower assumed outstanding debt balances and lower interest rates.

**Table B-12 – Fixed Assets**

<b>Fixed Asset Additions</b>	<b>2020 Budget</b>	<b>2021 Budget</b>	<b>Increase (Decrease)</b>	
Computer & Software CapEx	\$ 3,271,349	\$ 2,091,500	(1,179,849)	-36.1%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	935,000	660,000	(275,000)	-29.4%
Leasehold Improvements	500,000	-	(500,000)	-100.0%
<b>Total</b>	<b>\$ 4,706,349</b>	<b>\$ 2,751,500</b>	<b>\$ (1,954,849)</b>	<b>-41.5%</b>

Expenditures for Fixed Assets are budgeted to be \$2.0M less in 2021 compared to 2020, inclusive of the Align 2021 development costs proposed to be funded by Operating Contingency Reserves, due to no leasehold improvements expected in 2021 and reduced spending in all areas as a result of the costs savings efforts discussed in the *Introduction and Executive Summary*.

**Table B-13 – 2021–2022 Projections**  
Refer to the *Introduction and Executive Summary* section on page 15

## Section C – Non-Statutory Activity

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NERC has no non-statutory activities.

Section D - Consolidated Statement of Activities by Program

Statement of Activities, Fixed Asset Expenditures, Financing Activity, and Change in Working Capital by Program 2021 Budget	Statutory Activities														
	Statutory Total	Reliability Standards and Power Risk Issue Strategic Management	Compliance Assurance, Registration, and Certification	Event Analysis	Compliance Enforcement	Personnel Certification	Training and Education	Reliability Assessments and Performance Analysis	Situation Awareness	E-ISAC (including CRISP)	General and Administrative (Includes Executive and External Affairs)	Legal and Regulatory	Information Technology	Human Resources and Administration	Accounting and Finance
<b>Funding</b>															
<b>ERO Funding</b>															
NERC Assessments	\$ 72,011,373	\$ 7,833,694	\$ 13,654,127	\$ 4,276,917	\$ 7,311,144	\$ -	\$ 1,081,949	\$ 12,538,528	\$ 4,441,980	\$ 22,673,035	\$ (1,800,000)	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 72,011,373</b>	<b>\$ 7,833,694</b>	<b>\$ 13,654,127</b>	<b>\$ 4,276,917</b>	<b>\$ 7,311,144</b>	<b>\$ -</b>	<b>\$ 1,081,949</b>	<b>\$ 12,538,528</b>	<b>\$ 4,441,980</b>	<b>\$ 22,673,035</b>	<b>\$ (1,800,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Third-Party Funding	\$ 7,064,343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,064,343	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	1,801,634	-	-	-	-	1,801,634	-	-	-	-	-	-	-	-	-
Services & Software	60,000	-	-	-	-	-	-	60,000	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest & Investment Income	218,200	22,947	32,175	10,296	16,731	7,200	2,574	32,908	9,009	84,360	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 81,155,551</b>	<b>\$ 7,856,641</b>	<b>\$ 13,686,302</b>	<b>\$ 4,287,213</b>	<b>\$ 7,327,875</b>	<b>\$ 1,808,834</b>	<b>\$ 1,084,523</b>	<b>\$ 12,631,436</b>	<b>\$ 4,450,989</b>	<b>\$ 29,821,738</b>	<b>\$ (1,800,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>															
<b>Personnel Expenses</b>															
Salaries	\$ 36,636,628	\$ 2,468,752	\$ 4,038,791	\$ 1,630,745	\$ 1,839,039	\$ 304,433	\$ 226,511	\$ 3,830,459	\$ 993,129	\$ 7,283,602	\$ 4,034,648	\$ 3,073,305	\$ 4,407,055	\$ 1,439,701	\$ 1,066,460
Payroll Taxes	2,122,568	155,276	244,418	85,892	115,307	22,091	18,582	244,412	65,048	413,208	188,247	167,227	257,969	77,258	67,634
Benefits	5,703,799	415,057	824,511	218,265	220,988	44,346	63,864	622,466	268,930	990,022	535,253	444,310	636,116	225,799	193,873
Retirement Costs	3,726,439	272,927	449,687	179,177	196,667	33,665	25,471	425,191	111,336	776,988	215,175	331,244	471,140	122,693	115,079
<b>Total Personnel Expenses</b>	<b>\$ 48,189,435</b>	<b>\$ 3,312,011</b>	<b>\$ 5,557,407</b>	<b>\$ 2,114,080</b>	<b>\$ 2,372,000</b>	<b>\$ 404,534</b>	<b>\$ 334,429</b>	<b>\$ 5,122,528</b>	<b>\$ 1,438,443</b>	<b>\$ 9,463,819</b>	<b>\$ 4,973,323</b>	<b>\$ 4,016,085</b>	<b>\$ 5,772,280</b>	<b>\$ 1,865,451</b>	<b>\$ 1,443,046</b>
<b>Meeting and Travel Expenses</b>															
Meetings & Conference Calls	\$ 890,751	\$ 37,860	\$ 51,742	\$ 18,930	\$ 6,310	\$ 20,192	\$ 1,262	\$ 168,856	\$ 66,310	\$ 82,812	\$ 277,640	\$ 6,310	\$ 146,217	\$ 3,155	\$ 3,155
Travel	1,310,997	115,147	237,413	89,031	32,645	13,190	3,297	199,429	20,774	214,268	242,165	44,516	59,354	16,026	23,742
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 2,201,748</b>	<b>\$ 153,007</b>	<b>\$ 289,155</b>	<b>\$ 107,961</b>	<b>\$ 38,955</b>	<b>\$ 33,382</b>	<b>\$ 4,559</b>	<b>\$ 368,285</b>	<b>\$ 87,084</b>	<b>\$ 297,080</b>	<b>\$ 519,805</b>	<b>\$ 50,826</b>	<b>\$ 205,571</b>	<b>\$ 19,181</b>	<b>\$ 26,897</b>
<b>Operating Expenses, excluding Depreciation</b>															
Consultants & Contracts	\$ 12,691,813	\$ 114,552	\$ 89,552	\$ 115,590	\$ 69,000	\$ 388,650	\$ 170,000	\$ 403,203	\$ 15,000	\$ 8,725,641	\$ 20,000	\$ 210,000	\$ 1,635,625	\$ 610,000	\$ 125,000
Office Rent	3,603,442	-	-	-	-	-	-	-	-	-	3,603,442	-	-	-	-
Office Costs	10,185,789	45,850	652,307	50,500	632,612	155,600	100,465	655,950	1,133,065	1,469,438	548,150	101,500	4,175,564	228,988	235,800
Professional Services	2,185,100	-	-	-	15,000	-	-	-	-	135,000	1,552,500	253,500	-	9,100	220,000
Miscellaneous	100,150	2,200	3,250	1,600	1,900	300	700	4,600	1,100	9,350	27,550	-	3,300	43,000	1,300
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 28,766,294</b>	<b>\$ 162,602</b>	<b>\$ 745,109</b>	<b>\$ 167,690</b>	<b>\$ 718,512</b>	<b>\$ 544,550</b>	<b>\$ 271,165</b>	<b>\$ 1,063,753</b>	<b>\$ 1,149,165</b>	<b>\$ 10,339,429</b>	<b>\$ 5,751,642</b>	<b>\$ 565,000</b>	<b>\$ 5,814,489</b>	<b>\$ 891,088</b>	<b>\$ 582,100</b>
<b>Total Direct Expenses</b>	<b>\$ 79,157,477</b>	<b>\$ 3,627,620</b>	<b>\$ 6,591,671</b>	<b>\$ 2,389,731</b>	<b>\$ 3,129,467</b>	<b>\$ 982,466</b>	<b>\$ 610,153</b>	<b>\$ 6,554,566</b>	<b>\$ 2,674,692</b>	<b>\$ 20,100,328</b>	<b>\$ 11,244,770</b>	<b>\$ 4,631,911</b>	<b>\$ 11,792,340</b>	<b>\$ 2,775,720</b>	<b>\$ 2,052,043</b>
<b>Indirect Expenses</b>	<b>\$ 0</b>	<b>\$ 4,087,161</b>	<b>\$ 5,730,723</b>	<b>\$ 1,833,832</b>	<b>\$ 2,979,976</b>	<b>\$ 687,687</b>	<b>\$ 458,458</b>	<b>\$ 5,873,428</b>	<b>\$ 1,604,603</b>	<b>\$ 9,315,576</b>	<b>\$ (11,304,770)</b>	<b>\$ (4,631,911)</b>	<b>\$ (11,807,001)</b>	<b>\$ (2,775,720)</b>	<b>\$ (2,052,043)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 129,661</b>	<b>\$ -</b>	<b>\$ 27,500</b>	<b>\$ -</b>	<b>\$ 27,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,000</b>	<b>\$ -</b>	<b>\$ 14,661</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 79,287,138</b>	<b>\$ 7,714,782</b>	<b>\$ 12,349,894</b>	<b>\$ 4,223,562</b>	<b>\$ 6,136,943</b>	<b>\$ 1,670,153</b>	<b>\$ 1,068,610</b>	<b>\$ 12,427,994</b>	<b>\$ 4,279,294</b>	<b>\$ 29,415,905</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 1,868,413</b>	<b>\$ 141,859</b>	<b>\$ 1,336,408</b>	<b>\$ 63,651</b>	<b>\$ 1,190,932</b>	<b>\$ 138,681</b>	<b>\$ 15,913</b>	<b>\$ 203,442</b>	<b>\$ 171,694</b>	<b>\$ 405,833</b>	<b>\$ (1,800,000)</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 2,751,500</b>	<b>\$ 82,885</b>	<b>\$ 1,066,217</b>	<b>\$ 37,190</b>	<b>\$ 960,433</b>	<b>\$ 56,446</b>	<b>\$ 9,297</b>	<b>\$ 118,866</b>	<b>\$ 148,541</b>	<b>\$ 271,624</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Financing Activity</b>															
Loan or Financing Lease - Borrowing (-)	\$ (100,000)	\$ (12,558)	\$ (17,609)	\$ (5,635)	\$ (9,157)	\$ (2,113)	\$ (1,409)	\$ (18,010)	\$ (4,930)	\$ (28,579)	\$ -	\$ -	\$ -	\$ -	\$ -
Loan or Financing Lease - Principal Payments (+)	944,601	71,533	287,799	32,096	239,656	12,036	8,024	102,585	28,084	162,789	-	-	-	-	-
<b>Net Financing Activity (D)</b>	<b>\$ 844,601</b>	<b>\$ 58,974.17</b>	<b>\$ 270,191</b>	<b>\$ 26,461</b>	<b>\$ 230,499</b>	<b>\$ 9,923</b>	<b>\$ 6,615</b>	<b>\$ 84,575</b>	<b>\$ 23,153</b>	<b>\$ 134,209</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget (=B+C)</b>	<b>\$ 82,883,239</b>	<b>\$ 7,856,641</b>	<b>\$ 13,686,302</b>	<b>\$ 4,287,213</b>	<b>\$ 7,327,875</b>	<b>\$ 1,736,522</b>	<b>\$ 1,084,523</b>	<b>\$ 12,631,436</b>	<b>\$ 4,450,989</b>	<b>\$ 29,821,738</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ (1,727,688)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ 72,312</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (1,800,000)</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>213.38</b>	<b>16.92</b>	<b>23.50</b>	<b>7.52</b>	<b>12.22</b>	<b>2.82</b>	<b>1.88</b>	<b>25.38</b>	<b>6.58</b>	<b>39.48</b>	<b>17.86</b>	<b>15.98</b>	<b>26.32</b>	<b>9.40</b>	<b>7.52</b>

# Exhibit A – Application of NERC Section 215 Criteria

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## DISCUSSION OF HOW THE NERC MAJOR ACTIVITIES IN THE 2021 BUSINESS PLAN AND BUDGET MEET THE NERC WRITTEN CRITERIA FOR DETERMINING WHETHER A RELIABILITY ACTIVITY IS ELIGIBLE TO BE FUNDED UNDER FEDERAL POWER ACT SECTION 215

### I. Introduction

This Exhibit discusses how the major activities in NERC’s 2021 Business Plan and Budget meet the NERC written criteria for determining whether a reliability activity is eligible to be funded under §215 of the Federal Power Act (FPA §215). This Exhibit is intended to satisfy Recommendation No. 38 resulting from the financial performance review of NERC conducted by the Federal Energy Regulatory Commission’s (Commission’s) Division of Audits (DA) in 2012–2013 and adopted by the Commission in its November 2, 2012 order on NERC’s 2013 Business Plan and Budget.<sup>14</sup> NERC submitted the written criteria to the Commission in a compliance filing dated February 21, 2013 in Docket No. FA11-21-000.<sup>15</sup> The Commission approved the NERC written criteria, with modifications, in an order issued in that docket on April 18, 2013.<sup>16</sup> The NERC written criteria as used in this Exhibit incorporate the modifications specified in the Compliance Order.<sup>17</sup>

### II. Reliability Standards and Power Risk Issue Strategic Management 2021 Major Activities

The major activities of Reliability Standards and Power Risk Issue Strategic Management (PRISM) are described at pages 17–19 of the 2021 Business Plan and Budget. Reliability Standards carries out the ERO’s responsibility to develop, adopt, obtain approval of, and modify as and when appropriate, mandatory Reliability Standards to assure the Bulk Electric System (BES) is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damages to major equipment, and limit interruptions. This group focuses on expanding a risk-based approach to its projects, to ensure that Reliability Standards are clear, timely, consider costs, effective in mitigating material risks, and do not unnecessarily burden industry with administrative requirements and/or detract from reliability or security. The major activity of PRISM is to leverage in-house expertise on Reliability Standards and standards development to implement cross-cutting efforts among NERC functions and the NERC standing and technical committees, with emphasis on developing NERC’s positions on emerging technologies and the effect of these technologies on Reliability Standards. The PRISM group provides in-house training on Reliability Standards and conducts statistical analyses concerning the results of standards to identify potential weaknesses, redundancies, and overall necessity.

The major activities for the Reliability Standards program include (1) providing project management and leadership to the reliability standard development process to deliver high quality, continent-wide Reliability Standards, both new and modified, to provide solutions to address reliability risks identified

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<sup>14</sup> *North American Electric Reliability Corporation, Order Accepting 2013 Business Plan and Budget of the North American Electric Reliability Corporation and Ordering Compliance Filing*, 141 FERC ¶ 61,086 (2012) (“2013 Budget Order”). Recommendation 38, as adopted in the 2013 Budget Order, is: “In its annual business plan and budget filings, [NERC should] provide an explanation as to why the proposed activities to be undertaken by each program area for the budget year are statutory, including, at a minimum: a description and the purpose of the major activities to be taken by each program area and an explanation for why the activity is a statutory activity.” *Id.* at P 16.

<sup>15</sup> *Compliance Filing of the North American Electric Reliability Corporation in Response to Paragraph 30 of November 2, 2012 Commission Order – NERC Written Criteria for Determining Whether a Reliability Activity is Eligible to be Funded Under Federal Power Act Section 215*, filed February 1, 2013 in Docket No. FA 11-21-000.

<sup>16</sup> *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013) (“Compliance Order”).

<sup>17</sup> For ease of reference, the complete NERC written criteria, as modified in accordance with the Compliance Order, are provided at the end of this Exhibit.

through the Reliability Risk Management Process, including standard development outreach activities, facilitation of drafting team activities, drafting support, assisting drafting teams in adhering to the processes in the *Standard Processes Manual*, and ensuring that the quality of documents produced are appropriate for approval by industry and the NERC Board; (2) facilitating continent-wide industry engagement in the standard development processes; and (3) conducting industry balloting on standards, disseminating information on standards and the standard development processes, and supporting regulatory filings and proceedings relating to standards. In response to input from regulatory authorities, Regional Entities, and industry stakeholders, the Reliability Standards program gathers industry feedback during the standard development and revision processes on costs of proposed standards and the risks they are intended to address. The PRISM group interacts with stakeholder groups, including the NERC Reliability and Security Technical Committee (RSTC), and ensures that the processes to address Standards Authorization Requests and Requests for Interpretations of standards are coordinated and efficient.

For 2021, the major activities of the Reliability Standards program will continue to focus on (1) selection of standards projects to be undertaken based on the nature of the reliability issue, and whether a standard or another solution is most appropriate to address the issue; (2) addressing Commission directives and responding to Commission orders and special reports as necessary through the standards development process; (3) continuing to implement the results of the comprehensive review of standards initiated in 2018, through projects to modify or retire standards, including analyzing the need to retire or enhance standards requirements based on operational experience; and (4) facilitating smooth transitions to new standards, including by working with the other NERC program areas and the Regional Entities to develop guidelines, webinars, and other activities to support auditor and industry training for new standards. Also in 2021, this program will continue to work with stakeholders to determine whether there is a need to make further improvements to Reliability Standards through periodic reviews that include a measured review of the contents of standards, considering whether the requirements could more effectively mitigate risks to the Bulk Power System (BPS); whether the standards are results-based and drafted with high quality; whether the standards are concise or if the number of requirements could be reduced; and whether compliance expectations are clear.

Current activities of the PRISM group include completing NERC position documents for Distributed Energy Resources, Interconnection Reliability Operating Limits, System Operating Limits, and Battery Storage; developing statistical analyses around misoperations, balancing standards, and the effects of frequency response within the four interconnections; conducting Reliability Standards training for NERC and Regional Entity staff; launching the wERock cross-cutting tool to track Reliability Issues Steering Committee (RISC) issues and work plan items from NERC and Regional Entity committees; and measuring the effectiveness of the Electric Gas Working Group industry guidelines on fuel assurance. In 2021, the PRISM group will continue standards training activities for NERC staff, expand its analysis for the efficacy of standards and emerging technologies affecting the BPS, and coordinate with the RISC on alignment of identified risks and mitigating activities.

The major activities of the Reliability Standards program satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure (ROP)?
- I.B: Is the activity necessary or appropriate for providing guidance and assistance to Regional Entities in carrying out Regional Reliability Standards development activities?
- I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes

- of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated?
- I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures, and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, (iii) industry personnel?
  - II.F.1: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (ii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.
  - IV: Is the activity one that was required or directed by a Commission order issued pursuant to §215? (Reliability Standards development projects are often initiated in response to directives in Commission orders).
  - V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for the Reliability Standards Program are §300 and Appendix 3A.)
  - VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
  - IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
  - X. Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

### **III. Compliance Assurance, Organization Registration and Certification, and Compliance Enforcement 2021 Major Activities**

The major activities of Compliance Assurance and Organization Registration and Certification and of Compliance Enforcement are described on pages 22–26 and 29–30 of the 2021 Business Plan and Budget.

The Compliance Assurance group works collaboratively with the Regional Entities to ensure effective implementation of risk-based compliance monitoring under the Compliance Monitoring and Enforcement Program (CMEP) across the entire ERO Enterprise. This group’s activities include the following major activities and functions: (1) oversight of the Regional Entities’ implementation of the risk-based compliance monitoring program and the NERC ROP, including ensuring that Regional Entities monitor registered entities for compliance according to their specific facts and circumstances, developing customized compliance oversight plans (COPs) for each registered entity based on its inherent risk assessment (IRA) and other factors; (2) development and execution of the annual CMEP Implementation Plan; (3) oversight of use of necessary compliance-related processes, procedures, information technology (IT) platforms, tools and templates; (4) development and delivery of education and training for ERO

Enterprise staff; (5) training and outreach activities for the Critical Infrastructure Protection (CIP) Reliability Standards and subsequent enhancements to support industry compliance and security; (6) coordinating with the Reliability Standards program to assist in smooth transition for standards from development to enforceability and to provide feedback on risks seen in the field that are not addressed by a standard, as well as information on whether a standard is too broad; and (7) supporting Regional Entity and industry committees, working groups and task forces, such as the ERO Risk, Performance, and Monitoring Group (NERC and Regional Entity collaboration group), NERC Compliance and Certification Committee (CCC), and NERC RSTC. Ensuring successful implementation of the risk-based CMEP is the priority of Compliance Assurance's oversight plan for the Regional Entities. Compliance Assurance provides training to Regional Entity staffs on the elements of risk-based compliance monitoring, including enhancements to registered entities' IRAs, internal controls reviews, COP development, and Reliability Standards monitoring. Compliance Assurance is also involved, with the Regional Entities, in development of the ERO Enterprise-wide Align application and the related ERO SEL.

The ongoing and new major activities of the Compliance Assurance group for 2021 will include: (1) continuing to mature the risk-based compliance program, including ongoing oversight of the risk-based CMEP, IRAs, internal controls, coordinated oversight of Multi-Region Registered Entities (MRREs), and ensuring that COPs are addressing the relevant risks; (2) working with NERC Enforcement and IT and with Regional Entities to implement the Align tool; (3) supporting successful implementation of the Cyber Security Supply Chain Risk Management Reliability Standard; (4) supporting the continued successful implementation of CIP V5 standards and subsequent enhancements as they become effective; (5) monitoring and supporting effective implementation and monitoring of the Physical Security Reliability Standard; (6) enhancing and implementing training to support monitoring of compliance with Reliability Standards, integrating principles from the Compliance Monitoring Competency Guide; (7) continuing to provide feedback to the Reliability Standards program through coordination between the standards and compliance functions to allow clear stakeholder implementation of standards and feedback on risks seen in the field, and supporting this effort through a common set of Reliability Standard Audit Worksheets, guidance, and outreach; (8) continuing to focus on how registered entities have mitigated reliability and security risks while achieving compliance with Reliability Standards, including internal controls; (9) finalizing revisions to the BES reference document and transitioning to a CMEP Practice Guide; (10) supporting international CMEP activities including reliability and security subject matter expertise and outreach; and (11) providing support and leadership to applicable committees and subcommittees including the CCC.

Organization Registration and Certification manages the Organization Registration and Certification Program (ORCP). Organization Registration identifies and registers BPS users, owners, and operators that are responsible for performing specific reliability functions to which Reliability Standards requirements are applicable. Organization Certification ensures that an applicant to be a Reliability Coordinator (RC), Balancing Authority (BA), or Transmission Operator (TOP) has the tools, processes, training, and procedures to demonstrate its ability to become certified and operational for the applicable functions. This includes responding to industry changes requiring Certification review, including control center relocations, energy management system replacements, and RC, BA and TOP footprint changes. Organization Registration and Certification work with the CCC's Organization Registration and Certification Subcommittee, which oversees the ORCP, and provides training, guidance, and outreach to stakeholders through NERC and Regional Entity workshops and other forums as well as on an individual basis with entities. Organization Registration and Certification is involved in development and implementation of the Align-ERO SEL and the Centralized Organization Registration ERO System (CORES) applications, including in particular development, roll-out, and maintenance of CORES, with continued focus on functionality for Coordinated Functional Registrations (CFRs). Organization Registration and

Certification also processes registration change requests, including NERC-led review panels and BES Exceptions. Organization Registration and Certification’s responsibilities include oversight of the Regional Entities’ implementation of the Registration and Certification programs; leading NERC-led Review Panel proceedings; oversight of the use of necessary processes, procedures, IT platforms, tools, and templates; leading and supporting Regional Entity and industry committees, working groups, and task forces, including that ERO Organization Registration and Certification Group, the NERC CCC, and the CCC Organization Registration and Certification subcommittee; maintaining the NERC Compliance Registry and adhering to NERC ROP Section 500 and ROP Appendices 5A, 5B and 5C; and providing training on IT applications, including CORES and the CFR tool, to Regional Entities and registered entities.

Compliance Enforcement is responsible for overseeing enforcement processes, the application of Penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliance with Reliability Standards. This group works collaboratively with the Regional Entities to ensure consistent and effective implementation of the risk-based CMEP. It also focuses on ensuring that the ERO Enterprise dedicates resources to the matters that pose the greatest risk to reliability. Compliance Enforcement monitors Regional Entities’ enforcement processes and provides oversight over the outcomes of such processes, to ensure alignment across the ERO Enterprise; collects and analyzes compliance enforcement data and trends to help identify emerging risks to the BPS and inform the development of enforcement policies and procedures; files Notices of Penalty and other disposition documents associated with noncompliance discovered through Regional Entity or NERC-led CMEP activities; collaborates with other NERC departments, including Reliability Standards, Compliance Assurance, and Event Analysis; and delivers training to ERO Enterprise staff and registered entities and supports other outreach efforts. During 2021, the major activities of Compliance Enforcement will include: (1) identifying and mitigating the greatest risks to reliability and security; (2) supporting implementation of the Align and ERO SEL tools; (3) continuing to find ways to efficiently process and close out lower risk violations; (4) educating relevant parties on the risk assessment process; and (5) maturing the Coordinated Oversight program for MRREs.

The major activities of Compliance Assurance, Organization Registration and Certification, and Compliance Enforcement satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?
- I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated?
- II. Is the activity necessary or appropriate for the monitoring and enforcement of compliance with Reliability Standards?
  - A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the BPS that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?
  - B: Is the activity necessary or appropriate for the Certification of RCs, TOPs, and BAs as having the requisite personnel, qualifications and facilities and equipment needed to perform these reliability functions in accordance with the applicable Requirements of Reliability Standards?
  - D: Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and

(through the Regional Entities) the Commission-approved delegation agreements?

- E: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards.
- F: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents. (2) Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the process? This includes development of guidance documents. (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities? (4) Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?
- IV: Is the activity one that was required or directed by a Commission order issued pursuant to §215? (FERC orders directed NERC to develop and implement a revised definition of “Bulk Electric System” and a procedure for requesting and receiving exceptions from the BES definition, and subsequently approved NERC’s proposed revised BES definition and its proposed BES exception procedure.)
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for these major activities are §400 and 500 and Appendices 4B, 4C, 5A, 5B and 5C.)
- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
- IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in the activities encompassed by one or more of the other criteria?
- X: Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

#### **IV. Reliability Assessments and Performance Analysis 2021 Major Activities**

The major activities of Reliability Assessments and Performance Analysis (RAPA) are described at pages

33–38 of the 2021 Business Plan and Budget. RAPA is comprised of the Risk Identification and Mitigation Department, which in turn is comprised of the Reliability Assessments and Technical Committees (RATC) group and the Performance Analysis (PA) group; and the Engineering and Standards department, which in turn is comprised of the Power System Analysis (PSA) group and the Advanced System Analytics and Modeling (ASAM) group.

The RATC group, which includes the NERC staff secretaries of the RSTC, carries out the ERO’s responsibility to conduct assessments of the reliability and adequacy of the BPS and associated emerging reliability risks, as well as other reliability issues requiring in-depth analysis. Annual reports and assessments produced by this group include the Long-Term Reliability Assessment (supplemented by the Probabilistic Assessment), the Summer and Winter Reliability Assessments, and Special Reliability Assessments that are selected based on high risk issues requiring an independent assessment from the ERO. The NERC RSTC and its subgroups provide oversight, guidance, and leadership essential to enhancing BPS reliability; the NERC staff secretaries of the RSTC coordinate and administer these activities and efforts. In addition to developing the annual and other assessments, the major ongoing activities of the RATC include focusing on effective Essential Reliability Services (ERS), advancing the value of the seasonal reliability assessments, advancing probabilistic assessments and evaluations of energy assurance, and enhancing ERO Enterprise-wide effectiveness and efficiency of reliability assurance-related functions. Activities in 2021 will include a Special Reliability Assessment on electricity storage, an interconnection-wide short circuit study and report, and implementation of an effectiveness and efficiency strategy for NERC’s committee structure. The RATC group is also implementing the research work plan concerning geomagnetic disturbance effects that was developed and submitted to the Commission pursuant to Order No. 830, including collection of data pursuant to an ROP Section 1600 data request and other means of collecting information on geomagnetically-induced current and the potential impacts on reliability.

PA monitors the performance of and identifies risks to reliability of the BPS through analyzing data from industry and measuring historic trends, in four areas of BPS operations: transmission, generation, protection system misoperations, and demand response. Analysis performed by PA includes identifying potential risks that may indicate a need to develop remediation strategies, improvements to reporting applications, and new data collection or analysis tools which may be used to create, retire, or revise Reliability Standards. These analyses provide the foundation for the annual State of Reliability (SOR) report and other analytical reports and technical papers to the industry. PA staff leads the ERO, technical committees, and stakeholder process to publish the SOR report examining year-over-year performance indicators of the grid. To evaluate reliability trends that identify reliability risks, PA analyzes data in the Generation Availability Data System (GADS), Transmission Availability Data System (TADS), and Demand Response Availability Data System (DADS), as well as reliability metrics and protection and control system misoperations data. PA is also developing reporting requirements for solar and associated energy storage data collection.

PSA staff provides technical leadership and support in the areas of resource and demand balancing and system analysis and modeling, including technical support for the balancing (BAL) and modeling (MOD) Reliability Standards. PSA assists the RATC in its independent reliability assessments; performs Interconnection-wide analysis of steady state and dynamic conditions, including frequency, ERS, stability, short circuit ratio, and oscillatory behavior aspects including support for the Resources Subcommittee and its subgroups and submission of the Frequency Report Annual Analysis (FRAA) to FERC; and assures that the BES electrical elements necessary for reliable operation are identified and subject to Reliability Standards.

ASAM staff provides support for development and improvement of long-term, sustainable

interconnection-based power flow, dynamic, and load models that reflect actual BES reliability performance and dynamic conditions. ASAM provides guidance on appropriate use of new and existing models to study emerging risks; advances understanding of power system characteristics and behaviors by gathering larger phasor measurement unit data sets for advanced data analytics and modeling improvements; promotes understanding of the need and available methods for probabilistic studies to augment deterministic studies in system planning, including support for the Probabilistic Assessment Working Group; conducts advanced system studies of increasing penetrations of new resource technologies or new technologies facilitating these penetrations, as well as piloting use of new resource models for system simulations; publishes Institute of Electrical and Electronic Engineers (IEEE) and other industry papers to promote continual advancement of BPS knowledge and understanding; and supports research projects, including those of the Carnegie Mellon Industry Center, the Power Systems Energy Research Center, the Department of Energy (DOE) North American Energy Resilience Model, and the DOE-Electric Power Research Institute (EPRI)-NERC project advancing modeling and protection for solar inverter-based resources. ASAM also provides advanced statistical analysis support for the SOR report and various reliability assessments; the FRAA report; analytical review of Reliability Standard effectiveness; and various reports on an emergent basis each year.

PSA's and ASAM's ongoing major activities include developing technical analyses in key reliability areas to address areas of concern, including frequency response, short-circuit strength, inter-area oscillation, distributed energy resource integration, and system interdependencies such as gas/electric and communications/electric, in order to evaluate BPS characteristics, behavior and performance due to the changing resource mix and integration of new technologies; continuing to explore use of state-of-the-art software to conduct power system analysis; conducting detailed forensic analysis of significant system disturbances; and providing technical expertise, research, and feedback to the industry, including those that support development of key reliability planning-related Reliability Standards. Ongoing major activities also include providing industry insight on modeling improvements through a State of Modeling report; in coordination with the Inverter-Based Resource Performance Task Force, performing event analyses and investigating abnormal performance of inverter-based resources to develop industry recommendations and address potential reliability gaps; supporting industry in the reliable integration of increased levels of distributed energy resources; supporting industry adoption and advancement of synchrophasor technology through the Synchronized Measurement Subcommittee; supporting industry understanding and expertise in power plant modeling through the System Analysis and Modeling Subcommittee's Power Plant Modeling and Verification Task Force and supporting implementation of MOD-026-1 and MOD-027-1; advancing improvements in dynamic load modeling in support of industry stability studies for planning and real-time reliability assessments; supporting studies and technical positions on the changing nature of end-use loads; performing annual assessments of case quality and fidelity on interconnection-wide cases released by the MOD-032 designees; addressing deficiencies in interconnection-wide models and providing industry education on key modeling topics; providing a report of results from a Composite Reliability Study using probabilistic or near-probabilistic methods for transmission and resources; supporting a Battery Storage Assessment using the WECC/NERC Battery Study of the Western Interconnection to determine the adequacy of battery energy injection to support frequency response and primary frequency reserve margin; and conducting advanced statistical studies in support of the Standards Efficiency Review and the SOR report.

Additionally, NERC has formed a staff group focused on BPS security and grid transformation which will develop and promote cyber security planning, operations and recovery strategies to improve the posture and performance of the BPS to cyber threats. NERC is also focusing on security initiatives specifically for the ERO Enterprise, including sharing of best practices; development of security training and participation in regional and continent-wide security exercises; and supporting NERC, the Regional Entities and industry

on matters related to the interface between reliability and security, including supporting implementation of risk mitigation priorities recommended by the RISC.

The RAPA groups work closely with other governmental and industry organizations, including the U.S. DOE, EPRI, IEEE, Institute of Nuclear Power Operations, North American Transmission Forum, North American Generator Forum, Interstate Natural Gas Association of America, Natural Gas Supply Association, Canadian Electricity Association, and International Council on Large Electric Systems.

In 2021, the RAPA groups will continue to focus on risk issues identified in the latest RISC report, and on assessments and technical reports under direction of the RSTC; including these high-risk issues: protection system misoperations; reduced situational awareness from loss of energy management systems; unacceptable inverter performance; increased amounts of distributed energy resources; reducing potential for the BES to initiate wildfires; energy adequacy; and cyber security in planning and operations.

The major activities of RAPA satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?
- I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (1) Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks? (2) Monitoring, event analysis and investigation of BPS major events, off-normal occurrences and near miss events?
- II.A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the BPS that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?
- II.E.: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as: (1) Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks? (2) Monitoring, event analysis and investigation of BPS major events, off-normal occurrences, and near miss events?
- III.A: Is the activity necessary or appropriate for the preparation or dissemination of long-term, seasonal, and special assessments of the reliability and adequacy of the BPS?
- III.B: Is the activity necessary or appropriate for measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?

- III.C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
- III.D. Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability?
- III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- III.G. Is the activity necessary or appropriate for data collection and analysis of information regarding BPS reliability matters mandated by the Commission? (FERC Order No. 830 directed the performance of research and collection of data on geomagnetic disturbance effects.)
- V. Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for major activities of the RAPA program are §801-806 and §809-810.)
- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
- IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- X: Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

**V. Situation Awareness 2021 Major Activities**

The major activities of Situation Awareness are described at pages 40–42 of the 2021 Business Plan and Budget. The Situation Awareness group, along with the Regional Entities, monitors BPS conditions, significant occurrences and emerging risks, and threats across the 16 Reliability Coordinator regions in North America, to maintain an understanding of conditions and situations that could impact reliable operations. Situation Awareness supports development and publication of NERC Alerts and awareness products, and facilitates information sharing among industry, Regional Entities and government during crisis situations and major system disturbances. Situation Awareness assists the NERC RSTC’s Operating Reliability Subcommittee in enhancing BPS reliability with efforts to provide operational guidance to industry by managing NERC-sponsored technology tools and services that support operational coordination, as well as by providing technical support and advice. Situation Awareness uses and supports reliability-related tools in support of Situation Awareness activities, including the Resource Adequacy (Area Control Error Frequency) Tool; Inadvertent Interchange; FNet; Intelligent Alarms Tool; PowerIQ and PowerRT tools; Situation Awareness for NERC, FERC, and the Regional Entities (SAFNR); Reliability Coordinator Information System (RCIS); NERC Alerts (secure alerting system); and the Process Information (PI) Historian System.

The ongoing and new major activities of the Situation Awareness department for 2021 include: ensuring that the ERO is aware of all BES events above a threshold of impact; enabling the sharing of information and data to facilitate wide-area situational awareness; during crisis situations, facilitating the exchange of information among industry, Regions, and U.S. and Canadian governments; keeping the industry informed of emerging reliability threats and risks, including any expected actions; administering the NERC Alerts process as specified in §810 of the ROP to issue Advisory (Level 1) Alerts on significant and emerging reliability and security related topics, and facilitate the tracking of actions specified in Recommendation (Level 2) and Essential Action (Level 3) Alerts; continuing to set the conditions to bring in limited streaming synchrophasor data for wide-area situational awareness and event triage applications; evaluating the importance of having visibility and understanding of the reliability or availability of natural gas and its interdependency with electrical generation; and continuing to focus on enhancements to SAFNR Version 3. During 2021, Situation Awareness will continue the implementation of the upgraded SAFNR system and development of any needed enhancements; implementing enhancements to RCIS; enhancing natural gas situational awareness; and working with the E-ISAC to increase situational awareness related to physical security.

The major activities of the Situation Awareness group satisfy the following criteria:

- I.C.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (2) Monitoring, event analysis and investigations of BPS major events, off-normal occurrences and near-miss events?
- II.G: Is the activity necessary or appropriate for the development and provision of tools and services that are useful for the provision of adequate reliability, because they relate specifically to compliance with existing Reliability Standards and they proactively help avert Reliability Standard violations and BPS disturbances?
- III.C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
- III.D: Is the activity necessary or appropriate for awareness of circumstances on the BPS System and to contribute to understanding risks to reliability?
- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
- III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provision for these major activities is §1001.)
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees,

subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

## **VI. Event Analysis 2021 Major Activities**

The major activities of Event Analysis are described at pages 44–45 of the 2021 Business Plan and Budget. The Event Analysis group performs assessments of the reliability and adequacy of the BES to identify potential issues of concern related to system, equipment, entity, and human performance that may indicate a need to develop remediation strategies, action plans, or data used to revise or retire Reliability Standards or consider new Reliability Standards. Event Analysis analyzes and determines the causes of events, promptly assures tracking of corrective actions, and provides lessons learned to the industry. Event Analysis analyzes all voluntarily reportable events for sequence of events, root cause, risks to reliability, and mitigation and keeps the industry well-informed of system events, emerging trends, risk analysis, lessons learned, and expected actions. Event Analysis conducts in-depth analyses of approximately 150 events per year on average, and also conducts calls facilitated by Regional Entities with registered entities to discuss in detail and finalize root and contributing causes for the events analyzed. Event Analysis identifies human error risks and precursor factors that allow human error to affect system reliability, and educates industry regarding such risks, precursors, and related mitigation methods. Event Analysis works in collaboration with and supports the activities of other groups involved in human performance analysis, including the ERO Enterprise human performance groups, the RSTC’s Event Analysis Subcommittee, and others.

The ongoing and new major activities for 2021 for the Event Analysis group include: (1) Working with Regional Entities to obtain and review information from registered entities on qualifying events and disturbances in order to advance awareness of events above a threshold level; facilitating analysis of root and contributing causes, risks to reliability, wide-area assessments and remediation efforts; and disseminating information regarding events in a timely manner. (2) Ensuring that all reportable events are analyzed for sequence of events, root cause, risk to reliability, and mitigation. (3) Continuing to refine risk-based methodologies to support better identification of reliability risks, including use of more sophisticated cause codes for analysis. (4) Conducting events (webinars, workshops and conference support) to inform industry and the ERO of lessons learned, root cause analysis, trends, human performance, and extreme weather preparedness and recommendations, including events like the annual NERC Monitoring and Situational Awareness Conference and the annual ERO Enterprise and industry wide Electric Power Human Performance Symposium (including leading the planning and execution of the latter event). (5) Developing reliability recommendations and Alerts as needed, and tracking industry accountability for critical reliability recommendations. (6) Ensuring that industry is well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions. (7) Conducting major event analysis and reporting of major findings and recommendations that will improve reliability. The Event Analysis department will also support several top priority reliability risk projects being led by RAPA. Additionally, in 2021, Event Analysis will continue to update and upgrade data collection and shortage capabilities and capacity for the Event Analysis Management System (TEAMS) commensurate with resource availability; as well as working with the PA group to improve the linkage between performance and event analysis data to enhance the ability to conduct event analyses and to identify key areas for trend analyses across multiple databases.

The major activities of the Event Analysis group satisfy the following criteria:

- I.C.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of

- identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (2) Monitoring, event analysis and investigations of BPS major events, off-normal occurrences and near-miss events?
- II.E.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as: (2) Monitoring, event analysis and investigation of BPS major events, off-normal occurrences, and near miss events?
- II.F.3: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (3) Disseminating, through workshops, webinars, Advisories, Recommendations, Essential Actions, and other publications; “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities; monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities?
- III.B. Is the activity necessary or appropriate for measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
- III.C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
- III.D. Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability?
- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
- III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for these major activities are §807-808 and §810-811 and Appendix 8.)
- VI. Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?

- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

**VII. Electricity Information Sharing and Analysis Center 2021 Major Activities**

The major activities of the Electricity Information Sharing and Analysis Center (E-ISAC) are described at pages 48–51 of the 2021 Business Plan and Budget. The primary function of E-ISAC is to reduce cyber and physical risk to the electricity industry across North America by providing unique insights, leadership and coordination, and to be a world-class trusted source of quality analysis and rapid sharing of security information for the electric industry. E-ISAC oversees the Cybersecurity Risk Information Sharing Program (CRISP). CRISP delivers real-time, relevant, and actionable cybersecurity risk information to E-ISAC member electricity asset owners and operators, including those from Canada and Mexico. Current and recent accomplishments include establishing a 24X5 watch operation and hiring experienced staff to facilitate movement to a 24X7 watch by third quarter 2020; launching a critical broadcast program to quickly disseminate information regarding imminent threats and other important notifications; increasing inbound and outbound information sharing with members and government partners; supporting numerous DOE initiatives; implementing a CRM system; increasing and diversifying membership; establishing an Industry Engagement Program and increasing and diversifying participation in security exercises and training; developing a two-year action plan to expand physical security risk identification, risk mitigation, and preparedness; entering into collaboration agreements with the Independent Electric System Operator (IESO), the Downstream Natural Gas ISAC (DNG-ISAC), and the Multi-State ISAC (MS-ISAC); and building analytical capabilities, including both cyber and physical security expertise.

The E-ISAC’s major activities for 2021 will continue to focus on three areas: (1) Engagement with industry participants – expanding and diversifying membership by leveraging industry data and the CRM platform to identify and target prospects and proactively engage with underrepresented segments of the industry, including the public power segment; and developing more robust mechanisms to obtain and act upon stakeholder feedback and improve service for members. (2) Information sharing – increasing the span, quality, and volume of information shares from members; improving and expanding automated information sharing to increase the timeliness and volume of information sharing; working with government partners to increase E-ISAC and industry access to classified information through threat briefings and collaboration; and maturing security operations processes to provide members with more timely and relevant information, including through 24X7 staffing. (3) Analysis – improving the frequency, timeliness, and quality of in-depth analysis and reports; operationalizing the objectives in the agreements with DOE, IESO, DNG-ISAC and MS-ISAC; facilitating collaboration between U.S. and Canadian government agencies in support of mutual priorities and programs; and expanding CRISP participation including through data enrichment and analysis.

The major activities of the E-ISAC satisfy the following criteria:

- I.C.1: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (1) Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks? (2) Monitoring, event analysis and

investigation of BPS major events, off-normal occurrences and near-miss events?

- III.D: Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability.
- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS.
- III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for these major activities are §810 and 1003.)

### **VIII. Personnel Certification and Continuing Education 2021 Major Activities**

NERC has placed the System Operator Certification Program and Credential Maintenance Program into a separate group overseen by the NERC Personnel Certification Governance Committee (PCGC), a NERC standing committee. These programs are funded entirely through examination fees, and do not receive funding from FPA §215 statutory assessments. For completeness, however, a summary of the major activities of the Personnel Certification group is provided in this Exhibit.

The major activities of the Personnel Certification group are described at pages 56–58 of the 2021 Business Plan and Budget. The System Operator Certification Program promotes the reliability of the North American BPS by ensuring that employers have a workforce of system operators that meet minimum qualifications and maintain their required credentials to work in system control centers. NERC’s System Operator Certification exam tests specific knowledge of job skills and Reliability Standards, and prepares operators to handle the BPS during normal and emergency operations. Certification is maintained by completing NERC approved Credential Maintenance Program courses and activities. The Credential Maintenance Program is developed and maintained by the Credential Maintenance Working Group under the guidelines set by the PCGC. The Exam Working Group, consisting of subject matter experts from all regions of North America, is responsible for conducting extensive job analysis surveys of certified operators across the industry, which provides the basis for certification exams.

Major ongoing and new activities of the Personnel Certification group include analysis of System Operator Certification program survey results; updates to the System Operator Certification Exam Item Bank to ensure relevance to current Reliability Standards; enhancements to the exam “skills assessment” process to better assess the skills and knowledge of system operators; development of an implementation plan for One Credential transition; evaluating credential review and rationalization to maintain credentials; reinstatement of Provider Renewal Audits; revising the Credential Maintenance Program Manual; and continued improvements to the System Operator Certification Continuing Education Database (SOCCED) to enhance user experiences.

The major activities of the Personnel Certification group satisfy the following criteria:

- I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?

- II.C: Is the activity necessary or appropriate for the Certification of system operating personnel as qualified to carry out the duties and responsibilities of their positions in accordance with the Requirements of applicable Reliability Standards?
- II.F.1: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provision for the major activities of the Personnel Certification Program is §900.)
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

**IX. Training and Education 2021 Major Activities**

The major activities of Training and Education are described at pages 60–61 of the 2021 Business Plan and Budget. The Training and Education group oversees and coordinates the delivery of training programs to ERO Enterprise staff and BPS industry participants. Training and Education uses both one-way mass communication media (e-mails, newsletters, flyers and videos) and two-way communication methods (face-to-face meetings and webinars) to convey learning materials and information. The ongoing and new major activities of the Training and Education group include assisting in facilitation of the ERO Enterprise CMEP staff workshop; developing learning products for industry-facing workshops and conferences; developing CMEP e-learning modules for ERO Enterprise auditors; developing and updating systems training products for data systems, including GADS, GADS Wind, TADS, and DADS to reflect enhancements to the data systems ; designing and developing the ERO Enterprise training website; developing a new Learning Management System as well as a content management system for the ERO Enterprise; developing promotional and training videos, e-learning modules and instructor-led training in support of releases of Align and ERO-SEL; design, development, and implementation of a management development program and other employee training; and design and development of cause analysis training.

The major activities of Training and Education satisfy the following criteria:

- I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?
- II.F: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents. (2) Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the processes? This includes

development of guidance documents. (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities. (4) Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?

- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for the major activities of the Training and Education are in §900.)
- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and the applicable provisions of Commission orders.

#### **X. Administrative Services 2021 Major Activities**

NERC’s Administrative Services Departments are General and Administrative, Legal and Regulatory, Information Technology (IT), Human Resources and Administration, and Finance and Accounting. The major activities of these departments are described at pages 63–70 of the 2021 Business Plan and Budget.

General and Administrative is responsible for the administration and general management of the organization and includes the Chief Executive Officer, Chief Engineer, and Chief Administrative Officer and support staff; External Affairs staff (legislative and regulatory, communications, and North American affairs activities); and Board of Trustees costs.

Legal and Regulatory provides legal support to the organization, including management and the NERC program areas. Legal support is provided in areas including antitrust, corporate, commercial, insurance, contracts, employment, real estate, copyright, tax, and legislation. Legal and regulatory support is also provided in connection with matters relating to the delegation agreements with Regional Entities. Legal and Regulatory also includes the Internal Audit and Corporate Risk Management functions.

IT supports the technology needs necessary to the existence and function of the organization in executing statutory responsibilities, and supports, configures, and secures corporate and enterprise applications and infrastructure leveraged by the ERO Enterprise and registered entities. IT’s Project Management Office provides project management skills and leadership for major ERO Enterprise and NERC IT projects. IT’s major activities are focused on four areas: (1) developing ERO Enterprise new functionality, including Align, ERO-SEL, and CORES; Situation Awareness tools, including minor enhancements to the RCIS; and enhancements to data management systems (GADS, GADS Wind, TADS, DADS, the Reliability Assessment Data System (RADS), Misoperations Information Data System (MIDAS) and TEAMS); (2) ERO Enterprise application and infrastructure support, the underlying infrastructure and resources required to support existing and future ERO Enterprise applications; (3) E-ISAC; and (4) NERC infrastructure support, including productivity tools, audio-visual systems, laptops, and business continuity and security technologies.

Human Resources and Administration’s activities include hiring, benefits administration, employee relations, performance and compensation management, training and development for leadership, management, and professional and administrative staff, facilities management of NERC’s two office locations, and meeting planning and coordination. A key current focus of HR and Administration is diversity and inclusion training. Under the direction of the NERC Board Corporate Governance and Human Resources Committee, Human Resources and Administration develops compensation strategy and performs or obtains (through consultants) market compensation studies, effectiveness studies, and other compensation and staffing related studies as needed.

Finance and Accounting manages all finance and accounting functions of NERC, including employee payroll, 401(k), 457(b) and 457(f) plans, travel and expense reporting, monthly financial reporting, sales and use tax, insurance, and development of the annual business plan and budget.

The major activities of NERC’s Administrative Services Departments satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?
- II.A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the BPS that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?
- II.D: Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?
- III.C: Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for ERO Enterprise audits conducted by the Internal Audit group in Legal and Regulatory are §406, §506, and Appendix 4A, and for major activities of Finance and Accounting is §1100.)
- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and the applicable provisions of Commission orders.
- IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- XI: Is the activity a governance or administrative/overhead function, activity or service necessary or appropriate for the activities encompassed by the other criteria and, in general, necessary and appropriate to operate a functioning organization?

**NERC WRITTEN CRITERIA FOR DETERMINING  
WHETHER AN ACTIVITY IS ELIGIBLE TO BE FUNDED  
UNDER SECTION 215 OF THE FEDERAL POWER ACT**

For purposes of internal management approval of a proposed new activity or group of related activities (“major activity”), the proposed activity or major activity must be shown to fall within at least one of the criteria listed below. When sub-criteria are listed below a roman numeral numbered major criterion, the proposed activity should be a positive answer to at least one of the sub-criteria. Conversely, an activity that falls under a sub-criterion should pertain to the subject matter of the major criterion.

NERC’s annual business plan and budget will describe how each major activity falls within one or more of the criteria listed below. If the major activity is substantially the same as a major activity that was shown to fall within the criteria in a previous year’s business plan and budget, the current year’s business plan and budget can refer to the prior year business plan and budget.

A determination that an activity falls within FPA §215 does not necessarily mean that NERC will propose or undertake such activity. The determination of whether an activity falling under FPA §215 should or will be undertaken in a given budget year will be addressed in the context of the applicable business plan and budget and will include opportunities for stakeholder input.

The criteria listed below are not necessarily each distinct from the others. An activity or major activity may fall within more than one of the criteria listed below.

- I. Is the activity necessary or appropriate for the development of Reliability Standards?
  - A. Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?
  - B. Is the activity necessary or appropriate for providing guidance and assistance to Regional Entities in carrying out Regional Reliability Standards development activities?
  - C. Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as:
    1. Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System (BPS)<sup>18</sup> based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
    2. Monitoring, event analysis and investigation of BPS major events, off-normal occurrences and near miss events?
  - D. Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?

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<sup>18</sup> This document uses the term “Bulk Power System” because that is the term defined and used in FPA §215. NERC recognizes that a different term, “Bulk Electric System,” is used to define the current reach of reliability standards.

- II. Is the activity necessary or appropriate for the monitoring and enforcement of compliance with Reliability Standards?
- A. Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the BPS that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?
  - B. Is the activity necessary or appropriate for the Certification of RCs, TOPS, and BAs as having the requisite personnel, qualifications and facilities and equipment needed to perform these reliability functions in accordance with the applicable Requirements of Reliability Standards?
  - C. Is the activity necessary or appropriate for the Certification of system operating personnel as qualified to carry out the duties and responsibilities of their positions in accordance with the Requirements of applicable Reliability Standards?<sup>19</sup>
  - D. Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?
  - E. Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as:
    - 1. Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
    - 2. Monitoring, event analysis and investigation of BPS major events, off-normal occurrences, and near miss events?
  - F. Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as:
    - 1. Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.
    - 2. Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the processes? This includes development of guidance documents.

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<sup>19</sup> Although certification of system operating personnel is an activity falling within the scope of, and eligible to be funded pursuant to, FPA §215, NERC strives to fully fund the costs of this activity through fees charged to participants.

3. Disseminating, through workshops, webinars, Advisories, Recommendations, Essential Actions, and other publications; “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities; monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities?
  4. Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?
- G. Is the activity necessary or appropriate for the development and provision of tools and services that are useful for the provision of adequate reliability, because they relate specifically to compliance with existing Reliability Standards and they proactively help avert Reliability Standard violations and BPS disturbances?
- III. Is the activity necessary or appropriate for conducting and disseminating periodic assessments of the reliability of the BPS or monitoring the reliability of the BPS?
- A. Is the activity necessary or appropriate for the preparation or dissemination of long-term, seasonal, and special assessments of the reliability and adequacy of the BPS?
  - B. Is the activity necessary or appropriate for measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
  - C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
  - D. Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability?
  - E. Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
  - F. Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
  - G. Is the activity necessary or appropriate for data collection and analysis of information regarding BPS reliability matters mandated by the Commission?
- IV. Is the activity one that was required or directed by a Commission order issued pursuant to FPA §215? Justification of an activity as a FPA §215 activity based on this category must reference the particular Commission order and directive.
- V. Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)?

- VI. Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
- VII. Is the activity necessary or appropriate to maintain NERC’s certification as the Electric Reliability Organization? This Criterion includes conducting periodic assessments of NERC’s and the Regional Entities’ performance as the Electric Reliability Organization as required by 18 C.F.R. §39.3(c).
- VIII. Does the activity respond to or is it necessary or appropriate for audits of NERC and the Regional Entities conducted by the Commission?
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- X. Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?
- XI. Is the activity a governance or administrative/overhead function, activity or service necessary or appropriate for the activities encompassed by the other criteria and, in general, necessary and appropriate to operate a functioning organization? (Should NERC perform any non-FPA §215 activities, the costs of governance and administrative/overhead functions must be appropriately allocated.)

NERC’s current governance and administrative/overhead functions are carried out in the following program areas:

- A. Technical Committees and Members’ Forum Programs
- B. General and administrative (includes, but is not limited to, executive, board of trustees, communications, government affairs, and facilities and related services)
- C. Legal and Regulatory
- D. Information Technology
- E. Human Resources
- F. Accounting and Finance

The following matters are excluded from the scope of FPA §215 activities. While a list of non-FPA §215 activities would be infinite, the following excluded matters are listed here because they are expressly referred to in FPA §215, the Commission’s ERO regulations and/or a Commission order issued pursuant to FPA §215:

- A. Developing or enforcing requirements to enlarge BPS facilities, or to construct new transmission capacity or generation capacity, or requirements for adequacy or safety of electric facilities or services.
- B. Activities entailing Real-time operational control of the BPS.
- C. Activities pertaining to facilities used in the local distribution of electricity.

## Exhibit B – Consultants and Contracts Costs

Consultants & Contracts	2020 Budget	2021 Budget	Increase(Decrease)
<b>Reliability Standards</b>			
SBS Maintenance and Support	\$ 40,320	\$ 39,552	\$ (768)
Engineering and Standards Support	-	75,000	75,000
<b>Total</b>	<b>\$ 40,320</b>	<b>\$ 114,552</b>	<b>\$ 74,232</b>
<b>Compliance Assurance and Organization Registration and Certification</b>			
Compliance Assurance Program Support	\$ 50,000	\$ -	\$ (50,000)
BESnet Maintenance and Support	40,320	39,552	(768)
ERO SEL Annual Certification	-	50,000	50,000
<b>Total</b>	<b>\$ 90,320</b>	<b>\$ 89,552</b>	<b>\$ (768)</b>
<b>Compliance Enforcement</b>			
ERO SEL Annual Certification	\$ -	\$ 50,000	\$ 50,000
Workshop Facilitation	-	19,000	19,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 69,000</b>	<b>\$ 69,000</b>
<b>Reliability Assessment and Performance Analysis</b>			
RADS Maintenance and Support	\$ 40,320	\$ 39,552	\$ (768)
GADS/TADS/DADS Maintenance and Support	149,250	92,955	(56,295)
MIDAS Maintenance and Support	-	85,696	85,696
Power System Analysis Support	63,000	-	(63,000)
Probabilistic and Emerging Risk and Technology Analysis	500,000	65,000	(435,000)
Research Projects	-	100,000	100,000
Workshop Facilitation	-	20,000	20,000
<b>Total</b>	<b>\$ 752,570</b>	<b>\$ 403,203</b>	<b>\$ (349,367)</b>
<b>Event Analysis</b>			
Event Analysis Review Support	\$ 10,000	\$ 30,000	\$ 20,000
TEAMS Maintenance and Support	-	85,590	85,590
<b>Total</b>	<b>\$ 10,000</b>	<b>\$ 115,590</b>	<b>\$ 105,590</b>
<b>Situation Awareness</b>			
Situation Awareness Software Support	\$ -	\$ 15,000	\$ 15,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>
<b>E-ISAC</b>			
Security Consulting	\$ 35,000	\$ 75,000	\$ 40,000
Events and Outreach	325,000	551,500	226,500
Projects and Systems	1,052,500	878,983	(173,517)
Operations	-	494,435	494,435
Partnerships	-	400,000	400,000
CRISP	6,677,500	6,325,723	(351,777)
<b>Total</b>	<b>\$ 8,090,000</b>	<b>\$ 8,725,641</b>	<b>\$ 635,641</b>
<b>Personnel Certification</b>			
System Operator Testing Expenses and Examination Development	\$ 112,000	\$ 113,650	\$ 1,650
Job Task Analysis	-	50,000	50,000
Continuing Education Audit and Review Services	95,000	100,000	5,000
SOCED Database Improvements & Support	75,000	125,000	50,000
<b>Total</b>	<b>\$ 282,000</b>	<b>\$ 388,650</b>	<b>\$ 106,650</b>
<b>Training and Education</b>			
ERO Enterprise and Industry Learning and Development Support	\$ 110,000	\$ 170,000	\$ 60,000
<b>Total</b>	<b>\$ 110,000</b>	<b>\$ 170,000</b>	<b>\$ 60,000</b>
<b>General and Administrative</b>			
Communications Support	\$ 20,000	\$ 20,000	\$ -
<b>Total</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ -</b>
<b>Information Technology</b>			
Applications Enhancements, Support, and Ongoing Operations	\$ 1,805,692	\$ 1,635,625	\$ (170,067)
<b>Total</b>	<b>\$ 1,805,692</b>	<b>\$ 1,635,625</b>	<b>\$ (170,067)</b>
<b>Human Resources</b>			
Training and Development	\$ 500,000	\$ 450,000	\$ (50,000)
Compensation Consulting	125,000	100,000	(25,000)
Employee, Industry, and Board Surveys	100,000	-	(100,000)
Software Support and Other Services	35,000	60,000	25,000
<b>Total</b>	<b>\$ 760,000</b>	<b>\$ 610,000</b>	<b>\$ (150,000)</b>
<b>Finance and Accounting</b>			
Finance and Accounting Support	\$ 175,000	\$ 125,000	\$ (50,000)
<b>Total</b>	<b>\$ 175,000</b>	<b>\$ 125,000</b>	<b>\$ (50,000)</b>
<b>Legal &amp; Regulatory</b>			
Internal Audit Support	\$ 300,000	\$ 200,000	\$ (100,000)
Workshop Facilitation	-	10,000	10,000
<b>Total</b>	<b>\$ 300,000</b>	<b>\$ 210,000</b>	<b>\$ (90,000)</b>
<b>Total Consultants &amp; Contracts</b>	<b>\$ 12,435,902</b>	<b>\$ 12,691,813</b>	<b>\$ 255,911</b>

## Exhibit C – Capital Financing

The company is securing a capital financing program in July 2020 for \$8.0 million as a funding source for major software application development projects and hardware equipment that primarily benefits the ERO Enterprise. The \$8.0 million non-revolving credit facility will be available to finance certain capital expenditures made from July 2020 to December 2021. Authorized annual borrowings under the facility are limited to the amount approved by the Board and FERC in each year's BP&B. NERC plans to finance \$2.0 million of the ERO SEL project costs late in 2020. The interest rate for the credit facility is floating, and NERC projects the average interest rate during 2021 for the ERO SEL project borrowing will be 3.0%. Borrowings under the credit facility for the ERO SEL will be amortized over a five-year period, and can be prepaid without penalty.

As discussed in the *Introduction and Executive Summary* and shown in the table below, NERC has a proposed 2021 capital (fixed asset) budget of approximately \$2.8M, and is assuming no loan borrowing through the capital financing program in 2021.

NERC Capital Budget	2020 Budget	2021 Budget	Increase(Decrease)	
ERO Application Development	\$ 2,007,000	\$ 1,850,000	\$ (157,000)	-7.8%
Hardware (storage, servers)	685,000	660,000	(25,000)	-3.6%
Other Equipment	250,000	50,000	(200,000)	-80.0%
NERC & E-ISAC Capital Software	1,264,349	191,500	(1,072,849)	-84.9%
Leasehold Improvements	500,000	-	(500,000)	-100.0%
<b>Total</b>	<b>\$ 4,706,349</b>	<b>\$ 2,751,500</b>	<b>\$ (1,954,849)</b>	<b>-41.5%</b>

	Year-End Outstanding Debt Balance				
	Prior Years Actual	2020 Projected	2021 Budget	2022 Projected	2023 Projected
Prior Years (2017 - 2019 Borrowings)	\$ -	\$ -	\$ -	\$ -	\$ -
2020 Projection	-	2,000,000	1,625,000	1,243,000	850,000
2021 Budgeted	-	-	-	-	-
2022 Projected	-	-	-	-	-
2023 Projected	-	-	-	-	-
<b>Total Outstanding Balance</b>	<b>\$ -</b>	<b>\$ 2,000,000</b>	<b>\$ 1,625,000</b>	<b>\$ 1,243,000</b>	<b>\$ 850,000</b>

	Future Annual Payments for Debt Service				
		2020 Projected	2021 Budget	2022 Projected	2023 Projected
Prior Years - Principal	\$ -	\$ -	\$ -	\$ -	\$ -
2020 Projection	-	-	375,000	382,000	393,000
2021 Budgeted	-	-	-	-	-
2022 Projected	-	-	-	-	-
2023 Projected	-	-	-	-	-
Interest Expense	-	-	55,000	48,000	37,000
<b>Total Principal and Interest Costs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 430,000</b>	<b>\$ 430,000</b>	<b>\$ 430,000</b>

## Exhibit D – Reserve Amounts

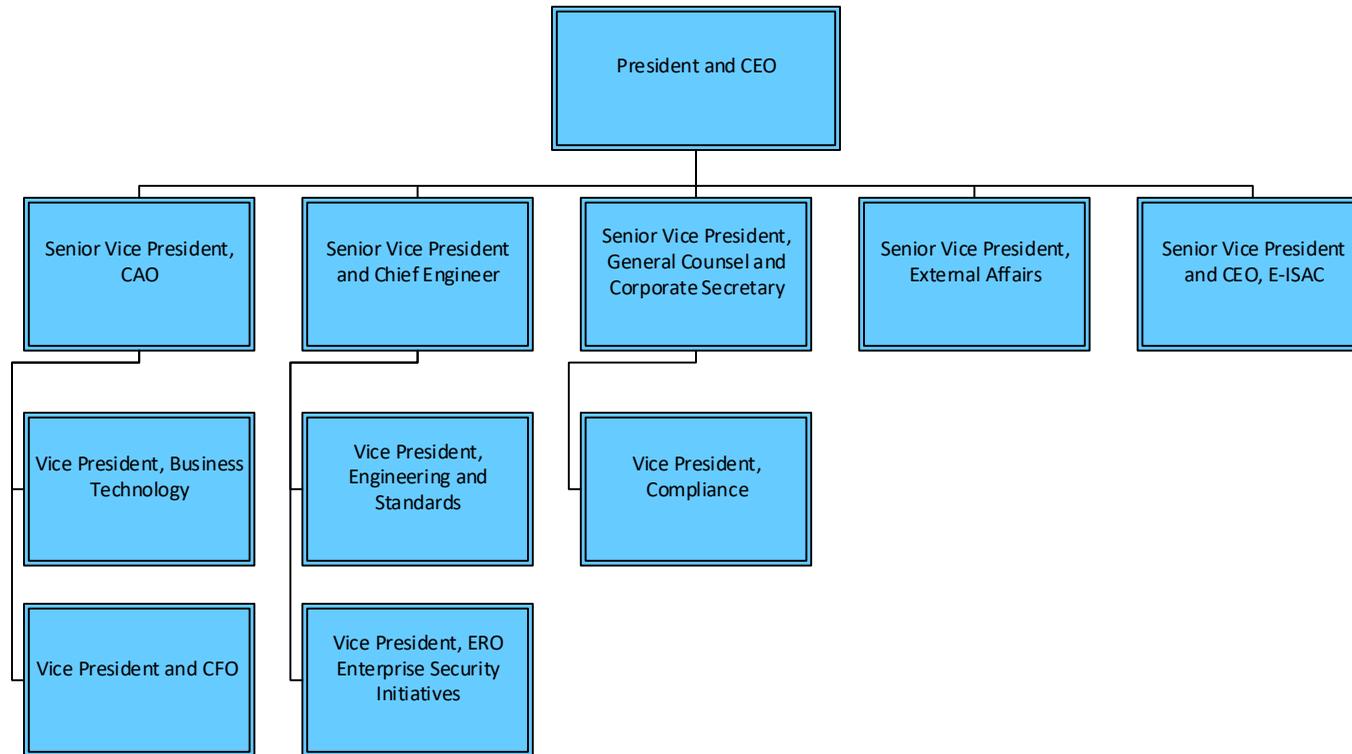
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### Reserves

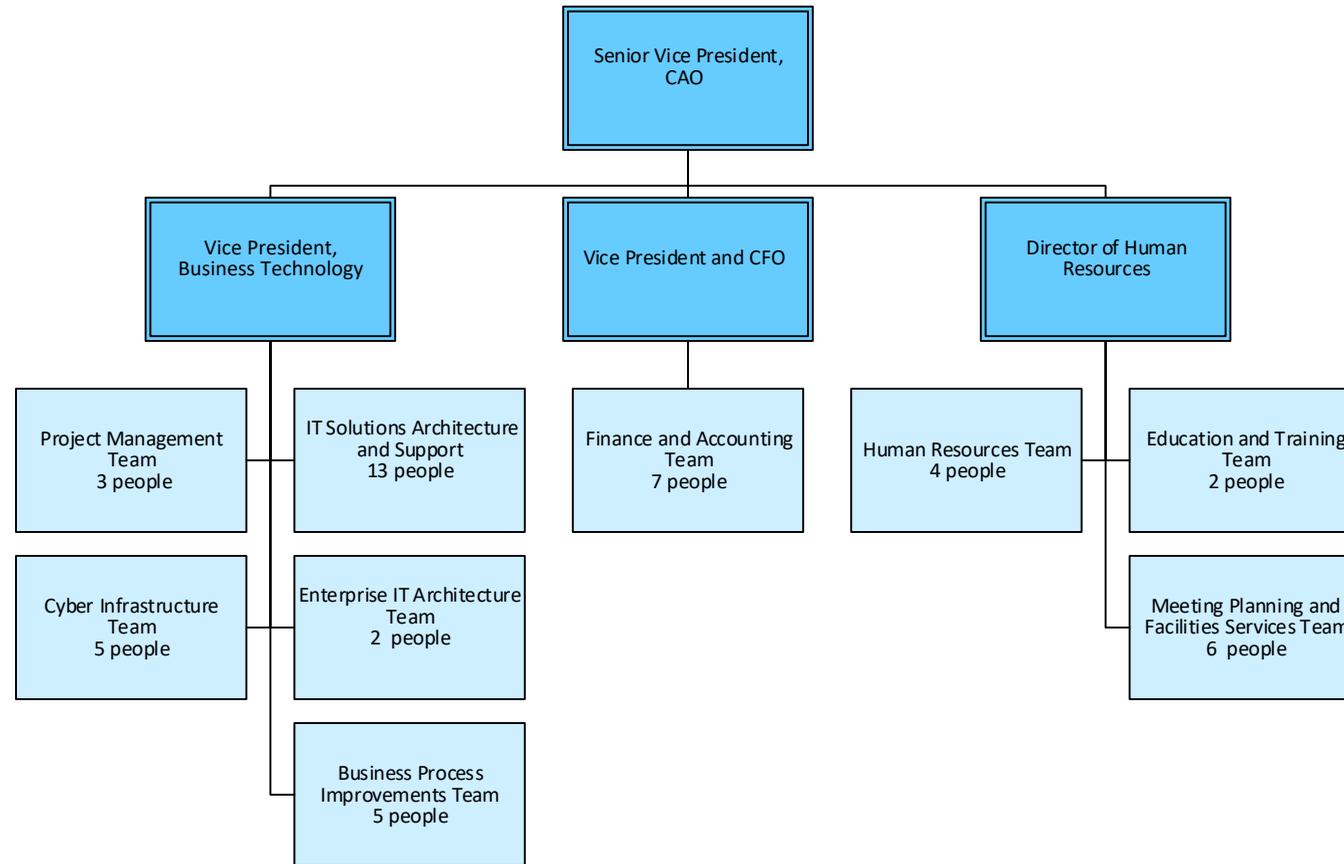
NERC is proposing an overall reserve budget of \$10.8M across all categories of reserves. This represents an increase of \$2.0M (22.8%) from the total reserve amounts included in NERC's 2020 budget. The reserve categories are as follows:

- **Future Obligation Reserve** – Includes funding that has been received to satisfy future obligations under lease, credit, loan, or other agreements to which the company is a party. This reserve is budgeted to be \$1.1M at December 31, 2021.
- **System Operator Certification Reserve** – Includes surplus funding from operator certification and testing fees that are above incurred expenses and shall be used solely to support operator testing and certification needs. The 2021 System Operator Certification Reserve is budgeted at \$921k at December 31, 2021, and is comprised primarily of existing funds.
- **CRISP Reserve** – Represents funds dedicated to support CRISP. These reserves are established pursuant to a CRISP budget agreed to and funded entirely by utilities participating in CRISP. These reserves have no impact on assessments and are segregated from other reserves pursuant to the terms of the CRISP agreements. The CRISP reserves are projected to be \$500k in the 2021 budget.
- **Operating Contingency Reserve** – Includes both general working capital funds resulting from day-to-day operations, and additional funds for contingencies that were not anticipated. NERC's current policy on Operating Contingency Reserves requires a reserve target of 3.5–7.0% of the company's total expense and fixed asset budget, except as otherwise approved by the Board after review and recommendation by the FAC. This percentage is calculated against NERC's total budget for operating and capital expenditures, less those costs related to CRISP and System Operator Certification, each of which has a separate reserve category. NERC is proposing to use \$1.8M of the Operating Contingency Reserve for funding for the 2021 budget, resulting in a projected Operating Contingency Reserve of approximately \$5.8M at December 31, 2021, which is 8.0% of total budgeted operating and fixed asset (capital) costs. The projected reserve is higher than target to provide additional reserves during uncertain economic conditions, allowing funding for the deferred projects resulting from cost savings efforts in 2020 and 2021 discussed above if needed.
- **Assessment Stabilization Reserve** – To date, this reserve has been funded entirely by previously received penalties and is projected to have a balance of \$2.5M as of January 1, 2021. This includes \$1.0M in penalty money received for the 12 months ended June 30, 2020. For purposes of the company's 2021 BP&B, NERC is not currently proposing any release of Assessment Stabilization Reserve funds to offset U.S. assessments. The Assessment Stabilization Reserve will be used to stabilize and reduce U.S. assessments in one or more future periods in the applicable year's BP&B, subject to review and approval by the Board and FERC.

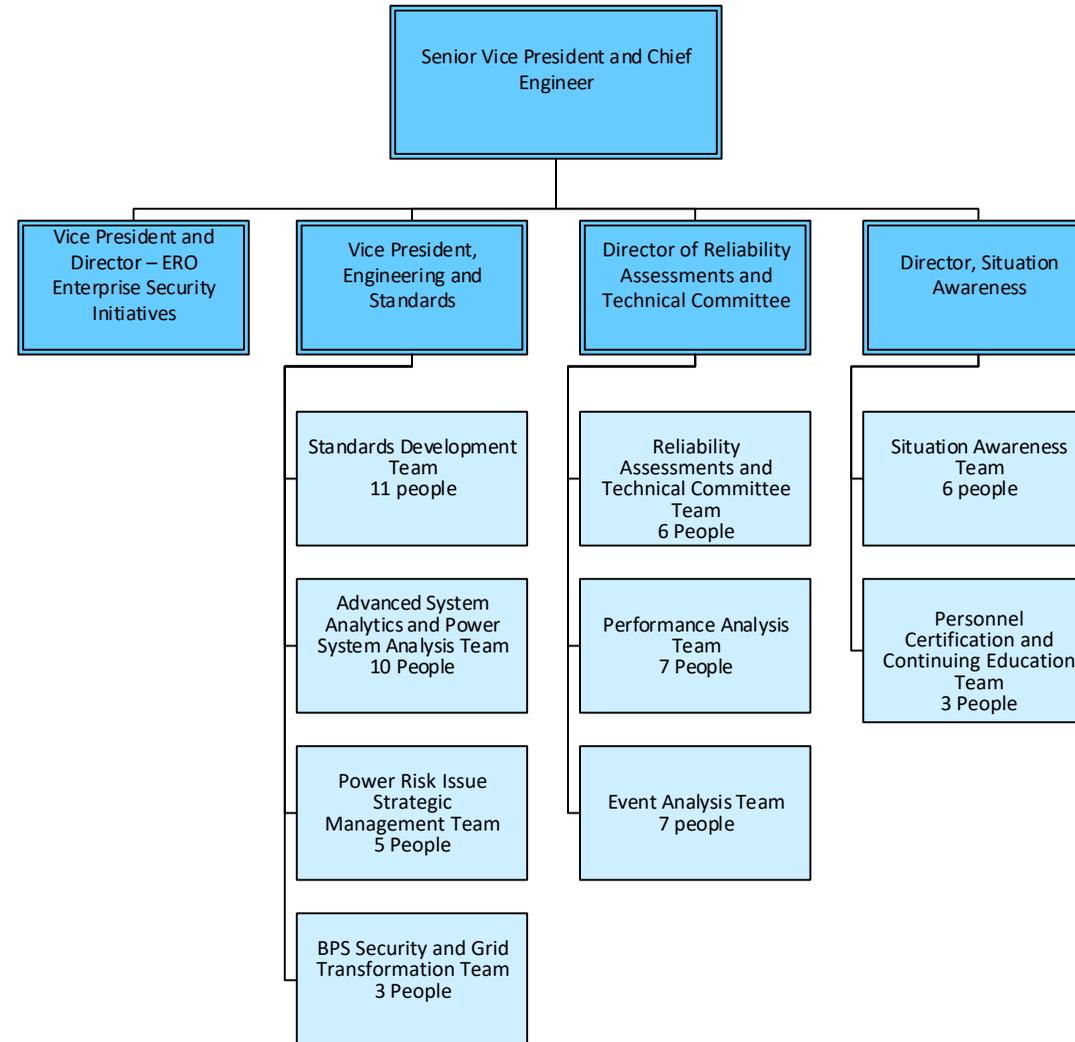
# NERC Staff Organization Chart – Budget 2021



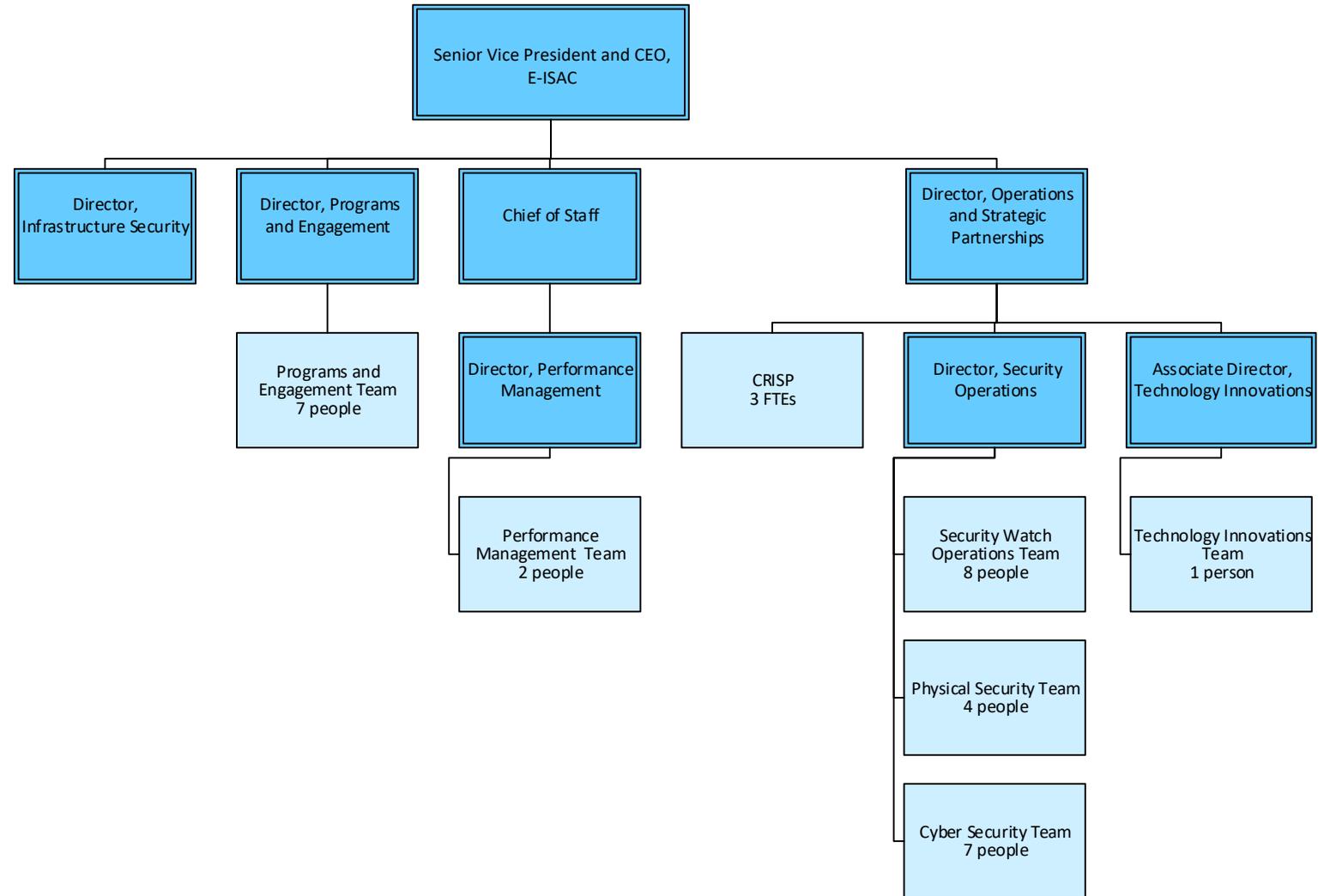
# IT, Finance, HR and Admin Support



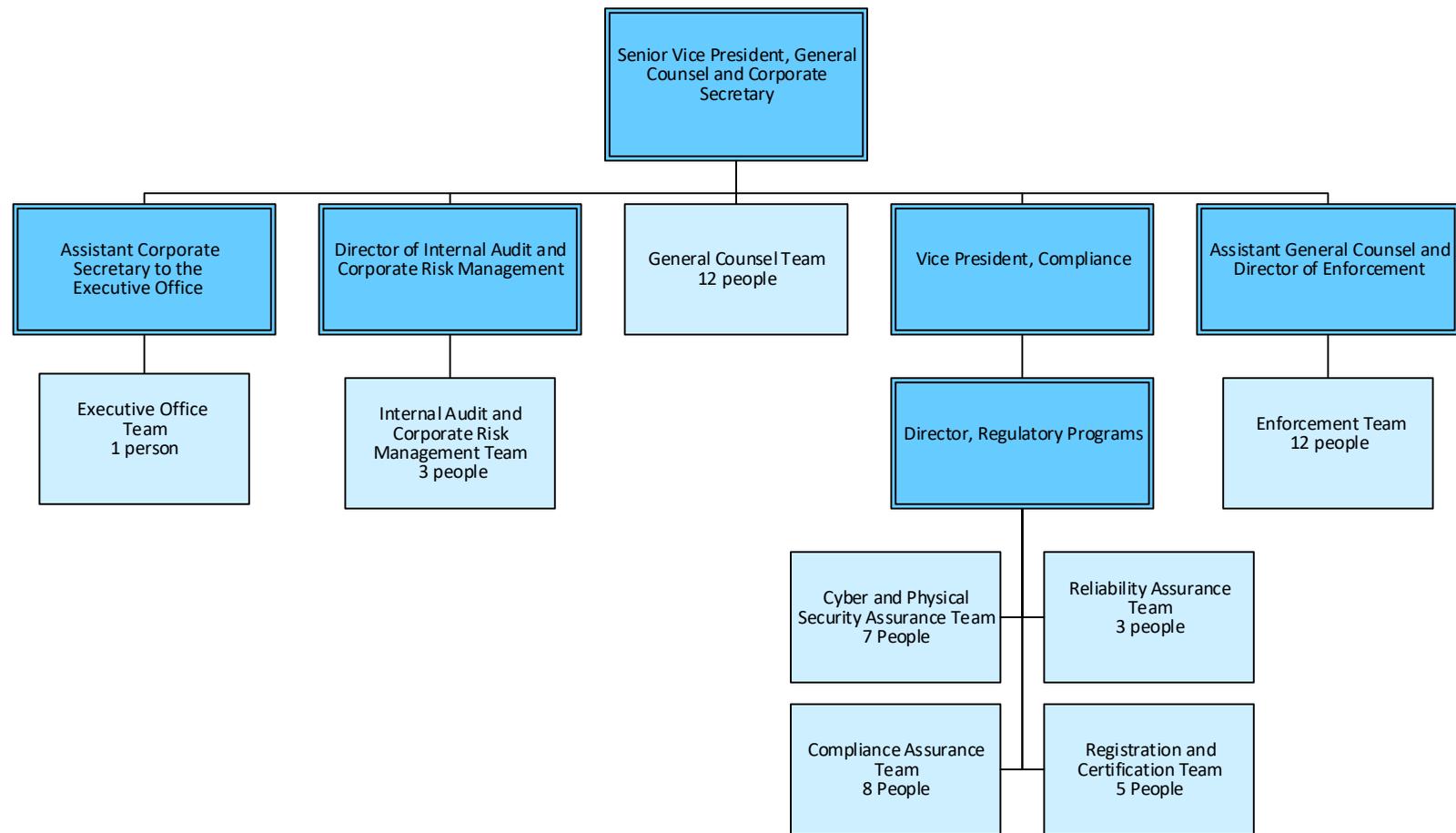
# Engineering & Standards and Reliability Assessments & Performance Analysis



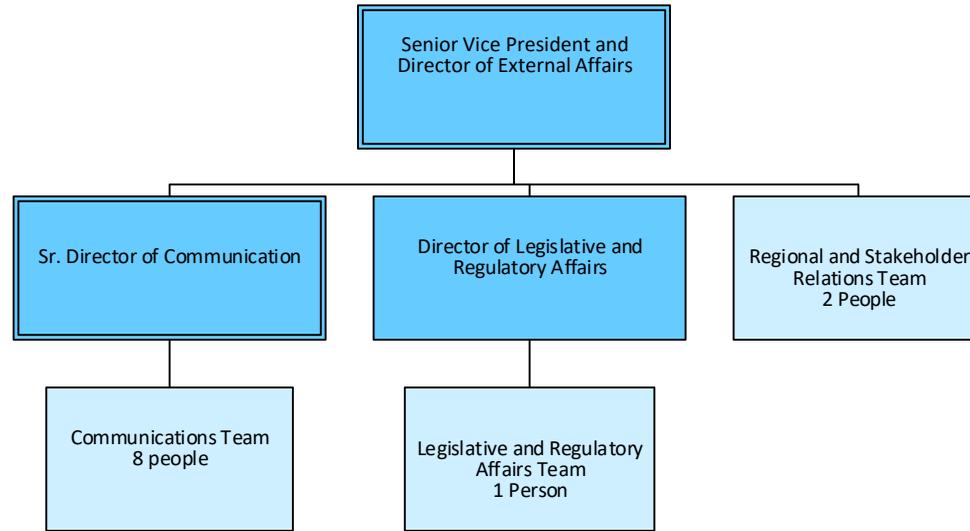
# Electricity Information Sharing and Analysis Center



## Executive, Legal and Regulatory, Internal Audit and Corporate Risk Management, and Compliance Enforcement



# External Affairs



## Attachment 3

### MRO Proposed 2021 Business Plan and Budget



# **Midwest Reliability Organization Approved 2021 Business Plan and Budget**

**Approved by MRO Board of Directors**

**Date: June 25, 2020**

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## Introduction

The following table summarizes the 2021 Midwest Reliability Organization (MRO) budget.

TOTAL RESOURCES (in whole dollars)				
	2021 Budget	U.S.	Canada	Mexico
Statutory FTEs	66.00			
Non-statutory FTEs				
<b>Total FTEs</b>	66.00			
Statutory Expenses	\$ 18,162,202			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 18,162,202			
Statutory Inc(Dec) in Fixed Assets	\$ 250,000			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ 250,000			
Assessment Stabilization Adjustment	\$ (1,428,951)			
Non-Statutory Stabilization Adjustment				
<b>Total Assessment Stabilization Adjustment</b>	\$ (1,428,951)			
Total Statutory Funding Requirement	\$ 16,983,251			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 16,983,251			
<b>Statutory Funding Assessments</b>	\$ 16,983,251	\$ 15,188,786	\$ 1,794,465	-
<b>Non-Statutory Fees</b>				
NEL	491,563,306	440,703,906	50,859,400	-
NEL%	100.00%	89.65%	10.35%	0.00%

**Table 1. MRO 2021 Budget**

## Organizational Overview

MRO is a Delaware nonprofit<sup>1</sup> corporation that is a cross-border Regional Entity<sup>2</sup> operating under a delegation agreement (Delegation Agreement) with the North American Electric Reliability Corporation (NERC)<sup>3</sup> and in accordance with the MRO Bylaws. The MRO Region

<sup>1</sup> MRO is tax exempt under Internal Revenue Service Section 501(c)(3) and under applicable State of Minnesota provisions.

<sup>2</sup> 16 U.S.C. § 824o(a)(7)

<sup>3</sup> The Commission certified NERC as the Electric Reliability Organization (ERO) in accordance with Section 215 of the Federal Power Act on July 20, 2006. *N. Am. Elec. Reliability Corp.*, 116 FERC ¶ 61, 062 (2006) (“ERO Certification Order”), *order on reh’g and compliance*, 117 FERC ¶ 61, 126 (2006), *aff’d sub nom. Alcoa Inc. v. FERC*, 564 F.3d 342 (D.C. Cir. 2009).

covers central North America and includes all or portions of 16 states within the United States,<sup>4</sup> and the Canadian provinces of Saskatchewan and Manitoba. MRO's current Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC)<sup>5</sup> pursuant to FERC's authority under the Federal Power Act (FPA)<sup>6</sup> and is effective through December 31, 2020. MRO anticipates a revised Delegation Agreement effective through December 31, 2025 will be entered into with NERC in late June and approved by FERC by year-end.

MRO's vision is:

*"A highly reliable and secure North American bulk power system."*

MRO's mission is:

*"To identify, prioritize and assure effective and efficient mitigation of risks to the reliability and security of the North American bulk power system by promoting Highly Effective Reliability Organizations® (HEROs)."*

MRO's vision and mission align with, and support, the Electric Reliability Organization (ERO) Enterprise's<sup>7</sup> vision and mission.<sup>8</sup>

Further, MRO supports the ERO Enterprise Long-Term Strategy.<sup>9</sup> Working closely with registered entities and subject matter experts in the MRO Region, MRO continually identifies and assesses risks to reliability of the regional bulk power system. Region-specific activities to support the direction of the ERO Enterprise and address regional risks are reflected in MRO's Strategic Plan, Operating Objectives and Supporting Activities (MRO Strategic Plan).

In the MRO Strategic Plan, MRO adopted the ERO Enterprise Core Principles<sup>10</sup> to guide its conduct and behaviors. These principles incorporate the MRO themes of clarity, assurance, and results.

## **MRO Core Principles**

*We are accountable for results, providing clarity and assurance of procedures, processes and controls to improve the reliability of the bulk power system. The following core principles guide our conduct and behavior:*

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<sup>4</sup> The MRO Region covers the states of Iowa, Kansas, Nebraska, Minnesota, North Dakota, and Oklahoma; and portions of Arkansas, Illinois, Louisiana, Michigan, Missouri, Montana, New Mexico, South Dakota, Texas, and Wisconsin.

<sup>5</sup> *Order Conditionally Approving Revised Pro Forma Delegation Agreement and Revised Delegation Agreements with Regional Entities*, 153 FERC ¶61,135 (November 2015); *Letter Order Accepting Compliance Filing* (March 2016); *Order Granting Approvals in Connection with the Dissolution of Southwest Power Pool Regional Entity*, 163 FERC ¶61,094 (May 2018); *Letter Order Transfer of Registered Entities and Revised Regional Delegation Agreements* (December 2018).

<sup>6</sup> 16 U.S.C. 824 o (e)(4)

<sup>7</sup> The ERO Enterprise refers to NERC and the Regional Entities collectively.

<sup>8</sup> MRO expands upon the ERO Enterprise mission statement *"To assure the effective and efficient reduction of risks to the reliability and security of the grid"* adding the concepts of identifying and prioritizing mitigation of risks and to include the High Reliability Organization (HRO) theory and principles, which MRO brands as "HERO." Although this is not explicitly included in the ERO Enterprise mission statement, NERC also promotes the HRO theory.

<sup>9</sup> ERO Enterprise Long-Term Strategy as approved by the NERC Board of Trustees December 12, 2019.

<sup>10</sup> MRO made three additions in keeping with the ERO Enterprise Core Principles: 1) the addition of accountability for clarity, assurance, and results; 2) an addition to articulate using funding wisely; and 3) a description of how to strive for operational excellence.

- **Accountability**
  - *Maintain the public trust in fulfilling responsibilities and use our funding wisely.*
  - *Act in a timely manner on the basis of facts to address issues related to events, emerging reliability risks, the needs of stakeholders, and the public interest.*
- **Independence**
  - *Be impartial, objective, fair, and intellectually honest.*
  - *Ensure governance practices that provide both regulatory independence and inclusion of stakeholder expertise to address reliability and security matters.*
- **Inclusiveness and Transparency**
  - *Create opportunities for stakeholder engagement.*
  - *Consider and balance the diverse interests of all stakeholders, including costs imposed to the consumer.*
  - *Leverage industry expertise and avoid unnecessary duplication.*
- **Innovation**
  - *Assess emerging risks and adapt to change.*
  - *Encourage new ideas and prioritize efforts that contribute to improving productivity and reliable operations.*
- **Excellence**
  - *Strive for operational excellence by being rigorous, accurate, and exacting.*
  - *Promote the active participation of the best technical experts.*
  - *Make informed decisions regarding efficient use and allocation of resources.*
- **Integrity**
  - *Maintain the highest levels of ethical conduct.*
  - *Maintain respectful relationships.*
  - *Protect the security of confidential information.*

## Membership and Governance

MRO membership<sup>11</sup> consists of members and adjunct members. Adjunct members are entities that are not eligible to belong to an industry sector, but have a material interest in reliability issues in the MRO Region. As of April 2020, MRO had 91 members, 7 of which are non-voting, adjunct members. Each voting member organization belongs to one of seven industry sectors:

- Transmission System Operator
- Generator and/or Power Marketer
- Investor Owned Utility
- Cooperative
- Municipal Utility
- Federal Power Marketing Agency
- Canadian Utility

Members are encouraged to participate in MRO organizational groups.

MRO's Board of Directors is a hybrid board consisting of a combination of independent and balanced stakeholder board members. In 2021, the MRO Board will consist of 17 stakeholder directors elected by members from the 7 industry sectors, plus 4 independent directors and 2 regional directors elected by all members. Pursuant to MRO's Bylaws, no two industry sectors

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<sup>11</sup> Membership is voluntary and provides members with voting rights. There is no fee for membership.

can control a vote. In addition, the board has adopted procedures to ensure it carries out its responsibilities free of conflicts of interest.

The board's duties include, but are not limited to, the following:

- Govern the corporation and oversee all of its activities
- Establish and oversee all organizational groups
- Oversee accomplishment of all functions set forth in any delegation or other agreement with NERC or any governmental entity related to development, monitoring, and enforcement of Reliability Standards and related matters
- Approve, revise, and enforce member data and information requirements and related confidentiality requirements
- Establish and approve an annual budget
- Represent MRO in legal and regulatory proceedings
- Hire the President and CEO
- Establish board committees as necessary
- Establish reasonable compensation for the Independent Directors following IRS rebuttable presumption procedures after considering the recommendation from the Governance and Personnel Committee's directors who are not compensated
- Participate actively in organizational strategic planning
- Serve as a resource of knowledge and counsel to the executive staff, committees, and other board members
- Represent the organization at NERC and industry events
- Serve on at least one, and no more than two, board committees; chair committees as appointed
- Exercise their fiduciary duty of care by preparing for, attending, and participating in board and assigned committee meetings. Absent compelling and stated reasons, directors should be present at meetings
- Complete the board self-assessment

The board has three committees:

- Finance and Audit Committee (FAC)
- Governance and Personnel Committee (GPC)
- Organizational Group Oversight Committee (OGOC)

The board has established three advisory councils comprised of stakeholder members:

- Compliance Monitoring and Enforcement Program Advisory Council (CMEPAC)
- Reliability Advisory Council (RAC)
- Security Advisory Council (SAC)

Each advisory council may have subgroups that it oversees. All organizational group charters are published on MRO's website. Board-approved *Policy and Procedure 3: Establishment, Responsibilities, and Procedures of Organizational Groups and MRO Sponsored Representatives on NERC Organizational Groups* sets out the processes for the organizational groups and MRO sponsored NERC Representatives.

## **Business Plan and Budget Development**

Each year, MRO prepares a Business Plan and Budget for the following calendar year. The Business Plan and Budget takes into account the ERO Enterprise Long-Term Strategy and the MRO Strategic Plan. MRO staff develops the Business Plan and Budget with board and

stakeholder input. The Business Plan and Budget process is a coordinated effort with NERC and the other Regional Entities.

In the 2021 Business Plan and Budget (2021 BP&B), NERC and the Regional Entities are implementing format revisions to the Statement of Activities (SOA) report. These revisions are intended to ensure that NERC and the Regional Entities report information consistently from new accounting standards (e.g., leasing standards and right-of-use assets), provide enhanced transparency of financing activity (e.g., debt borrowing, leased-financed asset purchases, and principal payments), and streamline sections of the report related to non-cash expenses (primarily depreciation and amortization). The goal of the new format is to improve the effectiveness of the report to the reader and to provide a total budget amount that more closely reflects the amount of annual revenues required from assessments and other funding sources. One of the format revisions is that the SOA will include a footnote related to the presentation of penalty sanctions when reporting total budget funding. This revision corresponds with newly adopted generally accepted accounting practices that are not apparent in the SOA presentation.

The draft Business Plan and Budget is reviewed by the MRO FAC and the board, and is subsequently posted for stakeholder comment. After consideration of stakeholder comments, but prior to obtaining final approval from its board of directors, MRO seeks NERC input. The MRO Board considers the final version of the Business Plan and Budget at its second quarter meeting, and upon approval, staff submits it to NERC for approval by NERC's Board of Trustees. Upon approval of NERC's Business Plan and Budget and all six Regional Entities' Business Plans and Budgets, a filing is submitted to FERC for approval, which is typically obtained in October or November of the year preceding the budget year.

### **Financial Policies and Controls**

An independent auditing firm annually audits MRO's financial statements. The FAC Charter states: The FAC "evaluates the performance of the external auditor and, if so determined, recommends to the board the reappointment of the external auditor or steps to replace the external auditor." Once hired, the independent auditor communicates directly with the FAC Chair and committee regarding audit matters. The FAC and MRO staff perform an annual review of the auditing firm's performance.

MRO's Purchase Requisition Policy and Contract Management Procedure govern the procurement of goods and services in excess of \$500. These protocols require that a purchase order be approved by MRO's Vice President and Engineer for Strategy, Innovation, and Finance and the departmental director or vice president for all purchases in excess of \$500. Additionally, purchases in excess of \$10,000 must be approved by MRO's President and CEO.

MRO's Expense Statement Guidelines provide guidance on reasonable, reimbursable travel expenses. Expenses are reviewed for proper documentation and reasonableness by the employee's supervisor, the Accounting Specialist, and MRO's Vice President and Engineer for Strategy, Innovation, and Finance.

MRO utilizes a system to track and report time by program area and project. This system is also used to report and approve expenses.

In addition to its operating expenses, MRO's budget includes a cash reserve as specified in *Policy and Procedure 13: Reserves Policy*.

In 2019, MRO revised its reserve policy to include an assessment stabilization reserve to mitigate year-to-year variations in assessments, which can result from a variety of factors, such as application of penalty funds collected, surplus funds available from a prior period, a need to replenish the targeted operating reserve, or significant, but relatively short-term operating or capital spending needs.

MRO states that the goal of its reserves is to meet unplanned, short-term financial needs resulting from changes in the level of expenditures that would adversely affect the company's total annual operating budget during the budget year, where the total budget reflects prudent fiscal discipline and good stewardship of resources. In addition, MRO may propose to set aside funds in a separate reserve account to be released in future periods to mitigate year-to-year variations in assessments.

The reserve policy provides MRO the flexibility to address both the budget and assessments appropriately. The policy also provides flexibility to address unique situations with review and approval of the MRO Board. There is an analysis performed during each budget cycle. Except as otherwise approved by the MRO Board, reserve funds may not be used for any purpose inconsistent with this policy.

### **Accounting and Recordkeeping**

MRO uses Generally Accepted Accounting Principles (GAAP) to budget, and uses a Chart of Accounts based on NERC's System of Accounts, as required in the Delegation Agreement. Additionally, MRO maintains an accounting manual to provide instructions to accounting staff on accounting transactions and functions. MRO maintains its books on an accrual basis with monthly closings, recognizing revenues when earned and expenses when incurred. The majority of MRO expenses are labor and benefit costs. General and Administrative costs are allocated to each MRO program area based on the number of full-time equivalents (FTEs) in each program area.

### **Organizational Structure and Staffing**

MRO has six statutory departments, each of which is dedicated to one or more statutory functions or program areas, and five general and administrative departments. Costs are tracked both by department and in the MRO Chart of Accounts. MRO employees track the time spent working in each program area, and labor costs are charged to the appropriate program area. Each of the statutory departments also contribute to the Training and Education program, which provides outreach to MRO registered entities and stakeholders through MRO's newsletter and other publications, workshops, webinars and conferences, as well as presentation opportunities at other industry events.

### **Statutory Departments**

- The Registration, Certification, and Standards Department is responsible for identifying and registering all entities meeting the criteria for registration in the NERC Compliance Registry; ensuring all Balancing Authorities, Reliability Coordinators, and Transmission Operators have implemented training, tools, and security precautions for operation of the bulk power system; and monitoring NERC Reliability Standards projects. This department is managed by a manager who reports to the Senior Vice President and Chief Operating Officer.
- The Compliance Monitoring Department encompasses MRO's oversight activities (including the development of Compliance Oversight Plans (COPs)) and conducts oversight activities such as audits, spot checks, and self-certifications. This department

is managed by a director who reports to the Senior Vice President and Chief Operating Officer.

- MRO's Risk Assessment and Mitigation (RAM) Department is responsible for providing an independent review of all identified potential noncompliances in the MRO Region. RAM assesses the risk that potential noncompliances pose to the Bulk Electric System (BES) and ensures that mitigation activities not only address the immediate issue, but also prevent recurrence. In performing these tasks, RAM works closely with the entity's subject matter experts. In addition, RAM performs Inherent Risk Assessments (IRAs) that quantify the potential risks to the reliability and security of the bulk power system; and documents the relevant requirements for individual entities based on that risk. This assessment is a primary input to the COPs. The RAM Department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.
- The Enforcement Department is responsible for the disposition and enforcement of noncompliance with Reliability Standards and is managed by a Senior Counsel who reports to the Vice President, General Counsel and Corporate Secretary.
- The Reliability Assessment & Performance Analysis (RAPA) Department is responsible for reliability assessments, performance analysis, event analysis, and situational awareness. This department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.
- The Security Department focuses on activities to promote identification, assessment, mitigation, and communication of cyber, physical, and operational risks to the reliability and security of the North American bulk power system. This department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.

### **General and Administrative Departments**

- The Information Technology (IT) Department is responsible for providing a secure network infrastructure and information technology systems that support the users. Systems include IT, cyber, and physical security. This department is managed by a director who reports to the Vice President and Engineer for Strategy, Innovation, and Finance.
- The Legal Department is led by the Vice President, General Counsel and Corporate Secretary who, along with the Senior Counsel, provides legal advice to MRO.
- The Human Resource Department performs all employee-related functions, including recruitment, retention, and talent management. This department includes a director who reports to the Vice President and Engineer for Strategy, Innovation, and Finance.
- The Finance and Accounting Department performs accounting, finance, budget, event planning, facilities management, and treasury functions and reports to the Vice President and Engineer for Strategy, Innovation, and Finance, who is also the Chief Compliance Officer.
- The General and Administrative Department reports to MRO's President and CEO and performs normal administrative functions for the President and CEO and the Vice President, General Counsel and Corporate Secretary.

### **Compensation Process and Standards of Conduct, Confidentiality, and Conflict of Interest Policies**

MRO bases employee compensation on established pay principles. The current compensation structure uses a six-tiered structure, with each tier divided into levels reflecting /experience,

degree of knowledge, skills, and abilities. MRO periodically engages a third party compensation expert to review and provide guidance this structure.

Each MRO employee is required to annually sign a Standards of Conduct, Confidentiality and Conflict of Interest form, attesting that he or she has read and understood these policies and will always act in MRO's interests and avoid conduct that may compromise his or her MRO responsibilities. MRO employees are prohibited from having an equity interest in any registered entity on MRO's Compliance Registry and must avoid ownership interests that will or might compromise their responsibilities to MRO.

## 2021 Strategic Priorities

The MRO President and CEO has established three strategic priorities for MRO staff in 2021:

- *Innovate* approaches to reduce risk
- *Execute* NERC delegated functions; and
- *Align* our efforts with others across the ERO Enterprise

***Innovate approaches to reduce risk.*** MRO staff will develop and deliver innovative and risk-based programs and tools. MRO staff supports innovation, risk initiatives, and the sharing of best practices. MRO will continue to promote registered entities' strengths and expertise in identifying and mitigating reliability and security risks.

***Execute NERC delegated functions.*** MRO will identify, prioritize, and ensure effective and efficient mitigation of risks to the reliability and security of the North American bulk power system across our geographical footprint. MRO must continue to execute its delegated functions with a high degree of accuracy pursuant to its principles for all MRO registered entities, including Compliance Monitoring and Enforcement Program (CMEP) activities, event analysis, performance analysis, and reliability assessments.

***Align our efforts with others across the ERO Enterprise.*** MRO is aligned with the ERO Enterprise and will continue to provide support to the ERO Enterprise goals, and to that end, MRO supports the ERO Enterprise Long-Term Strategy.

## 2021 Key Strategic Goals and Supporting Activities

### ERO Enterprise Model and Transformation

The collective network of leadership, experience, skills, and technologies shared among NERC and the Regional Entities is referred to as the ERO Enterprise. The ERO Enterprise is a collaborative organization with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs; the model enables innovative and distinctive approaches to address these unique reliability risks and challenges locally. As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;

- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best practices across the ERO Enterprise.

NERC has unique responsibilities to oversee program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. NERC and the Regional Entities also coordinate activities to identify, prioritize, and address risks to reliability. The Regional Entities have a mirrored set of responsibilities within the ERO Enterprise model, providing input into the overall development of each ERO program area, providing training and development to meet ERO qualifications, and ensuring delegated responsibilities are completed. Regional Entities also have an obligation to meet professional standards of independence and objectivity and provide the best available expertise for addressing regional risks.



### **ERO Enterprise Long-Term Strategy**

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regional Entities, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the ERO Enterprise Long-Term Strategy as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified bulk power system risks. This strategy, which was approved by the NERC Board of Trustees on December 12, 2019, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial ERO Reliability Risk Priorities Report;
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise, where appropriate. Program area narratives in each organization's business plan and budget may reference how activities support each of the strategic focus areas. MRO supports the ERO Enterprise's Long-Term Strategy through the execution of MRO's strategic goals:

Goal 1: Risk-Responsive Reliability Standards

Goal 2: Objective, Risk Informed Entity Registration, Compliance Monitoring, Mitigation, and Enforcement

Goal 3: Reduction of Known Reliability Risks

Goal 4: Identification and Assessment of Emerging Reliability Risks

Goal 5: Identification and Reduction of Cyber and Physical Security Risks

Goal 6: Improving ERO Enterprise Efficiency and Effectiveness

MRO develops objectives and supporting activities in support of these strategic goals and reviews them annually.

## 2021 Overview of Cost Impacts

In developing the MRO 2021 BP&B, MRO, NERC, and the other Regional Entities collaborated and agreed upon common operational and program assumptions that are contained in the Shared Business Plan and Budget Assumptions for the 2019-2021 Planning Period (2021 Budget Cycle). MRO used these shared assumptions, as well as the ERO Enterprise Strategic Goals, in developing this 2021 BP&B. Prior to obtaining final approval from its board of directors, MRO seeks NERC input and review of its annual Regional Entity BP&B, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

Overall, the MRO 2021 statutory expenses (\$18.4M) increased by 5.0 percent from the 2020 statutory expenses (\$17.5M). The 2021 statutory assessment (\$17.0 M) represents a zero percent increase from the 2020 assessment. A key factor of the assessment determination was the consideration towards the state of the economy within a pandemic environment. MRO proposes to use its reserves to manage the variance between the budgeted expenses and the assessments.

Significant efficiency gains have been recognized since the regional integration of MRO and SPP RE. MRO's 2021 BP&B incorporates more informed decisions on the necessary staffing, as well as increased registered entity outreach and engagement. Efficiency gains and cost savings in both budget and assessment dollars continue to be recognized in the 2021 BP&B. Both the 2021 and 2020 MRO budgets are less than the 2018 combined budgets of SPP RE and MRO before the integration. MRO's 2021 budget recognized a savings of \$2.4 million (11 percent), and the 2020 budget reflects a savings of \$3.2 million (16 percent), when compared with the combined 2018 budgets. The 2021 Net-Energy-for-Load (NEL) rate remains lower than the original 2018 NEL rate before the integration.

Other significant statutory expense changes (including capital expenditures) in MRO's 2021 budget compared to its 2020 budget include:

- **Increase in Salaries.** MRO completed a comprehensive review of all of its positions in 2019, and with the assistance of a compensation consultant benchmarked compensation for each position to market. Results of the study led to adjusted salaries in 2020, which were more than was budgeted. This creates a larger variance when comparing proposed 2021 salary expense to the salary expense included in the 2020 budget that was submitted and approved before the compensation study was completed.
- **Decrease in Benefits.** MRO measured the average cost in its health premiums per employee based on 2020 actual premiums which were lower than budgeted in 2020. A proposed increase to those actuals resulted in 2021 benefit costs being nearly equal to the benefit costs in the 2020 budget. The per employee cost is applied to each department based on FTEs.
- **Increase in FTEs.** Re-evaluation of required resources occurred in 2020. The resource assessment determined a need for three additional FTEs given work related to the expanded footprint. One of the FTEs will support the RAM Department and two are analyst positions in the Information Technology (IT) Department. The total FTEs reflected in the 2021 budget is 66.
- **Decrease in Meetings and Travel.**<sup>12</sup> MRO will host the majority of its in-person educational events to support mitigation and outreach strategies for addressing identified risks at its Saint Paul office. There is one off-site workshop planned in the southern area of the MRO Region. Increased usage of virtual meetings and events will aid in the reduction of travel. Historic cost trends were used to improve travel cost estimates in 2021.
- **Increase in Consultant and Contract Support.** The majority of MRO's consultants and contracts costs are in IT and Compliance. These programs utilize additional technical support to maintain MRO's IT infrastructure, and support of newly implemented, ERO-wide applications and tools.
- **Increase in Office Rent.** Office rent is increasing due to the anticipated leasing of additional office space and the cost to maintain it.

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<sup>12</sup> The extent to which COVID-19 will continue to impact meetings and travel in 2021 is unknown. Meetings and travel are presumed to return to pre-COVID-19 levels in 2021. Travel costs are still assumed to be low given historic cost data.

- **Other Operating Expenses.** Other operating expenses are decreasing to reflect a reduction in the use of external support in some administrative service areas and reduced cost in office supplies.

**Other Non-Operating Expenses**

None

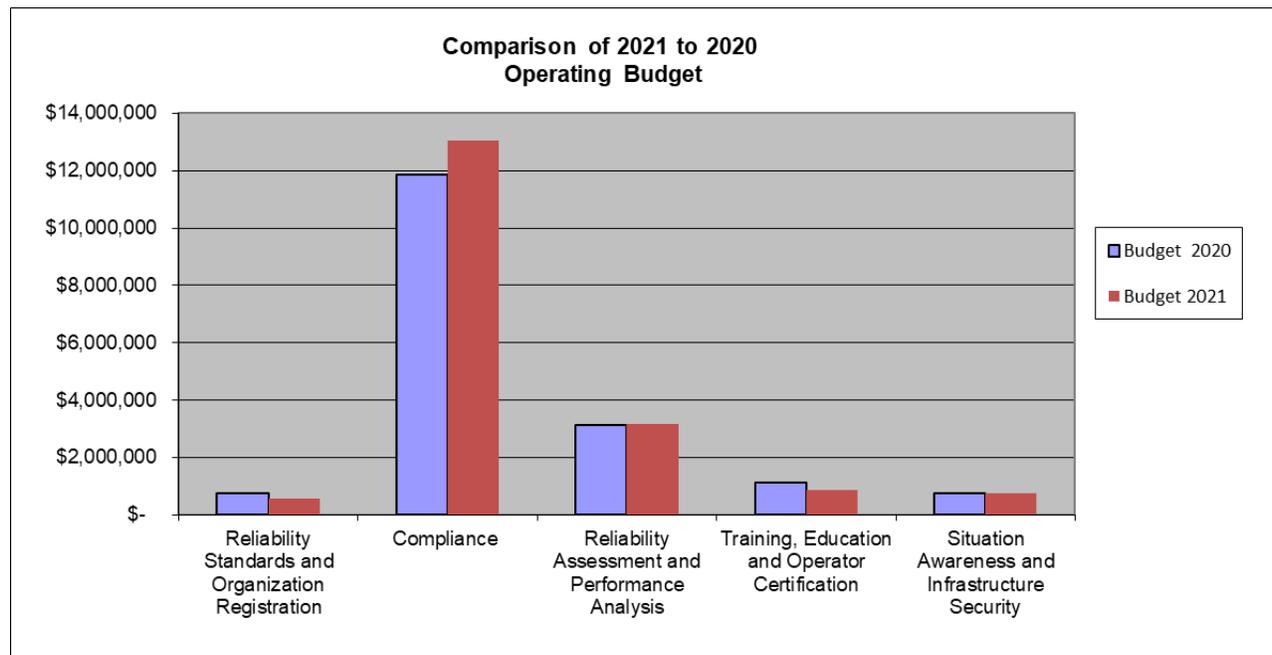
## Comparison of 2021 and 2020 Statutory Budgets

The following table and figure summarize and illustrate the MRO budget by program area.

Base Operating Budget	Budget 2020	Projection 2020	Budget 2021	Variance	
				2021 Budget v 2020 Budget	Variance %
Reliability Standards	736,148	680,417	559,677	(176,471)	-24.0%
Compliance Enforcement and Organization Registration	11,847,844	11,095,632	13,056,084	1,208,240	10.2%
Reliability Assessments and Performance Analysis	3,113,418	2,825,732	3,193,130	79,712	2.6%
Training, Education and Operator Certification	1,106,166	973,405	857,332	(248,834)	-22.5%
Situation Awareness and Infrastructure Security	737,393	653,688	745,980	8,587	1.2%
<b>Total</b>	<b>17,540,969</b>	<b>16,228,874</b>	<b>18,412,202</b>	<b>871,233</b>	<b>5.0%</b>

This table combines Compliance Monitoring, Risk Assessment and Mitigation, and Enforcement.

**Table 2. Budget by Program Area**



**Figure 1. Budget by Program Area Chart**

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget 2020	Projection 2020	Budget 2021	Variance from 2020 Budget
<b>STATUTORY</b>				
<b>Operational Programs</b>				
Reliability Standards and Organization and Certification	2.08	2.08	1.50	(0.58)
Compliance	15.33	15.33	18.00	2.67
Compliance Risk Assessment and Mitigation	15.75	15.75	16.00	0.25
Compliance Enforcement	2.55	2.55	2.00	(0.55)
Training and Education	2.97	2.97	2.16	(0.81)
Reliability Assessment and Performance Analysis	8.38	8.38	8.34	(0.04)
Situation Awareness and Infrastructure Security	2.08	2.08	2.00	(0.08)
<b>Total FTEs Operational Programs</b>	<b>49.14</b>	<b>49.14</b>	<b>50.00</b>	<b>0.86</b>
<b>Administrative Programs</b>				
Technical Committees and Member Forums	-	-	-	-
General and Administrative	1.92	1.92	3.36	1.44
Legal and Regulatory	2.77	2.77	1.55	(1.22)
Information Technology	4.44	5.04	6.00	1.56
Human Resources	1.35	1.35	1.29	(0.06)
Finance and Accounting	3.38	3.38	3.80	0.42
<b>Total FTEs Administrative Programs</b>	<b>13.86</b>	<b>14.46</b>	<b>16.00</b>	<b>2.14</b>
<b>Total FTEs</b>	<b>63.00</b>	<b>63.60</b>	<b>66.00</b>	<b>3.00</b>

**Table 3. Total FTEs by Program Area**

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

## 2020 Budget and Projection and 2021 Budget Comparisons

The following table lists the 2020 budget and projection compared to the 2021 budget.

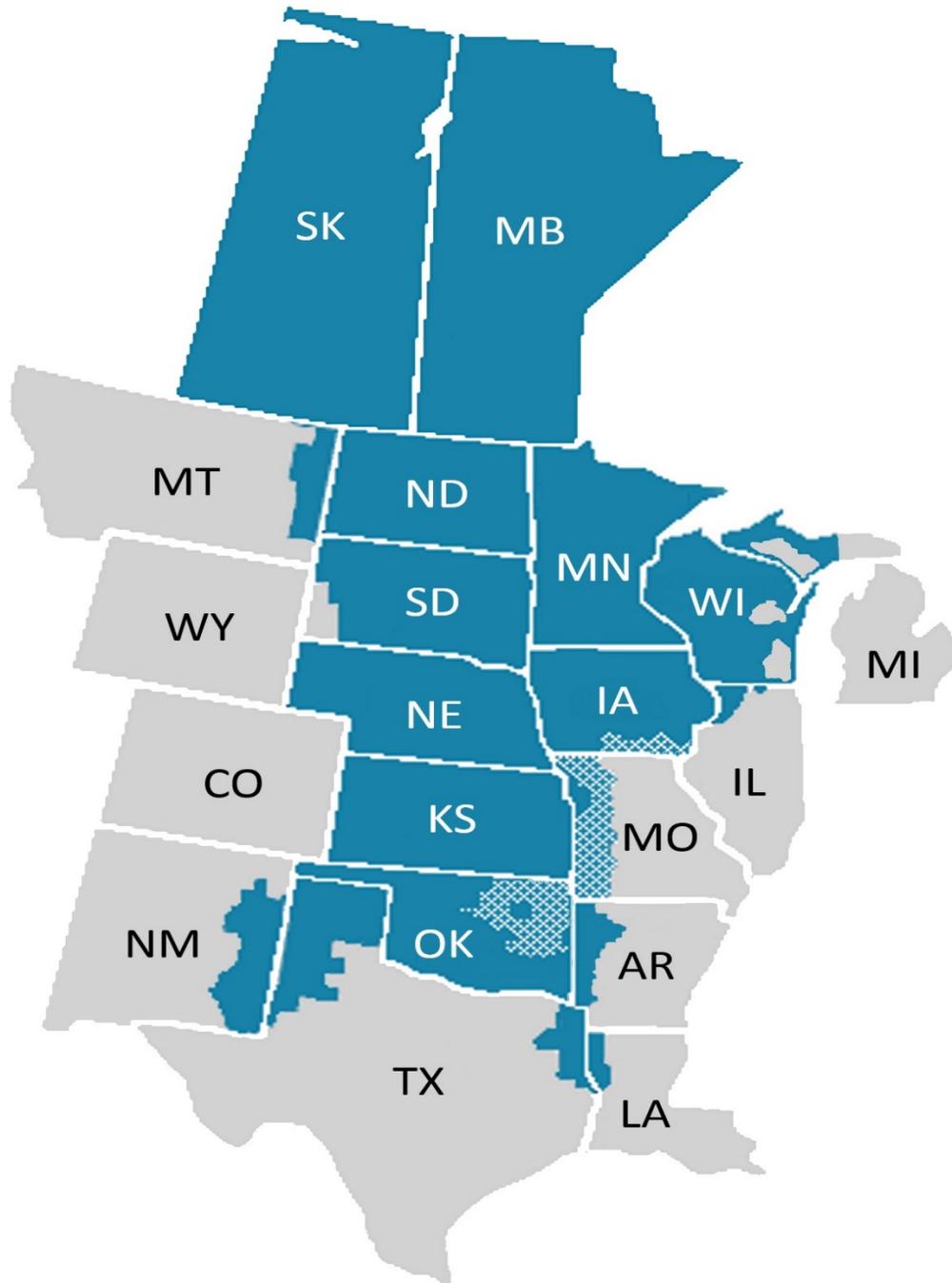
<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
STATUTORY					
	2020 Budget	2020 Projection	Variance 2020 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 16,983,251	\$ 16,983,251	\$ -	\$ 16,983,251	\$ 0
Assessment Stabilization Reserves*	557,718	557,718	-	1,428,951	871,233
<b>Total Funding (A)</b>	<b>\$ 17,540,969</b>	<b>\$ 17,540,969</b>	<b>\$ -</b>	<b>\$ 18,412,202</b>	<b>\$ 871,233</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 9,334,262	\$ 9,387,353	\$ 53,091	\$ 10,059,263	\$ 725,001
Payroll Taxes	\$ 586,604	\$ 590,306	3,702	631,891	45,287
Benefits	\$ 1,061,581	\$ 1,069,153	7,572	1,064,375	2,794
Retirement Costs	\$ 1,500,244	\$ 1,507,453	7,209	1,528,209	27,965
<b>Total Personnel Expenses</b>	<b>\$ 12,482,691</b>	<b>\$ 12,554,265</b>	<b>\$ 71,574</b>	<b>\$ 13,283,737</b>	<b>\$ 801,046</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 175,900	\$ 96,170	\$ (79,730)	\$ 204,900	\$ 29,000
Travel	\$ 1,108,732	\$ 488,860	(619,872)	739,967	(368,765)
<b>Total Meeting Expenses</b>	<b>\$ 1,284,632</b>	<b>\$ 585,030</b>	<b>\$ (699,602)</b>	<b>\$ 944,867</b>	<b>\$ (339,765)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 1,306,319	\$ 969,112	\$ (337,207)	\$ 1,339,701	\$ 33,382
Office Rent	\$ 774,000	\$ 774,000	-	1,168,700	394,700
Office Costs	\$ 930,327	\$ 705,217	(225,110)	905,697	(24,630)
Professional Services	\$ 528,000	\$ 416,250	(111,750)	519,500	(8,500)
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 3,538,646</b>	<b>\$ 2,864,579</b>	<b>\$ (674,067)</b>	<b>\$ 3,933,598</b>	<b>\$ 394,952</b>
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Indirect Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenses (B)</b>	<b>\$ 17,305,969</b>	<b>\$ 16,003,874</b>	<b>\$ (1,302,095)</b>	<b>\$ 18,162,202</b>	<b>\$ 856,233</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 235,000</b>	<b>\$ 1,537,095</b>	<b>\$ (1,302,095.35)</b>	<b>\$ 250,000</b>	<b>\$ 15,000</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>235,000</b>	<b>225,000</b>	<b>(10,000)</b>	<b>250,000</b>	<b>15,000</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B+ C)</b>	<b>\$ 17,540,969</b>	<b>\$ 16,228,874</b>	<b>\$ (1,312,095)</b>	<b>\$ 18,412,202</b>	<b>\$ 871,233</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 1,312,095</b>	<b>\$ 1,312,095</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>63.00</b>	<b>63.60</b>	<b>-</b>	<b>66.00</b>	<b>3.00</b>

**Table 4. 2020 Budget and Projection and 2021 Comparisons<sup>13</sup>**

<sup>13</sup> \* The Assessment Stabilization Reserve (ASR) includes penalties collected in a prior year but released in the current year to offset U.S. assessments as approved by the NERC Board of Trustees and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

# Section A – Statutory Programs

## 2021 Business Plan and Budget



## Section A – Statutory Programs

### Reliability Standards, Organization Registration and Certification Program

The following table shows funding sources and related expenses for the Reliability Standards, Organization Registration and Certification Program.

Reliability Standards Program (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	2.08	1.50	(0.58)
Direct Expenses	\$ 484,696	\$ 344,886	\$ (139,810)
Indirect Expenses	\$ 241,505	\$ 207,291	\$ (34,214)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 9,947	\$ 7,500	\$ (2,447)
Total Funding Requirement	\$ 736,148	\$ 559,677	\$ (176,472)

**Table A-1. Reliability Standards Budget**

#### Reliability Standards Program Scope and Functional Description

MRO Reliability Standards personnel support NERC's stakeholder-driven processes to develop and maintain risk-responsive Reliability Standards by providing feedback into the NERC process, conducting outreach during standards development, and providing clarity to industry on enforceable standards and requirements. MRO's CMEPAC and its subgroups develop Standard Application Guides (SAGs), comment on NERC Standard Authorization Requests, and participate in standards development.

#### Organization Registration and Certification

##### Program Scope and Functional Description

This department appropriately registers owners, operators, and users of the bulk power system subject to compliance with NERC Reliability Standards. The Certification Department ensures that organizations that apply for registration or are registered to perform the Reliability Coordinator, Balancing Authority, and Transmission Operator reliability functions meet or exceed minimum criteria demonstrating their capability to perform their incumbent tasks.

MRO will perform registration and certification activities for approximately 200 registered entities in the MRO Region. The number of certifications is expected to remain stable. MRO typically plans for 2 certifications per year and has budgeted for 2 in 2021.

This department supports ERO Enterprise efforts related to the ERO Enterprise Long Term Strategy through execution of MRO's strategic goal 1:

#### Goal 1: Risk-Responsive Reliability Standards

*Reliability Standards establish threshold requirements for ensuring the BES is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the BPS. Reliability Standards are clear, timely, effective in mitigating risks to reliability, and consider cost-effectiveness/impact.*

**Impact on Resource Needs**

Workload and travel for Reliability Standards staff will stabilize as staff conducts the supporting activities for Goal 1. Member travel will increase due to the development of SAGs for industry.

**Impact on Resource Needs**

Workload for Organizational Registration and Certification is expected to stabilize in 2021 following the deployment of Centralized Organization Registration ERO System (CORES). MRO anticipates two certification reviews in 2021.

**Reliability Standards, Organization Registration and Certification Program Resource Requirements**

**Overall Budget Change 2020-2021 (Decrease \$176K, 24.0%)**

Overall, the workload in these areas is stable. Subject matter expert teams that develop SAGs are now supported by the CMEPAC. Other member travel reimbursement costs for outreach support is reduced for 2021.

The budget for this function has decreased in 2021. The budget for this function had received increases in prior years to meet demands for NERC-led Review Panels and the development of a new registration tool.

**Personnel Expenses (Decrease \$107.6K, 25.7%)**

The average salary increase was budgeted at 3 percent. However, MRO shifted staff resources to meet priorities in other program areas. This resulted in slightly lower allocation of labor hours to this program. Benefits decreased due to historic trend of lower health premium costs.

**Meeting Expenses (Decrease \$32.2K, 54.9%)**

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups, the Align project, and member travel for council face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2021.

**Indirect Expenses (Decrease \$34.2K, 14.2%)**

There is an overall increase in administrative services that are allocated to the operational programs based on the FTEs. The allocation of indirect costs is lower due to the reduced FTE in this program.

## Reliability Standards, Organization Registration and Certification Budget Details

The following table shows funding sources and related expenses for the Reliability Standards, Organization Registration, and Certification Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2020 Budget & Projection, and 2021 Budget					
STANDARDS					
	2020	2020	Variance	2021	Variance
	Budget	Projection	2021 Projection	Budget	2021 Budget
			v 2020 Budget		v 2020 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 712,541	\$ 712,541		\$ 516,808	\$ (195,733)
Assessment Stabilization Reserves	23,607	23,607		42,869	19,261
<b>Total Funding (A)</b>	<b>\$ 736,148</b>	<b>\$ 736,148</b>		<b>\$ 559,677</b>	<b>\$ (176,471)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 306,795	\$ 306,795	\$ -	\$ 233,737	\$ (73,058)
Payroll Taxes	18,021	18,021	-	14,862	(3,159)
Benefits	35,471	35,471	-	26,129	(9,342)
Retirement Costs	59,260	59,260	-	37,175	(22,085)
<b>Total Personnel Expenses</b>	<b>\$ 419,547</b>	<b>\$ 419,547</b>	<b>\$ -</b>	<b>\$ 311,903</b>	<b>\$ (107,644)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 1,400	\$ 420	\$ (980)	\$ 1,400	\$ -
Travel	57,166	17,150	(40,016)	25,000	(32,166)
<b>Total Meeting Expenses</b>	<b>\$ 58,566</b>	<b>\$ 17,570</b>	<b>\$ (40,996)</b>	<b>\$ 26,400</b>	<b>\$ (32,166)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,583	6,583	-	6,583	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 6,583</b>	<b>\$ 6,583</b>	<b>\$ -</b>	<b>\$ 6,583</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 241,505</b>	<b>\$ 227,193</b>	<b>\$ (14,312)</b>	<b>\$ 207,291</b>	<b>\$ (34,214)</b>
<b>Total Expenses (B)</b>	<b>\$ 726,201</b>	<b>\$ 670,893</b>	<b>\$ (55,308)</b>	<b>\$ 552,177</b>	<b>\$ (174,024)</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 9,947</b>	<b>\$ 65,255</b>	<b>\$ 55,308</b>	<b>\$ 7,500</b>	<b>\$ (2,447)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>9,947</b>	<b>9,524</b>	<b>(423)</b>	<b>7,500</b>	<b>(2,447)</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 736,148</b>	<b>\$ 680,417</b>	<b>\$ (55,731)</b>	<b>\$ 559,677</b>	<b>\$ (176,471)</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 55,731</b>	<b>\$ 55,731</b>	<b>\$ -</b>	
<b>FTEs</b>	<b>2.08</b>	<b>2.08</b>	<b>-</b>	<b>1.50</b>	<b>(0.58)</b>

Table A-2. Reliability Standards, Organization Registration and Certification Budget Detail

## Compliance Monitoring and Enforcement Program

The following table lists the budget for the Compliance Monitoring and Enforcement Program (CMEP).

Compliance Monitoring and Enforcement Program (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	33.63	36.00	2.37
Direct Expenses	\$ 7,782,298	\$ 7,901,109	\$ 118,812
Indirect Expenses	\$ 3,904,719	\$ 4,974,975	\$ 1,070,256
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 160,827	\$ 180,000	\$ 19,173
Total Funding Requirement	\$ 11,847,844	\$ 13,056,084	\$ 1,208,241

**Table A-3. Compliance Monitoring and Enforcement Program Budget**

### Program Scope and Functional Description

MRO's CMEP work is performed by three departments: Compliance Monitoring, RAM, and Enforcement, creating an effective "check and balance" for making decisions about noncompliance and enforcement. MRO's RAM Department develops Inherent Risk Assessments (IRAs) for registered entities; Compliance Monitoring uses the IRA along with entity performance, internal controls, and other qualitative assessments to develop COPs and conduct compliance monitoring for registered entities. In addition, RAM conducts risk assessments for registered entity noncompliances and violations, and evaluates and monitors mitigation efforts. Enforcement processes noncompliances and violations using risk-based disposition methods.

MRO staff will perform CMEP activities for approximately 200 registered entities in 2021. The Compliance Monitoring Department will conduct approximately 18 audits in 2021. MRO will also contribute to audits, as needed, for entities that participate in coordinated oversight where MRO is the Affected Regional Entity. The Enforcement Department will review registered entity participation in the Self-Logging Program and will continue to encourage increased participation in the program throughout the region. CMEP also supports the MRO CMEPAC and ERO Enterprise CMEP activities.

MRO's Compliance Monitoring, RAM, and Enforcement departments support ERO Enterprise efforts to appropriately monitor and enforce compliance as outlined in the ERO Enterprise Long Term Strategy through the execution of MRO's Strategic Goals 1-4.

### Goal 1: Risk-Responsive Reliability Standards

*Reliability Standards establish threshold requirements for ensuring the BES is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the BPS. Reliability Standards are clear, timely, effective in mitigating risks to reliability, and consider cost-effectiveness/impact.*

### Goal 2: Objective, Risk-Informed Entity Registration, Compliance Monitoring, Mitigation, and Enforcement

*The ERO Enterprise is a strong enforcement authority that is objective, fair, and promotes a culture of reliability excellence through risk-informed compliance monitoring, mitigation, enforcement, and registration.*

### **Goal 3: Reduction of Known Reliability Risks**

*The ERO Enterprise recognizes significant known risks to reliability, assures those reliability risks are reduced, and promotes a culture of reliability excellence.*

### **Goal 4: Identification and Assessment of Emerging Reliability Risks**

*The ERO Enterprise identifies, objectively assesses, and prioritizes emerging risks to reliability to inform stakeholders and enable effective actions to reduce these risks to reliability.*

### **Impact on Resource Needs**

Staffing for these departments will increase in 2021, with one FTE added in the RAM department to work primarily on coordination of mitigation activities. The CMEP departments will dedicate resources to support the development and implementation of the ERO Enterprise Align Project, a shared technology platform to provide consistency and alignment of CMEP processes across NERC and the Regional Entities.

### **Compliance Monitoring and Enforcement Program Resource Requirements**

#### **Overall Budget Change 2021-2020 (Increase \$1.2M, 10.2%)**

The budget increase for 2021 is largely due to the increase in administrative service costs allocated to the program due to the addition of administrative support staff, as well as an increase in facility costs. One FTE will be added to enhance coordination of mitigation activities for all entities in the MRO footprint.

#### **Personnel Expenses (Increase \$355K, 5.4%)**

The average salary increase was budgeted at 3 percent. MRO adjusted staff salaries in 2020 to the Minneapolis St. Paul market rates pursuant to a comprehensive compensation study completed in 2019. This resulted in an unbudgeted increase in 2020, creating a larger variance in comparison to the 2021 BP&B. Benefits decreased due to historic trend of lower health premium costs.

#### **Meeting Expenses (Decrease \$194K, 47.2%)**

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups, the Align project, and member travel for council face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2021.

#### **Indirect Expenses (Increase \$1.1M, 27.4%)**

There is an overall increase in administrative services that are allocated to the operational programs based on the FTEs.

## Compliance Monitoring and Enforcement Program Budget Detail

The following table shows funding sources and related expenses for the CMEP.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM</b>					
	2020 Budget	2020 Projection	Variance 2021 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 11,466,158	\$ 11,466,158		\$ 12,027,239	\$ 561,081
Assessment Stabilization Reserves	381,686	381,686		1,028,845	647,159
<b>Total Funding (A)</b>	<b>\$ 11,847,844</b>	<b>\$ 11,847,844</b>		<b>\$ 13,056,084</b>	<b>\$ 1,208,240</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 4,934,233	\$ 4,934,233	\$ -	\$ 5,282,183	\$ 347,950
Payroll Taxes	329,276	329,276	-	340,856	11,580
Benefits	574,079	574,079	-	557,406	(16,673)
Retirement Costs	779,300	779,300	-	791,450	12,150
<b>Total Personnel Expenses</b>	<b>\$ 6,616,888</b>	<b>\$ 6,616,888</b>	<b>\$ -</b>	<b>\$ 6,971,895</b>	<b>\$ 355,007</b>
<b>Meeting Expenses</b>					
Meetings	\$ 9,500	\$ 2,850	\$ (6,650)	\$ 10,500	\$ 1,000
Travel	401,366	120,410	(280,956)	206,300	(195,066)
<b>Total Meeting Expenses</b>	<b>\$ 410,866</b>	<b>\$ 123,260</b>	<b>\$ (287,606)</b>	<b>\$ 216,800</b>	<b>\$ (194,066)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 583,394	\$ 408,376	\$ (175,018)	\$ 583,394	\$ -
Office Rent	-	-	-	-	-
Office Costs	171,150	119,805	(51,345)	129,020	(42,130)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 754,544</b>	<b>\$ 528,181</b>	<b>\$ (226,363)</b>	<b>\$ 712,414</b>	<b>\$ (42,130)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 3,904,719</b>	<b>\$ 3,673,319</b>	<b>\$ (231,399)</b>	<b>\$ 4,974,975</b>	<b>\$ 1,070,256</b>
<b>Total Expenses (B)</b>	<b>\$ 11,687,017</b>	<b>\$ 10,941,648</b>	<b>\$ (745,369)</b>	<b>\$ 12,876,084</b>	<b>\$ 1,189,067</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 160,827</b>	<b>\$ 906,196</b>	<b>\$ 745,369</b>	<b>\$ 180,000</b>	<b>\$ 19,173</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 160,827</b>	<b>153,984</b>	<b>(6,844)</b>	<b>180,000</b>	<b>19,173</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 11,847,844</b>	<b>\$ 11,095,632</b>	<b>\$ (752,213)</b>	<b>\$ 13,056,084</b>	<b>\$ 1,208,240</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 752,213</b>	<b>\$ 752,213</b>	<b>\$ -</b>	
<b>FTEs</b>	<b>33.63</b>	<b>33.63</b>	<b>-</b>	<b>36.00</b>	<b>2.37</b>

**Table A-4. Compliance Monitoring and Enforcement Program Budget Detail**

## Reliability Assessment and Performance Analysis Program

The following table lists the budget for the Reliability Assessment and Performance Analysis (RAPA) program.

Reliability Assessments and Performance Analysis (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	8.38	8.34	(0.04)
Direct Expenses	\$ 2,100,356	\$ 1,998,894	\$ (101,462)
Indirect Expenses	\$ 972,987	\$ 1,152,536	\$ 179,549
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 40,075	\$ 41,700	\$ 1,625
Total Funding Requirement	\$ 3,113,418	\$ 3,193,130	\$ 79,711

**Table A-5. Reliability Assessment and Performance Analysis (RAPA) Budget**

### Program Scope and Functional Description

MRO's RAPA Department performs Reliability Assessments, Performance Analysis, and Event Analysis. The Reliability Assessment program includes reviewing, assessing and reporting on the adequacy and operating reliability of the interconnected bulk power system, both existing and planned. The Event Analysis program includes analysis of large-scale outages, disturbances, and near misses to determine root causes and lessons learned. Performance Analysis involves analysis of quarterly data submissions to assess the performance and availability of electric generation equipment, electric transmission equipment, and reliable system operations through Transmission Availability Data Systems (TADS), Generating Availability Data Systems (GADS), Demand Response Availability Data Systems (DADS), and Misoperation Information Data Analysis Systems (MIDAS). This information may indicate the need to develop and implement targeted interventions. RAPA participates in the Eastern Interconnection Reliability Assessment Group (ERAG); this group facilitates data collection and the development of power flow and dynamics simulation models for the Eastern Interconnection. RAPA also supports the MRO RAC and ERO Enterprise RAPA activities.

MRO's RAPA Department supports ERO Enterprise efforts to identify, provide insight into, and develop guidance for potential reliability risks to the BES as outlined in the ERO Enterprise Long-Term Strategy through the execution of MRO's strategic goals 3 and 4:

#### Goal 3: Reduction of Known Reliability Risks

*The ERO Enterprise recognizes significant known risks to reliability, assures those reliability risks are reduced, and promotes a culture of reliability excellence.*

#### Goal 4: Identification and Assessment of Emerging Reliability Risks

*The ERO Enterprise identifies, objectively assesses, and prioritizes emerging risks to reliability to inform stakeholders and enable effective actions to reduce these risks to reliability.*

**Impact on Resource Needs**

Staffing levels will continue to be evaluated in 2021 based on workload and the need for additional internal programs.

**Reliability Assessment and Performance Analysis Resource Requirements****Overall Budget Change 2020-2021 (Increase \$79.7K, 2.6%)**

The budget increase for 2021 is low due to increase in indirect expenses being offset by significantly reduced costs in travel.

**Personnel Expenses (Increase \$17.8K, 1.0%)**

The average salary increase was budgeted at 3 percent. Staff resources in this area remained flat. However, an unbudgeted increase in staff salaries in 2020 offset the lower labor allocation with the higher salary costs to result in flat personnel costs. Benefits decreased due to historic trend of lower health premium costs.

**Meeting Expenses (Decrease \$109.0K, 39.2%)**

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups and member travel for council face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2021.

**Operating Costs (Decrease \$10.3K, 9.2%)**

Reflects flat costs in training and slightly lower contract costs.

**Indirect Expenses (Increase \$179.5K, 18.5%)**

There is an overall increase in administrative services that are allocated to the operational programs based on the FTEs.

## Reliability Assessment and Performance Analysis Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2020 Budget & Projection, and 2021 Budget					
RELIABILITY ASSESSMENT and PERFORMANCE ANALYSIS					
	2020	2020	Variance	2021	Variance
	Budget	Projection	2021 Projection	Budget	2021 Budget
			v 2020 Budget		v 2020 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 3,018,309	\$ 3,018,309		\$ 2,954,781	\$ (63,528)
Assessment Stabilization Reserves	95,109	95,109		238,349	143,240
<b>Total Funding (A)</b>	<b>\$ 3,113,418</b>	<b>\$ 3,113,418</b>		<b>\$ 3,193,130</b>	<b>\$ 79,712</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,272,880	\$ 1,272,880	\$ -	\$ 1,303,637	\$ 30,757
Payroll Taxes	82,405	82,405	-	86,380	3,975
Benefits	140,066	140,066	-	136,669	(3,397)
Retirement Costs	214,605	214,605	-	201,108	(13,497)
<b>Total Personnel Expenses</b>	<b>\$ 1,709,956</b>	<b>\$ 1,709,956</b>	<b>\$ -</b>	<b>\$ 1,727,794</b>	<b>\$ 17,838</b>
<b>Meeting Expenses</b>					
Meetings	\$ 11,000	\$ 3,300	\$ (7,700)	\$ 9,000	\$ (2,000)
Travel	267,000	80,100	(186,900)	160,000	(107,000)
<b>Total Meeting Expenses</b>	<b>\$ 278,000</b>	<b>\$ 83,400</b>	<b>\$ (194,600)</b>	<b>\$ 169,000</b>	<b>\$ (109,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 81,400	\$ 56,980	\$ (24,420)	\$ 71,100	\$ (10,300)
Office Rent	-	-	-	-	-
Office Costs	31,000	21,700	(9,300)	31,000	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 112,400</b>	<b>\$ 78,680</b>	<b>\$ (33,720)</b>	<b>\$ 102,100</b>	<b>\$ (10,300)</b>
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Indirect Expenses</b>	\$ 972,987	\$ 915,326	\$ (57,661)	\$ 1,152,536	\$ 179,549
<b>Total Expenses (B)</b>	<b>\$ 3,073,343</b>	<b>\$ 2,787,362</b>	<b>\$ (285,981)</b>	<b>\$ 3,151,430</b>	<b>\$ 78,087</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 40,075</b>	<b>\$ 326,056</b>	<b>\$ 285,981</b>	<b>\$ 41,700</b>	<b>\$ 1,625</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 40,075</b>	<b>38,370</b>	<b>(1,705)</b>	<b>41,700</b>	<b>1,625</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 3,113,418</b>	<b>\$ 2,825,732</b>	<b>\$ (287,686)</b>	<b>\$ 3,193,130</b>	<b>\$ 79,712</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 287,686</b>	<b>\$ 287,686</b>	<b>\$ -</b>	
<b>FTEs</b>	<b>8.38</b>	<b>8.38</b>	<b>-</b>	<b>8.34</b>	<b>(0.04)</b>

Table A-6. Reliability Assessment and Performance Analysis Budget Detail

## Training and Education Program

The following table summarizes the budget for the Training and Education program.

Training and Education (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	2.97	2.16	(0.81)
Direct Expenses	\$ 747,121	\$ 548,033	\$ (199,088)
Indirect Expenses	\$ 344,841	\$ 298,499	\$ (46,343)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 14,203	\$ 10,800	\$ (3,403)
Total Funding Requirement	\$ 1,106,167	\$ 857,332	\$ (248,834)

**Table A-7. Training and Education Budget**

### Program Scope and Functional Description

MRO is committed to its mission “to identify, prioritize and assure effective and efficient mitigation of risks to the reliability and security of the North American bulk power system by promoting Highly Effective Reliability Organizations® (HEROs).” One way we do this is by providing training and education to industry on the implementation of the CMEP, the application of Reliability Standards, reviewing reliability assessments, performing quality event analysis, identifying lessons learned from event analysis, and other related information to system reliability, security, and compliance. The Training and Education program provides outreach to MRO registered entities through MRO’s newsletter and other publications, workshops, webinars and conferences, as well as presentation opportunities at other industry events. The emphasis on Critical Infrastructure Protection and security over the last several years will continue in 2021. MRO and its advisory councils continually seek additional outreach opportunities.

MRO’s Training and Education program supports ERO Enterprise efforts to keep entity personnel trained and industry participants informed, and supports the ERO Enterprise Long Term Strategy through execution of MRO’s strategic goals 3, 4 and 5:

#### Goal 3: Reduction of Known Reliability Risks

*The ERO Enterprise recognizes significant known risks to reliability, assures those reliability risks are reduced, and promotes a culture of reliability excellence.*

#### Goal 4: Identification and Assessment of Emerging Reliability Risks

*The ERO Enterprise identifies, objectively assesses, and prioritizes emerging risks to reliability to inform stakeholders and enable effective actions to reduce these risks to reliability.*

#### Goal 5: Identification and Reduction of Cyber and Physical Security Risks

*The ERO Enterprise identifies and evaluates cyber and physical security risks to the BPS and assures those risks are reduced through active stakeholder engagement and information sharing of current threats and vulnerabilities, security workshops, and development of good industry practice guides. The ERO Enterprise supports the Electricity Information Sharing and Analysis Center (E-ISAC), the CRISP, technical protective programs, and physical and*

*cybersecurity preparedness exercises, and engages with government partners to de-classify sensitive security information needed to protect BPS devices and assets. The ERO Enterprise works with stakeholders to develop and share information to foster BPS resiliency in connection with both traditional and emerging risks.*

**Impact on Resource Needs**

Staffing for this program will decrease by an FTE of 0.81. Training, education, and outreach costs are being supplemented with webinar and virtual courses, resulting in an increase in meeting expenses that is offset by an equal decrease in travel expenses.

**Training and Education Resource Requirements**

**Overall Budget Change 2020-2021 (Decrease \$248.8K, 22.5%)**

**Personnel Expenses (Decrease \$198.6K, 33.8%)**

The average salary increase was budgeted at 3 percent. However, MRO shifted staff resources to meet priorities in other program areas. This resulted in slightly lower allocation of labor hours to this program. Benefits decreased due to historic trend of lower health premium costs.

**Meeting Expenses remain flat.**

**Indirect Expenses (Decrease \$46.3K, 13.4%)**

There is an overall increase in administrative services that are allocated to the operational programs based on the FTEs. The decrease is reflective of a lower FTE in this program.

## Training and Education Budget Detail

The following table shows funding sources and related expenses for the Training and Education Program.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>TRAINING and EDUCATION</b>					
	2020	2020	Variance	2021	Variance
	Budget	Projection	2021 Projection v 2020 Budget Over(Under)	Budget	2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 1,072,457	\$ 1,072,457		\$ 795,601	\$ (276,856)
Assessment Stabilization Reserves	33,708	33,708		61,731	28,022
<b>Total Funding (A)</b>	<b>\$ 1,106,166</b>	<b>\$ 1,106,166</b>		<b>\$ 857,332</b>	<b>\$ (248,834)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 453,752	\$ 453,752	\$ -	\$ 290,379	\$ (163,373)
Payroll Taxes	22,296	22,296	-	18,898	(3,398)
Benefits	42,122	42,122	-	33,080	(9,042)
Retirement Costs	69,351	69,351	-	46,609	(22,742)
<b>Total Personnel Expenses</b>	<b>\$ 587,521</b>	<b>\$ 587,521</b>	<b>\$ -</b>	<b>\$ 388,967</b>	<b>\$ (198,554)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 90,000	\$ 27,000	\$ (63,000)	\$ 120,000	\$ 30,000
Travel	69,600	20,880	(48,720)	39,067	(30,533)
<b>Total Meeting Expenses</b>	<b>\$ 159,600</b>	<b>\$ 47,880</b>	<b>\$ (111,720)</b>	<b>\$ 159,067</b>	<b>\$ (533)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 344,841</b>	<b>\$ 324,406</b>	<b>\$ (20,436)</b>	<b>\$ 298,499</b>	<b>\$ (46,343)</b>
<b>Total Expenses (B)</b>	<b>\$ 1,091,962</b>	<b>\$ 959,807</b>	<b>\$ (132,156)</b>	<b>\$ 846,532</b>	<b>\$ (245,430)</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 14,203</b>	<b>\$ 146,359</b>	<b>\$ 132,156</b>	<b>\$ 10,800</b>	<b>\$ (3,403)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 14,203</b>	<b>13,599</b>	<b>(604)</b>	<b>10,800</b>	<b>(3,403)</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 1,106,166</b>	<b>\$ 973,405</b>	<b>\$ (132,760)</b>	<b>\$ 857,332</b>	<b>\$ (248,834)</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 132,760</b>	<b>\$ 132,760</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>2.97</b>	<b>2.97</b>	<b>-</b>	<b>2.16</b>	<b>(0.81)</b>

**Table A-8. Training and Education Budget Detail**

## Situation Awareness and Infrastructure Security Program

The following table lists the budget for Situation Awareness and Infrastructure Security.

Situation Awareness and Infrastructure Security (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	2.08	2.00	(0.08)
Direct Expenses	\$ 485,941	\$ 459,593	\$ (26,348)
Indirect Expenses	\$ 241,505	\$ 276,388	\$ 34,882
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 9,947	\$ 10,000	\$ 53
Total Funding Requirement	\$ 737,393	\$ 745,980	\$ 8,587

**Table A-9. Situation Awareness and Infrastructure Security Budget**

### Program Scope and Functional Description

MRO, through the regional Reliability Coordinators and other available tools, monitors present conditions on the BES and provides leadership coordination, technical expertise, and assistance to industry in responding to events as necessary.

This program supports the ERO Enterprise vision of a highly reliable and secure North American bulk power system and efforts to communicate risks to reliability, and supports ERO Enterprise efforts related to the ERO Enterprise Long-Term Strategy through execution of MRO's strategic goals 1, 3 and 5:

#### Goal 1: Risk-Responsive Reliability Standards

*Reliability Standards establish threshold requirements for ensuring the BES is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the BPS. Reliability Standards are clear, timely, effective in mitigating risks to reliability, and consider cost-effectiveness/impact.*

#### Goal 3: Reduction of Known Reliability Risks

*The ERO Enterprise recognizes significant known risks to reliability, assures those reliability risks are reduced, and promotes a culture of reliability excellence.*

#### Goal 5: Identification and Reduction of Cyber and Physical Security Risks

*The ERO Enterprise identifies and evaluates cyber and physical security risks to the BPS and assures those risks are reduced through active stakeholder engagement and information sharing of current threats and vulnerabilities, security workshops, and development of good industry practice guides. The ERO Enterprise supports the Electricity Information Sharing and Analysis Center (E-ISAC), the CRISP, technical protective programs, and physical and cybersecurity preparedness exercises, and engages with government partners to de-classify sensitive security information needed to protect BPS devices and assets. The ERO Enterprise*

*works with stakeholders to develop and share information to foster BPS resiliency in connection with both traditional and emerging risks.*

### **Impact on Resource Needs**

The Situational Awareness program will work with stakeholders to identify significant known risks to reliability, mitigate those risks, and promote a culture of reliability excellence. The workload in this area is expected to stabilize.

The Infrastructure Security program will focus on activities to promote identification, assessment, mitigation, and communication of cyber, physical, and operational risks to the reliability and security of the North American bulk power system.

### **Situation Awareness and Infrastructure Security Resource Requirements**

#### **Overall Budget Change 2020-2021 (Increase \$8.6K, 1.2%)**

The budget for this area will increase to realign and dedicate MRO staffing to the non-CMEP activities that support infrastructure security.

#### **Personnel Expenses Remain Flat**

The average salary increase was budgeted at 3 percent. However, MRO shifted staff resources to meet priorities in other program areas. This resulted in slightly lower allocation of labor hours to this program. Additionally, an unbudgeted increase in staff salaries in 2020 offset the lower labor allocation to result in flat personnel costs. Benefits decreased due to historic trend of lower health premium costs.

#### **Meeting Expenses (Decrease \$27.0K, 29.2%)**

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups, the Align project, and member travel for council face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2021.

#### **Indirect Expenses (Increase \$34.8K, 14.4%)**

There is an overall increase in administrative services that are allocated to the operational programs based on the FTEs.

## Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2020 Budget & Projection, and 2021 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2020 Budget	2020 Projection	Variance 2021 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 713,786	\$ 713,786	\$ -	\$ 688,822	\$ (24,964)
Assessment Stabilization Reserves	23,607	23,607		57,158	33,551
<b>Total Funding (A)</b>	<b>\$ 737,393</b>	<b>\$ 737,393</b>		<b>\$ 745,980</b>	<b>\$ 8,587</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 283,299	\$ 283,299	\$ -	\$ 279,803	\$ (3,496)
Payroll Taxes	17,712	17,712	-	17,455	(257)
Benefits	35,471	35,471	-	34,037	(1,434)
Retirement Costs	42,759	42,759	-	46,398	3,639
<b>Total Personnel Expenses</b>	<b>\$ 379,241</b>	<b>\$ 379,241</b>	<b>\$ -</b>	<b>\$ 377,693</b>	<b>\$ (1,548)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 2,000	\$ 600	\$ (1,400)	\$ 2,000	\$ -
Travel	90,400	27,120	(63,280)	63,400	(27,000)
<b>Total Meeting Expenses</b>	<b>\$ 92,400</b>	<b>\$ 27,720</b>	<b>\$ (64,680)</b>	<b>\$ 65,400</b>	<b>\$ (27,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	14,300	10,010	(4,290)	16,500	2,200
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 14,300</b>	<b>\$ 10,010</b>	<b>\$ (4,290)</b>	<b>\$ 16,500</b>	<b>\$ 2,200</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 241,505</b>	<b>\$ 227,193</b>	<b>\$ (14,312)</b>	<b>\$ 276,388</b>	<b>\$ 34,882</b>
<b>Total Expenses (B)</b>	<b>\$ 727,446</b>	<b>\$ 644,164</b>	<b>\$ (83,282)</b>	<b>\$ 735,980</b>	<b>\$ 8,534</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 9,947</b>	<b>\$ 93,229</b>	<b>\$ 83,282</b>	<b>\$ 10,000</b>	<b>\$ 53</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 9,947</b>	<b>9,524</b>	<b>(423)</b>	<b>10,000</b>	<b>53</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 737,393</b>	<b>\$ 653,688</b>	<b>\$ (83,705)</b>	<b>\$ 745,980</b>	<b>\$ 8,587</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 83,705</b>	<b>\$ 83,705</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>2.08</b>	<b>2.08</b>	<b>-</b>	<b>2.00</b>	<b>(0.08)</b>

**Table A-10. Situation Awareness and Infrastructure Security Budget Detail**

## Administrative Services

The following table outlines the budget for Administrative Services.

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2020 Budget	2021 Budget	Increase (Decrease)	2020 Budget	2021 Budget	Increase (Decrease)
General and Administrative	\$1,009,431	\$1,481,685	\$472,254	1.92	3.36	1.44
Legal and Regulatory	\$925,510	\$834,634	-\$90,876	2.77	1.55	(1.22)
Information Technology	\$1,784,365	\$2,198,094	\$413,729	4.44	6.00	1.56
Human Resources	\$433,001	\$431,072	-\$1,929	1.35	1.29	(0.06)
Finance and Accounting	\$1,763,250	\$2,214,201	\$450,951	3.38	3.80	0.42
Total Administrative Services	\$5,915,557	\$7,159,688	\$1,244,131	13.86	16.00	2.14

**Table A-11. Administrative Services Budget**

### Program Scope and Functional Description

MRO's Administrative Services area includes the business and administrative functions of the organization, including legal and regulatory, information technology, human resources, finance and accounting, and general expenses. Costs incurred for these services are allocated as an indirect expense across MRO's other program areas.

MRO's Administrative Services function supports ERO Enterprise efforts to be effective and efficient as outlined in the ERO Enterprise Long-Term Strategy through the execution of MRO's strategic goal 6:

#### **Goal 6: Improving ERO Enterprise Effectiveness and Efficiency**

*The ERO Enterprise embraces transparency, collaboration, consistency, quality, efficiency, and timeliness of results and operates as a coordinated and collaborative enterprise.*

### Methodology for Allocation of Administrative Services Expenses to Programs

All expenses for the Administrative Services programs, referred to as indirect expenses, are allocated to the delegated program areas based on their respective number of FTEs.

### Funding Sources

The expenses related to the indirect program areas are being allocated entirely to the direct programs; therefore, the indirect program areas have no ERO assessment revenue.

## General and Administrative

The following table lists the General and Administrative budget.

General and Administrative (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	1.92	3.36	1.44
Total Direct Expenses	\$ 1,009,431	\$ 1,481,685	\$ 472,254
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-12. General and Administrative Budget**

### Program Scope and Functional Description

The General and Administrative Department is led by MRO's President and CEO. The department ensures that there is adequate attention to the execution of MRO's strategic priorities and the day-to-day management of the corporation, board governance, policies and procedures to maintain and enhance operation of the corporation, proper record-keeping, and related responsibilities under applicable regulations, as well as MRO's Delegation Agreement.

### General and Administrative Services Resource Requirements

#### Overall Budget Change 2021-2020 (Increase \$472.3K, 46.8%)

#### Personnel Expenses (Increase \$354.7K, 52.1%)

The average salary increase was budgeted at 3 percent. MRO adjusted staff salaries in 2020 to compete with market increases, which resulted in an unbudgeted increase in 2020 and a larger variance in comparison to 2021. Additionally, there is an increase of one-half executive FTE in this program area.

#### Meeting Expenses (Increase \$18.0K, 7.4%)

There is an increase in overall meeting and travel expenses due to the addition of staff in this program.

#### Operating Expenses (Increase \$99.5K, 116.4%)

There is an increase in executive and board member training costs.

## General and Administrative Budget Detail

The following table shows funding sources and related expenses for the General and Administrative Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2020 Budget & Projection, and 2021 Budget					
GENERAL and ADMINISTRATIVE					
	2020 Budget	2020 Projection	Variance 2021 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Assessment Stabilization Reserves	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 532,287	\$ 532,287	\$ -	\$ 845,317	\$ 313,030
Payroll Taxes	21,762	21,762	-	34,161	12,399
Benefits	44,339	44,339	-	51,571	7,232
Retirement Costs	82,843	82,843	-	104,936	22,093
<b>Total Personnel Expenses</b>	<b>\$ 681,231</b>	<b>\$ 681,231</b>	<b>\$ -</b>	<b>\$ 1,035,985</b>	<b>\$ 354,754</b>
<b>Meeting Expenses</b>					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Travel	182,700	182,700	-	200,700	18,000
<b>Total Meeting Expenses</b>	<b>\$ 242,700</b>	<b>\$ 242,700</b>	<b>\$ -</b>	<b>\$ 260,700</b>	<b>\$ 18,000</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 32,000	\$ 32,000	\$ -	\$ 65,000	\$ 33,000
Office Rent	-	-	-	-	-
Office Costs	53,500	53,500	-	120,000	66,500
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 85,500</b>	<b>\$ 85,500</b>	<b>\$ -</b>	<b>\$ 185,000</b>	<b>\$ 99,500</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (1,009,431)</b>	<b>\$ (1,009,431)</b>	<b>\$ -</b>	<b>\$ (1,481,685)</b>	<b>\$ (472,254)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	2.62	2.62	-	3.36	0.74

**Table A-13. General and Administrative Budget Detail**

## Legal and Regulatory

The following table lists the Legal and Regulatory budget.

Legal and Regulatory (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	2.77	1.55	(1.22)
Total Direct Expenses	\$ 925,510	\$ 834,634	\$ (90,876)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-14. Legal and Regulatory Budget**

### Program Scope and Functional Description

MRO's Legal and Regulatory function is staffed by the Vice President, General Counsel and Corporate Secretary, and an Assistant Corporate Secretary. In addition, the Senior Counsel devotes time providing services in the Legal and Regulatory function. Advice is provided to the board, the President and CEO, and staff on legal and regulatory matters affecting MRO; and corporate records for the board are maintained in this area. Both of these individuals have additional responsibilities outside the legal and regulatory function. MRO may use external specialized legal resources on an as-needed basis, such as for corporate matters, employee benefit plan issues, litigation, and significant policy or regulatory matters. The Senior Counsel also serves as the Director of External Affairs and leads Enforcement.

### Legal and Regulatory Resource Requirements

#### Overall Budget Change 2021-2020 (Decrease \$90.9K, 9.8%)

The decrease in this indirect program area is related to a realignment of staff to other program areas.

#### Personnel Expenses (Decrease \$112K, 25.1%)

The average salary increase was budgeted at 3 percent. However, MRO shifted staff resources to meet priorities in other program areas. This resulted in slightly lower allocation of labor hours to this administrative area. Additionally, an unbudgeted increase in staff salaries in 2020 offset the lower labor allocation with the higher salary costs to result in a larger variance in comparison to 2021. Benefits decreased due to historic trend of lower health premium costs.

#### Meeting Expense (Increase \$4.5K, 23.7%)

This increase is due to occasional on-site visit of remotely located staff.

#### Operating Expense (Increase \$16.7K, 3.6%)

This increase is due to an increase in Independent Trustee fees and an increase in office costs for one remotely located staff.

## Legal and Regulatory Budget Detail

The following table shows funding sources and related expenses for the Legal and Regulatory Program.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>LEGAL and REGULATORY</b>					
	<b>2020</b>	<b>2020</b>	<b>Variance</b>	<b>2021</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2021 Projection</b>	<b>Budget</b>	<b>2021 Budget</b>
			<b>v 2020 Budget</b>		<b>v 2020 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Assessment Stabilization Reserves	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 334,870	\$ 334,870	\$ -	\$ 268,391	\$ (66,479)
Payroll Taxes	17,818	17,818	-	12,352	(5,466)
Benefits	33,311	33,311	-	20,113	(13,198)
Retirement Costs	60,417	60,417	-	33,534	(26,883)
<b>Total Personnel Expenses</b>	<b>\$ 446,416</b>	<b>\$ 446,416</b>	<b>\$ -</b>	<b>\$ 334,390</b>	<b>\$ (112,026)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	19,000	19,000	-	23,500	4,500
<b>Total Meeting Expenses</b>	<b>\$ 19,000</b>	<b>\$ 19,000</b>	<b>\$ -</b>	<b>\$ 23,500</b>	<b>\$ 4,500</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	13,094	13,094	-	15,244	2,150
Professional Services	447,000	335,250	(111,750)	461,500	14,500
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 460,094</b>	<b>\$ 348,344</b>	<b>\$ (111,750)</b>	<b>\$ 476,744</b>	<b>\$ 16,650</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (925,510)</b>	<b>\$ (813,760)</b>	<b>\$ 111,750</b>	<b>\$ (834,634)</b>	<b>\$ 90,876</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>2.07</b>	<b>2.07</b>	<b>-</b>	<b>1.55</b>	<b>(0.52)</b>

**Table A-15. Legal and Regulatory Budget Detail**

## Information Technology

The following table lists the Information Technology budget.

Information Technology (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	4.44	6.00	1.56
Total Direct Expenses	\$ 1,784,365	\$ 2,198,094	\$ 413,729
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-16. Information Technology Budget**

### Program Scope and Functional Description

MRO's Information Technology program responds to business needs by providing the technology and communications tools for staff to perform Regional Entity functions.

In addition, this program contributes to the ERO Enterprise focus to capture effectiveness, efficiency, and continuous improvement opportunities. This program coordinates efforts with other regional IT programs to find best practice and cost efficiencies through shared tools and applications and supports ERO Enterprise efforts related to the ERO Enterprise Long Term Strategy through execution of MRO's strategic goal 5:

#### **Goal 5: Identification and Reduction of Cyber and Physical Security Risks:**

*As part of the ERO Enterprise, MRO identifies and evaluates cyber and physical security risks to the BPS and assures those risks are reduced through active stakeholder engagement and information sharing of current threats and vulnerabilities, security workshops, and development of good industry practice guides. The ERO Enterprise supports the Electricity Information Sharing and Analysis Center (E-ISAC), the CRISP, technical protective programs, and physical and cybersecurity preparedness exercises, and engages with government partners to de-classify sensitive security information needed to protect BPS devices and assets. The ERO Enterprise works with stakeholders to develop and share information to foster BPS resiliency in connection with both traditional and emerging risks.*

### Information Technology Resource Requirements

#### **Overall Budget Change 2021-2020 (Increase \$373.7K, 23.7%)**

The increase in the indirect programs is largely due to an increase in IT staff. Testing and analysis in this program identified a staff shortage. Additional FTEs are needed to manage an increased focus on security efforts.

#### **Personnel Expenses (Increase \$321.3K, 44.9%)**

The average salary increase was budgeted at 3 percent. However, MRO adjusted staff salaries in 2020 to compete with market increases, which resulted in an unbudgeted increase in 2020

and a larger variance in comparison to 2021. Additionally, there is an increase of one and one-half FTEs in this program area.

**Meeting Expenses Remain Flat**

**Operating Expenses (Increase \$52.4K, 6.2%)**

This increase reflects increased reliance on external IT professional resources.

## Information Technology Budget Detail

The following table shows funding sources and related expenses for the Information Technology Program.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>INFORMATION TECHNOLOGY</b>					
	2020 Budget	2020 Projection	Variance 2021 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Assessment Stabilization Reserves	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 530,912	\$ 584,003	\$ 53,091	\$ 746,507	\$ 215,595
Payroll Taxes	37,021	40,723	3,702	55,252	18,231
Benefits	75,718	83,290	7,572	104,289	28,571
Retirement Costs	72,089	79,298	7,209	130,990	58,901
<b>Total Personnel Expenses</b>	<b>\$ 715,740</b>	<b>\$ 787,314</b>	<b>\$ 71,574</b>	<b>\$ 1,037,037</b>	<b>\$ 321,297</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	10,000	10,000	-	10,000	-
<b>Total Meeting Expenses</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 513,475	\$ 385,106	\$ (128,369)	\$ 549,707	\$ 36,232
Office Rent	-	-	-	-	-
Office Costs	335,150	251,363	(83,788)	351,350	16,200
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 848,625</b>	<b>\$ 636,469</b>	<b>\$ (212,156)</b>	<b>\$ 901,057</b>	<b>\$ 52,432</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>(1,574,365)</b>	<b>\$ (1,433,783)</b>	<b>\$ 140,582</b>	<b>\$ (1,948,094)</b>	<b>\$ (373,729)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ 210,000</b>	<b>\$ 210,000</b>	<b>-</b>	<b>\$ 250,000</b>	<b>\$ 40,000</b>
Allocation of Fixed Assets	(210,000)	(210,000)	-	(250,000)	(40,000)
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>4.44</b>	<b>5.04</b>	<b>0.60</b>	<b>6.00</b>	<b>1.56</b>

Table A-17. Information Technology Budget Detail

## Human Resources

The following table lists the Human Resources budget.

Human Resources (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	1.35	1.29	(0.06)
Total Direct Expenses	\$ -	\$ 431,072	\$ 431,072
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-18. Human Resources Budget**

### Program Scope and Functional Description

#### Human Resources

The Human Resources function designs, plans, and implements Human Resource policies and procedures in adherence with applicable federal and state laws. This function also facilitates the recruitment and retention efforts of the organization by coordinating tasks associated with the employee life cycle activities including onboarding, training, professional development, and best practice employee retention initiatives.

MRO has developed a culture and talent management program that features in-depth communication and training. New hire training initiatives and employee collaborations are planned to create opportunities for peer-to-peer internal mentorship, learning opportunities, and team building. MRO continues to review and enhance its employee engagement and culture enrichment activities in an effort to positively impact all stages of the employee life cycle from candidate identification, the onboarding experience of new employees, throughout the life cycle, as well as the overall corporate culture to be an “employer of choice,” to attract and retain qualified staff.

#### Human Resources Resource Requirements

##### Overall Budget Change 2021-2020 remain flat

The flat budget change in this administrative area is primarily due to the offset of lower operating costs to higher salary costs.

##### Personnel Expense (Increase \$75.6K, 28.8%)

The average salary increase was budgeted at 3 percent. MRO adjusted staff salaries in 2020 to compete with market increases, which resulted in an unbudgeted increase in 2020 and a larger variance in comparison to 2021.

##### Operating Expense (Decrease \$78.0K, 46.0%)

Budgeted amounts in consulting and contracts, as well as office costs were reduced by half. Professional service costs for HR legal consulting was reallocated to the legal and regulatory function.

## Human Resources Budget Detail

The following table shows funding sources and related expenses for the Human Resources Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2020 Budget & Projection, and 2021 Budget					
HUMAN RESOURCES					
	2020 Budget	2020 Projection	Variance 2021 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Assessment Stabilization Reserves				-	
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 196,884	\$ 196,884	\$ -	\$ 259,627	\$ 62,743
Payroll Taxes	12,483	12,483	-	15,704	3,221
Benefits	23,022	23,022	-	24,239	1,217
Retirement Costs	29,612	29,612	-	38,003	8,391
<b>Total Personnel Expenses</b>	<b>\$ 262,001</b>	<b>\$ 262,001</b>	<b>\$ -</b>	<b>\$ 337,572</b>	<b>\$ 75,571</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	1,500	1,500	-	2,000	500
<b>Total Meeting Expenses</b>	<b>\$ 1,500</b>	<b>\$ 1,500</b>	<b>\$ -</b>	<b>\$ 2,000</b>	<b>\$ 500</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 47,000	\$ 47,000	\$ -	\$ 27,000	\$ (20,000)
Office Rent	-	-	-	-	-
Office Costs	102,500	102,500	-	64,500	(38,000)
Professional Services	20,000	20,000	-	-	(20,000)
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 169,500</b>	<b>\$ 169,500</b>	<b>\$ -</b>	<b>\$ 91,500</b>	<b>\$ (78,000)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (433,001)</b>	<b>\$ (433,001)</b>	<b>\$ -</b>	<b>\$ (431,072)</b>	<b>\$ 1,929</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
FTEs	1.35	1.35		1.29	(0.06)

Table A-19. Human Resources Budget Detail

## Finance and Accounting

The following table lists the Finance and Accounting budget.

Finance and Accounting (in whole dollars)			
	2020 Budget	2021 Budget	Increase (Decrease)
Total FTEs	3.38	3.80	0.42
Total Direct Expenses	\$ 1,763,250	\$ 2,214,201	\$ 450,951
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-20. Finance and Accounting Budget**

### Program Scope and Functional Description

#### Finance and Accounting

The Finance and Accounting function directs the overall financial planning and accounting practices of the organization, oversees treasury, accounting, budget, tax, and audit activities, as well as the financial and accounting system controls and standards. The Finance and Accounting function also administers employee benefit plans, including the 401(k) and Retiree Medical Trust, and reports the overall outcome of MRO's annual activities to the MRO Board. This function also coordinates all MRO internal and external meetings, workshops, and events.

#### Finance and Accounting Resource Requirements

##### Overall Budget Change 2021-2020 (Increase \$451K, 25.6%)

The increased costs in the Finance and Accounting area are primarily a result of higher facility rent and staff salaries.

##### Personnel Expenses (Increase \$96.3K, 14.5%)

The average salary increase was budgeted at 3 percent. MRO adjusted staff salaries in 2020 to compete with market increases, which resulted in an unbudgeted increase in 2020 and a larger variance in comparison to 2021. Additionally, there is an increase of one-half FTE in this program area.

##### Meeting Expenses Remain Flat

##### Operating Expenses (Increase \$354.6K, 32.6%)

The increase in this area is due to a facility expansion resulting in higher rent costs. This cost was partially offset by reduced budgeted amounts in consultants and contracts, office costs, and professional services.

## Finance, and Accounting Budget Detail

The following table shows funding sources and related expenses for the Finance and Accounting Program.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2020 Budget &amp; Projection, and 2021 Budget</b>					
<b>FINANCE and ACCOUNTING</b>					
	2020 Budget	2020 Projection	Variance 2021 Projection v 2020 Budget Over(Under)	2021 Budget	Variance 2021 Budget v 2020 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Assessment Stabilization Reserves	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 488,350	\$ 488,350	\$ -	\$ 549,682	\$ 61,332
Payroll Taxes	27,810	27,810	-	35,972	8,162
Benefits	57,982	57,982	-	76,841	18,859
Retirement Costs	90,008	90,008	-	98,006	7,998
<b>Total Personnel Expenses</b>	<b>\$ 664,150</b>	<b>\$ 664,150</b>	<b>\$ -</b>	<b>\$ 760,501</b>	<b>\$ 96,351</b>
<b>Meeting Expenses</b>					
Meetings	\$ 2,000	\$ 2,000	\$ -	\$ 2,000	\$ -
Travel	10,000	10,000	-	10,000	-
<b>Total Meeting Expenses</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ -</b>	<b>\$ 12,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 49,050	\$ 49,050	\$ -	\$ 43,500	\$ (5,550)
Office Rent	774,000	774,000	-	1,168,700	394,700
Office Costs	203,050	152,288	(50,763)	171,500	(31,550)
Professional Services	61,000	61,000	-	58,000	(3,000)
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,087,100</b>	<b>\$ 1,036,338</b>	<b>\$ (50,763)</b>	<b>\$ 1,441,700</b>	<b>\$ 354,600</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (1,763,250)</b>	<b>\$ (1,712,488)</b>	<b>\$ 50,763</b>	<b>\$ (2,214,201)</b>	<b>\$ (450,951)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ 25,000</b>	<b>15,000</b>	<b>(10,000)</b>	<b>-</b>	<b>(25,000)</b>
Allocation of Fixed Assets	(25,000)	(15,000)	10,000	-	25,000
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>3.38</b>	<b>3.38</b>	<b>-</b>	<b>3.80</b>	<b>0.42</b>

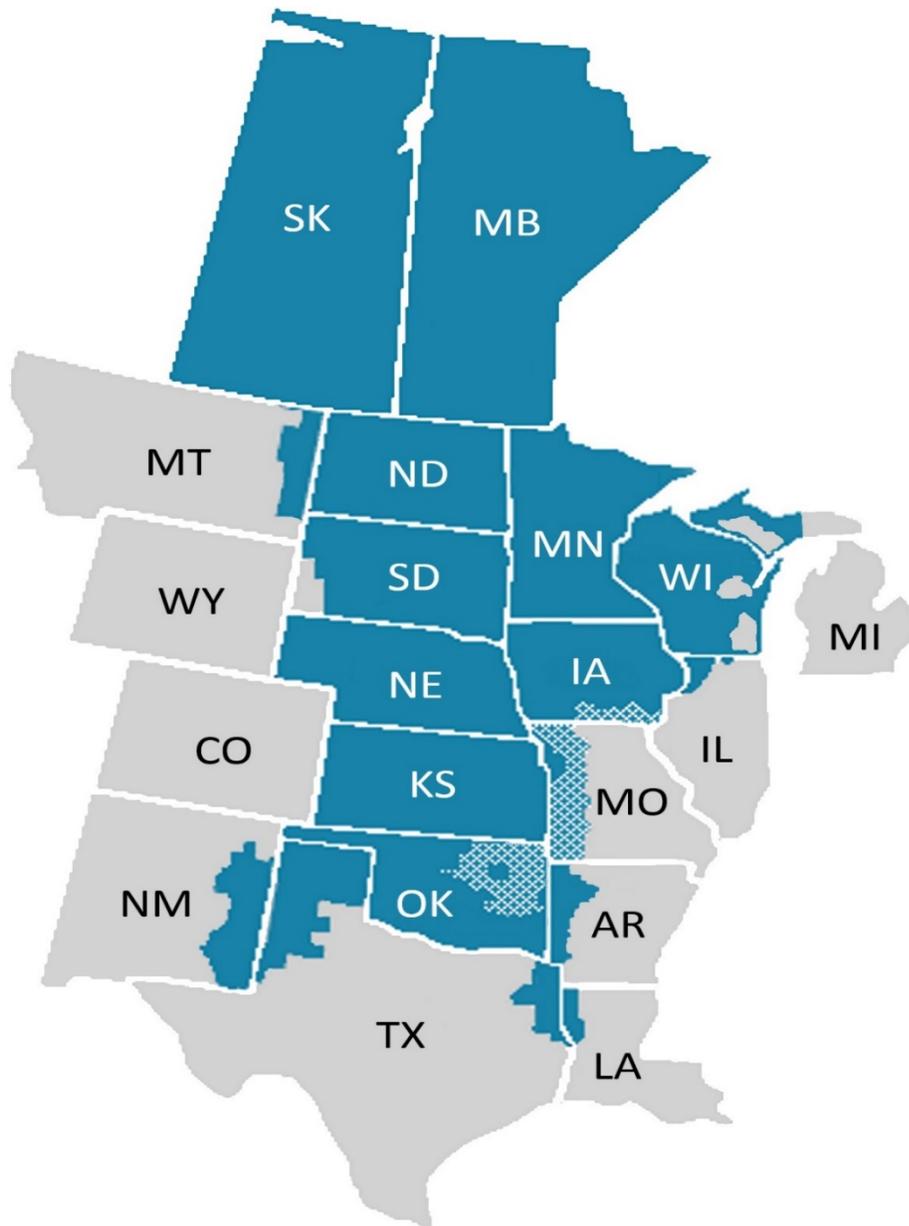
Table A-21. Finance and Accounting Budget Detail

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## Section B – Supplemental Financial Information

### 2021 Business Plan and Budget

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## Section B – Supplemental Financial Information

### Reserve Balance

Table B-1 analyzes the reserve for 2020 through 2021.

<b>Reserve Analysis 2020-2021</b>		
<b>STATUTORY</b>		
<b>Beginning Working Capital (Deficit), January 1, 2020</b>	4,769,485	
Plus: Penalty Sanctions Non-current <sup>1</sup>	360,504	
Plus: 2020 MRO Assessment	16,983,251	Projected Annual Cashflow
<b>Less: 2020 Projected expenses &amp; capital expenditures</b>	<u>(17,540,969)</u>	Operation Expenses
<b>Projected Reserve (Deficit), December 31, 2020<sup>2</sup></b>	<u><b>4,572,271</b></u>	
<b>Less: Targeted 30 day Operating Reserve, December 31, 2021 (((\$18,412,202 / 365 days) X 30 days)</b>	<b>(1,513,332)</b>	To cover contingencies
Plus: Projected Reserve, December 31, 2020	<u>4,572,271</u>	
<b>Projected Reserve</b>	<u><b>3,058,940</b></u>	
2021 Expenses and Capital Expenditures	18,412,202	
<b>2021 MRO Assessment (4.97% Increase over 2020)</b>	<u><b>16,983,251</b></u>	
<b>Adjustment from reserves to achieve targeted 2021 MRO Assessment</b>		
Portion of reserve related to penalties released as offset to U.S. assessments	360,504	
Additional reserve adjustment	<u>1,068,447</u>	
<b>Total Assessment Stabilization Adjustment</b>	<u><b>1,428,951</b></u>	
Plus: Penalty Sanctions Current <sup>3</sup>	-	
<b>Projected Reserve (Deficit), December 31, 2021</b>	<u><u><b>1,629,989</b></u></u>	

<sup>1</sup> Represents collections on or prior to December 31, 2019. See page 49 for full disclosure.

<sup>2</sup> MRO's projected reserve December 31, 2020 assumes that there will not be a material difference budgeted versus actual/projected results from 2020.

<sup>3</sup> Represents collections between January 1, 2020 - June 30, 2020. See page 49 for full disclosure.

#### Table B-1. Reserve Analysis 2020 - 2021

#### Explanation of Changes in Reserve Policy from Prior Years

Per Policy and Procedure 13, MRO's reserves are identified and quantified each year in the business plan and budget. MRO resets its reserves at the beginning of each year. MRO's FAC resolved that a 30-day reserve of cash is sufficient based on MRO's cash flow risk. The FAC and the board determined that the certainty of MRO's funding stream supports the resolution that a 30-day reserve is reasonable for sustaining short-term contingencies.

Additionally, Policy and Procedure 13 was revised in 2019 to address additional cash-on-hand necessary to meet unplanned, short-term financial needs resulting from changes in the level of expenditures that would adversely affect the company's total annual operating budget during the budget year. The revised policy combines penalties received and surplus working capital. MRO staff may propose to set aside these funds in a separate reserve account to be released in future periods to mitigate year-to-year variations in assessments.

**Breakdown by Statement of Activity Sections**

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2020.

Penalty Sanctions Received On or Prior to June 30, 2020	Date Received	Amount Received
	Feb-19	\$ 154,699
	Dec-19	205,805
<b>Total Penalties Received</b>		\$ 360,504

**Table B-2. Penalty Sanctions Received**

**Penalty Sanctions**

All penalties received after July 1, 2019, and prior to June 30, 2020, are listed above, including the amount and date received.

Allocation Method: Penalty sanctions received have been combined with surplus working capital (if any). MRO staff may set aside these funds in a separate reserve account to be released in future budget periods to mitigate year-to-year variations in budget assessments. Assuming no additional penalties collected, all remaining penalty dollars will be released in the 2021 budget year as part of assessment stabilization.

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2020	Projection 2020	Budget 2021	Variance 2021 Budget v 2020 Budget
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Other	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reliability Assessment and Performance Analysis</b>				
Other		-		
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Training and Education</b>				
Testing Fees and Certificate Renewals	\$ -	\$ -	\$ -	-
CEH Fees	-	-	-	-
Workshops	-	-	-	-
Other		-		
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Situation Awareness and Infrastructure Security</b>				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees				
Other		-		
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General and Administrative</b>				
Interest Income	\$ -	\$ -	\$ -	\$ -
Other				
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Outside Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Table B-3. Supplemental Funding**

### Explanation of Significant Variances – 2021 Budget versus 2020 Budget

MRO does earn interest income on general cash held. The general banking account offsets the bank charges with any earned interest. MRO does not budget interest income on penalties received and held for future budget years. All interest earned is applied to reserves for the reduction of future assessments.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2020	Projection 2020	Budget 2021	Variance 2021 Budget v 2020 Budget	Variance %
Total Salaries	\$ 9,334,262	\$ 9,387,353	\$ 10,059,263	\$ 725,001	7.8%
Total Payroll Taxes	586,604	590,306	631,891	45,287	7.7%
Total Benefits	1,061,581	1,069,153	1,064,375	2,794	0.3%
Total Retirement	1,500,244	1,507,453	1,528,209	27,965	1.9%
<b>Total Personnel Costs</b>	<b>\$ 12,482,691</b>	<b>\$ 12,554,265</b>	<b>\$ 13,283,737</b>	<b>\$ 801,046</b>	<b>6.4%</b>
FTEs	63.00	63.60	66.00	3.00	4.8%
Cost per FTE					
Salaries	148,163	\$ 147,600	\$ 152,413	4,250	2.9%
Payroll Taxes	9,311	9,282	9,574	263	2.8%
Benefits	16,850	16,811	16,127	(724)	-4.3%
Retirement	23,813	23,702	23,155	(659)	-2.8%
<b>Total Cost per FTE</b>	<b>\$ 198,138</b>	<b>\$ 197,394</b>	<b>\$ 201,269</b>	<b>\$ 3,131</b>	<b>1.6%</b>

**Table B-4. Personnel Expenses**

**Explanation of Significant Variances – 2021 Budget versus 2020 Budget**

**Personnel Expenses (Increase \$801K, 6.4%)**

The following assumptions were used to determine the 2021 MRO budget:

- Total personnel expenses were increased to include the addition of 3 FTEs to support the statutory programs and the expanded region.
- The average salary increase was budgeted at 3 percent. MRO realigned staff salaries in 2020 to compete with market increases, which resulted in an unbudgeted increase in 2020 and a larger variance in comparison to 2021.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2020	Projection 2020	Budget 2021	Variance 2021 Budget v 2020 Budget	Variance %
Meeting Expenses	\$ 175,900	\$ 96,170	\$ 204,900	\$ 29,000	16.5%
Travel	1,108,732	\$ 488,860	739,967	(368,765)	-33.3%
<b>Total Meeting Expenses</b>	<b>\$ 1,284,632</b>	<b>\$ 585,030</b>	<b>\$ 944,867</b>	<b>\$ (339,765)</b>	<b>-26.4%</b>

**Table B-5. Meeting Expenses**

### Explanation of Significant Variances – 2021 Budget versus 2020 Budget

#### Meeting Expenses (Increase \$29.0K, 16.5%)

The increase in meeting expense reflects increased participation within the Infrastructure Security program.

#### Travel Expenses (Decrease \$368.8K, 33.3%)

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups, the Align project, and member travel for council face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2021.

Table B-6 lists the budget for Consultants and Contracts.

Consultants	Budget 2020	Projection 2020	Budget 2021	Variance 2021 Budget v 2020 Budget	Variance %
<b>Consultants</b>					
Reliability Standards and Organization Registration and Certification	\$ -	\$ -	\$ -	\$ -	
Compliance	403,000	282,100	403,000	-	0%
Reliability Assessment and Performance Analysis (Alert)	-	-	-	-	
Event Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	32,000	32,000	65,000	33,000	103%
Legal and Regulatory	-	-	-	-	
Information Technology	286,200	214,650	191,200	(95,000)	-33%
Human Resources	-	-	-	-	
Accounting and Finance	15,000	15,000	7,500	(7,500)	-50%
<b>Consultants Total</b>	<b>\$ 736,200</b>	<b>\$ 543,750</b>	<b>\$ 666,700</b>	<b>\$ (69,500)</b>	<b>-9%</b>

Contracts	Budget 2020	Projection 2020	Budget 2021	Variance 2021 Budget v 2020 Budget	Variance %
<b>Contracts</b>					
Reliability Standards and Organization Registration and Certification	\$ -	\$ -	\$ -	\$ -	
Compliance	180,394	126,276	180,394	-	0%
Reliability Assessment and Performance Analysis	81,400	56,980	71,100	(10,300)	-13%
Event Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	227,275	170,456	358,507	131,232	58%
Human Resources	47,000	37,600	27,000	(20,000)	-43%
Accounting and Finance	34,050	34,050	36,000	1,950	6%
<b>Contracts Total</b>	<b>\$ 570,119</b>	<b>\$ 425,362</b>	<b>\$ 673,001</b>	<b>\$ 102,882</b>	<b>18%</b>

**Table B-6. Consultants and Contracts**

### Explanation of Significant Variances – 2021 Budget versus 2020 Budget

#### Consultants for General and Administrative (Increase \$33K, 103%)

The \$33k increase is for extended use of webCDMS as contingency to the implementation of the Align tool.

#### IT Consultants (Decrease \$95K, 33%)

Consultants consist of the support of the MRO communication network. MRO's IT network increased use of internal staff expertise and reduced external technical support.

#### Accounting and Finance Consultants (Decrease \$7.5K, 50%)

Consultants consist of the use of recruiters and other hiring support. These costs were reallocated to the human resource function.

#### Contracts for Reliability Assessment (Decrease \$10.3K, 13%)

The decrease is due to reduced contract costs for modeling simulation software.

**IT Contracts (Increase \$131.2K, 58%)**

IT contracts consist of maintenance of IT networks, systems, and software applications. Increased costs in contracts are due to the addition of ERO shared applications and newly acquired communication systems for greater efficiency and robust technological operation.

**Human Resource Contracts (Decrease \$20K, 43%)**

The decrease in HR contracts results from decreased costs for compensation and benefit studies.

Table B-7 lists the budget for Office Rent.

Office Rent	Budget 2020	Projection 2020	Budget 2021	Variance 2021 Budget v 2020 Budget	Variance %
Office Rent	\$ 750,000	\$ 750,000	\$ 1,128,700	\$ 378,700	50.5%
Utilities	9,000	9,000	10,000	1,000	11.1%
Maintenance	15,000	15,000	30,000	15,000	100.0%
<b>Total Office Rent</b>	<b>\$ 774,000</b>	<b>\$ 774,000</b>	<b>\$ 1,168,700</b>	<b>\$ 394,700</b>	<b>50.99%</b>

**Table B-7. Office Rent**

**Explanation of Significant Variances – 2021 Budget versus 2020 Budget**

MRO anticipates an office expansion in 2020 that will result in higher rent. Rent and all associated facility costs are budgeted higher in anticipation of occupying a larger office space.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2020	Projection 2020	Budget 2021	Variance 2021 Budget v 2020 Budget	Variance %
Phone Service					
Data Circuit (qmoe)	\$ 60,000	\$ 45,482	\$ 60,000	\$ -	31.92%
Webex	19,200	14,554	19,200	-	31.92%
Voice Circuits	18,000	13,645	18,000	-	31.92%
Business Cable	3,250	2,464	3,250	-	31.92%
Disaster Recovery Site	-	-	-	-	
Internet/Cell	62,532	47,401	64,520	1,988	36.11%
Office Supplies	50,000	37,902	35,000	(15,000)	-7.66%
Employee Member Events	38,000	28,805	32,000	(6,000)	11.09%
Employee Related Expense	35,000	26,531	25,000	(10,000)	-5.77%
Computer Supplies and Maintenance	166,500	126,212	149,000	(17,500)	18.06%
Publications & Subscriptions	10,500	7,959	13,600	3,100	70.87%
Professional Dues	22,095	16,749	19,076	(3,019)	13.90%
Postage	6,200	4,700	6,200	-	31.92%
Temporary Services	-	-	-	-	
Finance-Filing/Reg Fees	6,000	4,548	4,000	(2,000)	-12.05%
Equipment Repair/Service Contracts	38,000	28,805	39,000	1,000	35.39%
Bank Charges	15,000	11,370	6,000	(9,000)	-47.23%
Presentation & Publicity & Supplies Promotional	15,000	11,370	20,000	5,000	75.89%
Departmental Functional Training	275,050	208,497	303,851	28,801	45.73%
Insurance Expense	90,000	68,223	90,000	-	31.92%
<b>Total Office Costs</b>	<b>\$ 930,327</b>	<b>\$ 705,217</b>	<b>\$ 907,697</b>	<b>\$ (22,630)</b>	<b>28.71%</b>

**Table B-8. Office Costs**

**Explanation of Significant Variances – 2021 Budget versus 2020 Budget (Decrease \$22.6K, 2.4%)**

There is not a significant variance in office costs. Increases in some line costs are offset by decreases in other line costs, which results in a slightly lower total office cost.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2020	Projection 2020	Budget 2021	Variance 2021 Budget v 2020 Budget	Variance %
Independent Trustee Fees	\$ 320,000	\$ 252,273	\$ 331,500	\$ 11,500	3.59%
Independent Trustee Travel Reimbursement	27,000	21,286	30,000	3,000	11.11%
Outside Legal	120,000	94,602	100,000	(20,000)	-16.67%
Accounting and Auditing Fees	33,000	26,016	35,000	2,000	6.06%
Actuarial Fees	28,000	22,074	23,000	(5,000)	-17.86%
<b>Total Services</b>	<b>\$ 528,000</b>	<b>\$ 416,250</b>	<b>\$ 519,500</b>	<b>\$ (8,500)</b>	<b>-1.61%</b>

**Table B-9. Professional Services**

**Explanation of Significant Variances – 2021 Budget versus 2020 Budget**

There is no significant variance in costs. Increases in some line costs are offset by decreases in other line costs, which results in a slightly lower total professional service cost.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	Budget 2020	Projection 2020	Budget 2021	Variance 2021 Budget v 2020 Budget	Variance %
	\$ -	\$ -	\$ -	\$ -	-
					-
					-
<b>Total Miscellaneous Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>

**Table B-10. Miscellaneous**

**Explanation of Significant Variances – 2021 Budget versus 2020 Budget**

MRO has not budgeted any Miscellaneous Expenses in 2021 or 2020.

Table B-11 lists the budget for other Non-Operating Expenses.

Other Non-Operating Expenses	Budget 2020	Projection 2020	Budget 2021	Variance 2021 Budget v 2020 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment					
Office Relocation	-	-	-	-	
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>

**Table B-11. Other Non-Operating Expenses**

**Explanation of Significant Variances – 2021 Budget versus 2020 Budget**

MRO has not budgeted any Non-Operating Expenses in 2021 or 2020.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2020	Projection 2020	Budget 2021	Variance 2021 Budget v 2020 Budget	Variance %
Computer Equipment	210,000	210,000	250,000	40,000	19.0%
Capitalized Software	-	-	-	-	
Furniture and Equipment	-	-	-	-	
Leasehold Improvements	25,000	15,000	-	(25,000)	-100.0%
<b>Total Change in Fixed Assets</b>	<b>\$ 235,000</b>	<b>\$ 225,000</b>	<b>\$ 250,000</b>	<b>\$ 15,000</b>	<b>6.4%</b>

**Table B-12. Fixed Assets**

#### **Explanation of Significant Variances – 2021 Budget versus 2020 Budget**

MRO anticipates a one-time purchase in leasehold improvements related to a facility expansion in 2020. No leasehold purchases expected in 2021.

Table B-13 compares the 2021 budget with projections for 2021-2023.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2022 and 2023 Projections								
	2021	2022	\$ Change	% Change	2023	\$ Change	% Change	
	Budget	Projection	21 v 22	21 v 22	Projection	22 v 23	22 v 23	
<b>Funding</b>								
<b>ERO Funding</b>								
NERC Assessments	\$ 16,983,251	\$ 17,492,749	\$ 509,498	3.00%	\$ 18,017,531	\$ 524,782	3.00%	
Assessment Stabilization Reserves	1,428,951	1,547,157	118,206	8.27%	1,597,571	50,415	3.26%	
Membership Dues	-	-	-	-	-	-	-	
Testing Fees	-	-	-	-	-	-	-	
Services & Software	-	-	-	-	-	-	-	
Workshop Fees & Miscellaneous	-	-	-	-	-	-	-	
Interest & Investment Income	-	-	-	-	-	-	-	
<b>Total Funding (A)</b>	<b>\$ 18,412,202</b>	<b>\$ 19,039,905</b>	<b>\$ 627,703</b>	<b>3.4%</b>	<b>\$ 19,615,103</b>	<b>\$ 575,197</b>	<b>3.0%</b>	
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 10,059,263	\$ 10,461,633	\$ 402,371	4.0%	\$ 10,775,482	\$ 313,849	3.0%	
Payroll Taxes	631,891	657,166	25,276	4.0%	676,881	19,715	3.0%	
Benefits	1,064,375	1,106,950	42,575	4.0%	1,140,158	33,208	3.0%	
Retirement Costs	1,528,209	1,589,338	61,128	4.0%	1,637,018	47,680	3.0%	
<b>Total Personnel Expenses</b>	<b>\$ 13,283,737</b>	<b>\$ 13,815,087</b>	<b>\$ 531,349</b>	<b>4.0%</b>	<b>\$ 14,229,540</b>	<b>\$ 414,453</b>	<b>3.0%</b>	
<b>Meeting Expenses</b>								
Meetings & Conference Calls	\$ 204,900	\$ 211,047	\$ 6,147	3.0%	\$ 217,378	6,331	3.0%	
Travel	739,967	762,166	22,199	3.0%	785,031	22,865	3.0%	
<b>Total Meeting Expenses</b>	<b>\$ 944,867</b>	<b>\$ 973,213</b>	<b>\$ 28,346</b>	<b>3.0%</b>	<b>\$ 1,002,409</b>	<b>\$ 29,196</b>	<b>3.0%</b>	
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	\$ 1,339,701	\$ 1,379,892	40,191	3.0%	\$ 1,421,289	41,397	3.0%	
Office Rent	1,168,700	1,203,761	35,061	3.0%	1,239,874	36,113	3.0%	
Office Costs	905,697	932,868	27,171	3.0%	960,854	27,986	3.0%	
Professional Services	519,500	535,085	15,585	3.0%	551,138	16,053	3.0%	
Miscellaneous	-	-	-	-	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 3,933,598</b>	<b>\$ 4,051,606</b>	<b>\$ 118,008</b>	<b>3.0%</b>	<b>\$ 4,173,154</b>	<b>\$ 121,548</b>	<b>3.0%</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>		
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>		
<b>Total Expenses (B)</b>	<b>\$ 18,162,202</b>	<b>\$ 18,839,906</b>	<b>\$ 677,703</b>	<b>3.7%</b>	<b>\$ 19,405,103</b>	<b>\$ 565,197</b>	<b>3.0%</b>	
<b>Change in Net Assets (=A - B)</b>	<b>\$ 250,000</b>	<b>\$ 200,000</b>	<b>\$ (50,000)</b>	<b>-20.0%</b>	<b>\$ 210,000</b>	<b>10,000</b>	<b>5.0%</b>	
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 250,000</b>	<b>\$ 200,000</b>	<b>\$ (50,000)</b>	<b>-20.0%</b>	<b>\$ 210,000</b>	<b>\$ 10,000</b>	<b>5.0%</b>	
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 18,412,202</b>	<b>\$ 19,039,906</b>	<b>\$ 627,703</b>	<b>3.4%</b>	<b>\$ 19,615,103</b>	<b>\$ 575,197</b>	<b>3.0%</b>	
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>		
<b>FTEs</b>	<b>66.00</b>	<b>69.00</b>	<b>3.00</b>		<b>69.00</b>	<b>-</b>		

**Table B-13. Budget 2021 Compared with 2021-2023 Projections**

**Explanation of 2021, 2022, 2023 Projections**

At this time, MRO does not anticipate significant changes in program areas for the next three years.

- FTEs increase by three
- Three percent escalation rate applied to expense categories
- Total budget increase of \$537K in 2022
- Total budget increase of \$568K in 2023
- Zero penalties budgeted

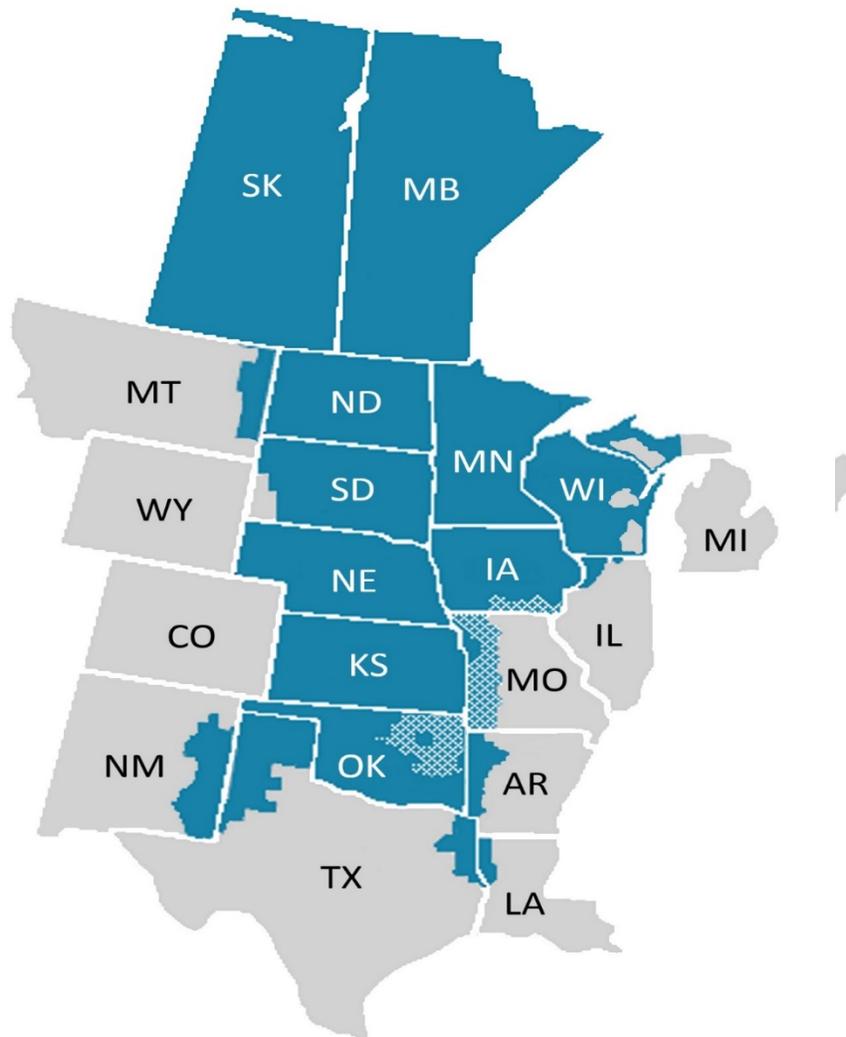
## Section C – Non-Statutory Activities

### 2021 Business Plan and Budget

#### Section C – Non-Statutory Activities

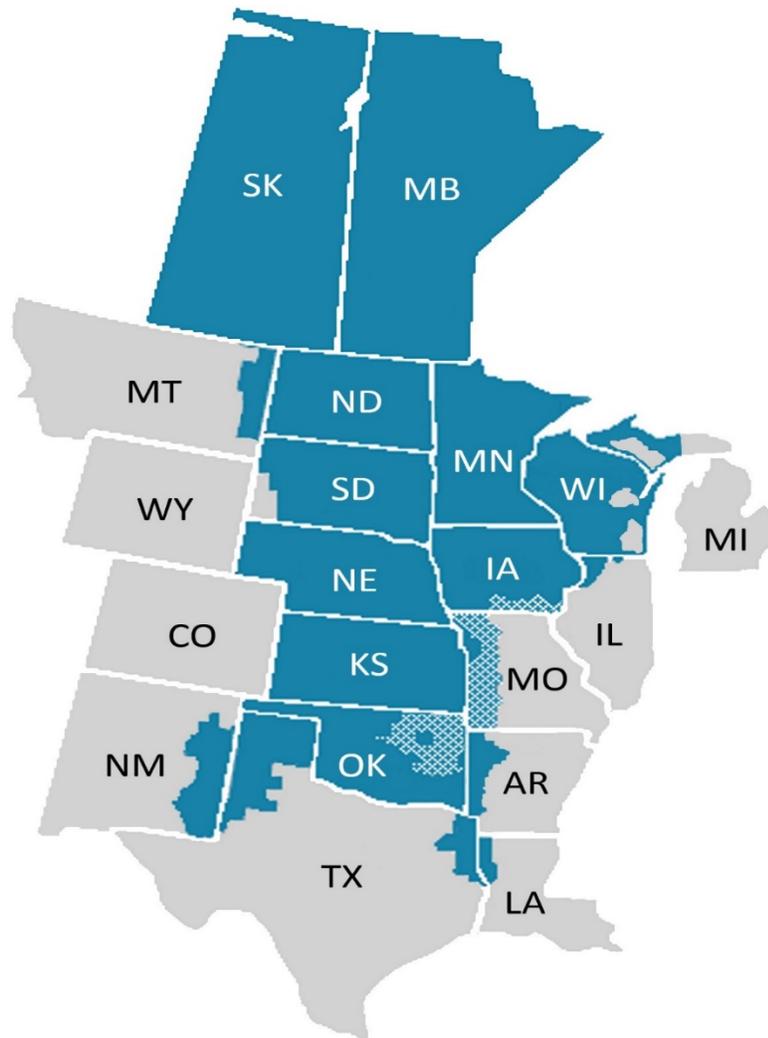
##### 2021 Non-Statutory Business Plan and Budget

MRO has no non-statutory activities.



# Section D – Additional Consolidated Financial Statements

## 2021 Business Plan and Budget



# Section D – Additional Consolidated Financial Statements

## 2021 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2021 Business Plan and Budget	Functions in Delegation Agreement											
	Statutory Total	Reliability Standards and Organization Registration and Certification (Section 300 & 500)	Compliance (Section 400)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 600&900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
<b>Funding</b>												
ERD Funding												
NERC Assessments	16,983,251	516,808	12,027,239	2,954,781	795,601	688,812						
Assessment Stabilization Adjustment	1,428,951	42,869	1,028,845	238,349	61,731	57,158						
Membership Dues	-	-	-	-	-	-						
Testing Fees	-	-	-	-	-	-						
Services & Software	-	-	-	-	-	-						
Workshops & Miscellaneous Revenue	-	-	-	-	-	-						
Interest & Investment Income	-	-	-	-	-	-						
<b>Total Funding (A)</b>	<b>18,412,202</b>	<b>559,677</b>	<b>13,056,084</b>	<b>3,193,130</b>	<b>857,332</b>	<b>745,980</b>	-	-	-	-	-	-
<b>Expenses</b>												
Personnel Expenses												
Salaries	10,059,263	233,737	5,282,183	1,303,637	290,379	279,803	-	845,317	268,391	746,507	259,627	549,682
Payroll Taxes	631,891	14,862	340,856	86,380	18,898	17,455	-	34,161	12,352	55,252	15,704	35,972
Benefits	1,064,375	26,129	557,406	136,669	33,080	34,037	-	51,571	20,113	104,289	24,239	76,841
Retirement Costs	1,528,209	37,175	791,450	201,108	46,609	46,398	-	104,936	33,534	130,990	38,003	98,006
<b>Total Personnel Expenses</b>	<b>13,283,737</b>	<b>311,903</b>	<b>6,971,895</b>	<b>1,727,794</b>	<b>388,967</b>	<b>377,693</b>	-	<b>1,035,985</b>	<b>334,390</b>	<b>1,037,037</b>	<b>337,572</b>	<b>760,501</b>
Meeting Expenses												
Meetings	204,900	1,400	10,500	9,000	120,000	2,000	-	60,000	-	-	-	2,000
Travel	739,967	25,000	206,300	160,000	39,067	63,400	-	200,700	23,500	10,000	2,000	10,000
<b>Total Meeting Expenses</b>	<b>944,867</b>	<b>26,400</b>	<b>216,800</b>	<b>169,000</b>	<b>159,067</b>	<b>65,400</b>	-	<b>260,700</b>	<b>23,500</b>	<b>10,000</b>	<b>2,000</b>	<b>12,000</b>
Operating Expenses												
Consultants & Contracts	1,339,701	-	583,394	71,100	-	-	-	65,000	-	549,707	27,000	43,500
Office Rent	1,168,700	-	-	-	-	-	-	-	-	-	-	1,168,700
Office Costs	905,697	6,583	129,020	31,000	-	16,500	-	120,000	15,244	351,350	64,500	171,500
Professional Services	519,500	-	-	-	-	-	-	-	461,500	-	-	58,000
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>3,933,598</b>	<b>6,583</b>	<b>712,414</b>	<b>102,100</b>	<b>-</b>	<b>16,500</b>	-	<b>185,000</b>	<b>476,744</b>	<b>901,057</b>	<b>91,500</b>	<b>1,441,700</b>
<b>Total Direct Expenses</b>	<b>18,162,202</b>	<b>344,886</b>	<b>7,901,109</b>	<b>1,998,894</b>	<b>548,033</b>	<b>459,593</b>	-	<b>1,481,685</b>	<b>834,634</b>	<b>1,948,094</b>	<b>431,072</b>	<b>2,214,201</b>
Indirect Expenses	-	207,291	4,974,975	1,152,536	298,499	276,388	-	(1,481,685)	(834,634)	(1,948,094)	(431,072)	(2,214,201)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses (B)</b>	<b>18,162,202</b>	<b>552,177</b>	<b>12,876,084</b>	<b>3,151,430</b>	<b>846,532</b>	<b>735,980</b>	-	-	-	-	-	-
<b>Change in Net Assets</b>	<b>250,000</b>	<b>7,500</b>	<b>180,000</b>	<b>41,700</b>	<b>10,800</b>	<b>10,000</b>	-	-	-	-	-	-
<b>Fixed Assets</b>												
Computer & Software CapEx	250,000	-	-	-	-	-	-	-	250,000	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	7,500	180,000	41,700	10,800	10,000	-	-	(250,000)	-	-	-
<b>Ind(Dec) in Fixed Assets (C)</b>	<b>250,000</b>	<b>7,500</b>	<b>180,000</b>	<b>41,700</b>	<b>10,800</b>	<b>10,000</b>	-	-	-	-	-	-
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>18,412,202</b>	<b>559,677</b>	<b>13,056,084</b>	<b>3,193,130</b>	<b>857,332</b>	<b>745,980</b>	-	-	-	-	-	-
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>66.00</b>	<b>1.50</b>	<b>36.00</b>	<b>8.34</b>	<b>2.16</b>	<b>2.00</b>	-	<b>3.36</b>	<b>1.55</b>	<b>6.00</b>	<b>1.29</b>	<b>3.80</b>
Indirect Costs Allocation	-	207,291	4,974,975	1,152,536	298,499	276,388	-	(1,481,685.32)	(834,634)	(1,948,094)	(431,072)	(2,214,201)
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	250,000	-	-
Reserves Allocation	1,428,951	42,869	1,028,845	238,349	61,731	57,158	-	-	-	-	-	-
Interest Income Allocation	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-

Table D-1. Consolidated Statement of Activities by Program, Statutory and Non-Statutory

## Statement of Financial Position

The following table provides MRO Statement of Financial Position as of these dates:

- As of December 31, 2019, per audit
- As of December 31, 2020, projected
- As of December 31, 2021, as budgeted

Statement of Financial Position			
2019 Audited, 2020 Projection, and 2021 Budget			
STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-19	31-Dec-20	31-Dec-21
<b>ASSETS</b>			
Cash	5,985,734	5,941,042	5,791,710
Restricted Cash	-	-	-
Other Receivables	-	-	-
Prepaid expenses and other current assets	306,243	320,000	280,000
Security deposit	39,858	39,858	39,858
Restricted Cash - non-current	3,157,718	1,651,000	1,066,117
Property and equipment and capitalized software	1,262,659	1,368,767	1,030,767
Total Assets	<b>10,752,212</b>	<b>9,320,667</b>	<b>8,208,452</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	2,080,210	1,302,854	1,100,000
Postretirement medical benefit obligation	777,773	911,298	965,976
Deferred assessments - non-current	-	-	-
Deferred rent - non-current	501,761	525,100	571,561
Total Liabilities	<b>3,359,744</b>	<b>2,739,252</b>	<b>2,637,537</b>
Net Assets - unrestricted	7,392,468	6,581,415	5,570,915
Total Liabilities and Net Assets	<b>10,752,212</b>	<b>9,320,667</b>	<b>8,208,452</b>

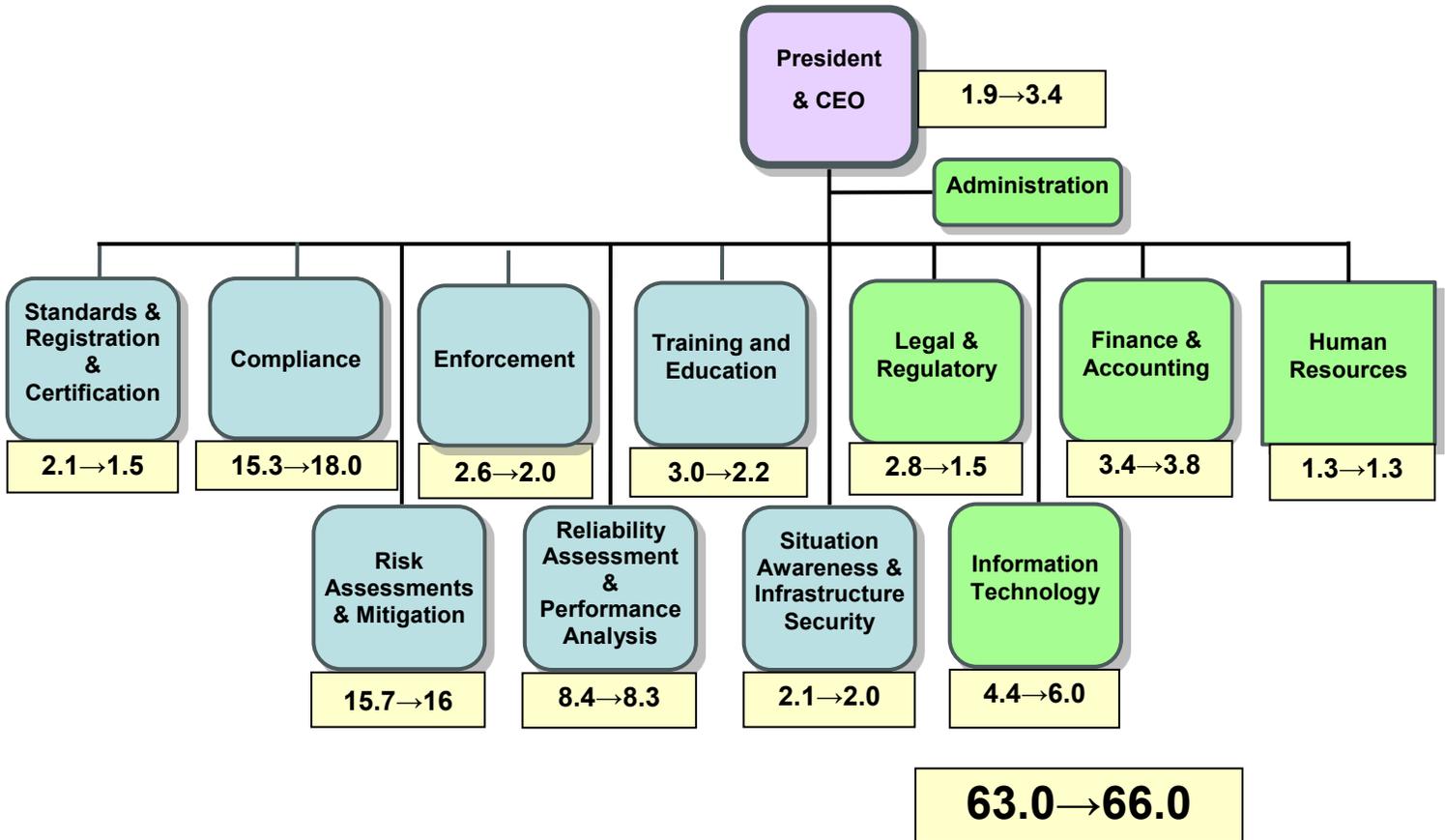
**Table D-2. Statement of Financial Position, Three-Year Comparison**

# Appendix A

## Organization Chart

The MRO Organization Chart is shown below.

### 2020 to 2021 Full Time Equivalent (FTE) Comparison Organization Chart



### FTE Trend from 2018 to 2023

2018	2020	2021	2022 Estimate	2023 Estimate
45.0	63.0	66.0	69.0	69.0

Figure 2. Organization Chart

## Appendix B

This section lists acronyms used in this document.

Acronym	Definition
ASR	Assessment Stabilization Reserve
BES	Bulk Electric System
BPS	Bulk Power System
CMEP	Compliance Monitoring and Enforcement Program
CMEPAC	Compliance Monitoring and Enforcement Program Advisory Council
COP	Compliance Oversight Plan
CORES	Centralized Organization Registration ERO System
CRISP	Cybersecurity Risk Information Sharing Program
DADS	Demand Response Availability Data System
E-ISAC	Electricity Information Sharing and Analysis Center
ERAG	Eastern Interconnection Reliability Assessment Group
ERO	Electric Reliability Organization
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FTE	Full-Time Equivalent
GAAP	Generally Accepted Accounting Principles
GADS	Generating Availability Data System
GPC	Governance & Personnel Committee
HERO	Highly Effective Reliability Organization
HRO	Highly Reliable Organization
IRA	Inherent Risk Assessment
IT	Information Technology
MRO	Midwest Reliability Organization
NEL	Net-Energy-for-Load
NERC	North American Electric Reliability Corporation
OGOC	Organizational Group Oversight Committee
RAC	Reliability Advisory Council
RAM	Risk Assessment and Mitigation
RAPA	Reliability Assessment and Performance Analysis

RE	Regional Entity
RISC	Reliability Issues Steering Committee
SAC	Security Advisory Council
SAG	Standard Application Guide
SOA	Statement of Activities
SPP RE	Southwest Power Pool Regional Entity
TADS	Transmission Availability Data System

## Appendix C

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## Attachment 4

NERC Management's Responses to Stakeholder Comments Submitted on Draft #1 and Draft #2 of  
NERC's 2021 Business Plan and Budget

Re: Management Response to 2021 Business Plan and Budget (BP&B) Draft 1 Comments

Date: July 16, 2020

The deadline for comments on the first draft of NERC's 2021 BP&B ended on June 26, 2020. Comments were submitted by five entities. Overall the comments were supportive of the 2021 BP&B, especially the cost savings efforts that helped yield a minimal budget increase and flat assessment versus 2020. Below is a summary of the comments and NERC management's responses as applicable.

### **Canadian Electricity Association (CEA)**

CEA was appreciative of NERC's minimal budget increase and flat assessment for 2021 as compared to 2020. CEA recommended that NERC continue to pursue budget stabilization to ensure alignment with the regulatory and fiscal realities faced by electric utilities, especially in the context of uncertain economic conditions resulting from the COVID-19 pandemic. CEA also noted that NERC is tracking below budget for 2020, which will result in a much higher operating reserve than normally targeted, and asked NERC to consider methods to provide relief to entities rather than recovering the same revenue even though 2020 costs seem to be under the expected budget. CEA also encouraged NERC to continue examining ways to ensure budget stabilization in future years, and to provide more cost certainty over a three-year horizon to align with electric sector realities, where rates are not typically modified on a yearly basis. Finally, CEA commended NERC and the E-ISAC for the work done to refresh the E-ISAC strategic plan and stabilize the E-ISAC budget, and to continue (1) engaging with stakeholders to ensure the full value of the E-ISAC is realized and (2) leveraging capabilities already available from other agencies and partners.

### NERC Management Response

NERC appreciates CEA's comments and support for its 2021 BP&B. NERC's goal for the 2021 BP&B was to achieve a flat assessment in response to the current economic impacts on the electric utility industry resulting from the pandemic. This was achieved despite significant budget pressures, including 2021 Align development costs, the addition of software and support costs associated with the ERO Secure Evidence Locker (SEL), additional recommended IT cyber security resources, and rising medical insurance premiums. NERC was able to absorb these costs while maintaining a minimal budget increase and flat assessment through a combination of (1) a short-term reduction in meeting and travel expenses due to expected continued pandemic conditions, (2) prioritizing and deferring important but less urgent personnel additions and data management tool enhancements to future years, and (3) using reserves to reduce assessments (i.e., the Operating Contingency Reserves (OCR) draw to fund the 2021 Align development costs).

As a result of holding the 2021 budget and assessment to 2020 levels, especially with respect to the use of reserves to flatten the assessment, NERC is anticipating a measured return to pre-COVID-19 planning assumptions to fund deferred resources and system enhancements that are necessary for the ERO Enterprise to continue to fulfill its mission in the long-term. However, we are sensitive to the need to manage the pace at which those resources are added and projects are completed, and during the 2022 and 2023 budget development cycles NERC commits to

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focusing on addressing the highest risks to reliability and security. At the same time, we will consider prevailing economic conditions, potential facility and workplace model changes resulting from lessons learned during the pandemic, and judicious use of OCR and Assessment Stabilization Reserves (ASR) to manage assessment increases. Finally, we will continue to assess our program areas and prioritize initiatives.

In response to the anticipated 2020 budget underrun CEA references that will contribute to higher-than-targeted OCR funds at the end of 2020, NERC notes that this underrun is being driven by a combination of lower meeting and travel costs due to the pandemic as well as deliberate costs savings efforts, including deferred personnel hires and system enhancements. This allows for (1) use of OCR to fund \$1.8M of the \$3.8M total capital investment for the ERO SEL in 2020; (2) cash funding of 2020 Align development costs versus financing, therefore reducing debt service for 2021 and future years; (3) use of OCR to fund the \$1.8M in Align development costs in 2021; and (4) as mentioned above, reserve funding to potentially offset rebounding assessments in future years.

Finally, NERC acknowledges CEA's comment regarding providing more cost certainty over a three-year horizon, and will collaborate with the Regional Entities on how to improve the year two and three budget forecasts.

### **Edison Electric Institute (EEI)**

EEI acknowledged the continued financial pressure on the energy sector resulting from the effects of COVID-19 and recognized NERC's efforts to maintain a flat budget while also maintaining effective and efficient operations to assure bulk power system reliability and security. EEI urged NERC to work with the Regional Entities to balance reliability and security while maintaining current 2020 budget levels in the Regional Entity budgets for 2021. Finally, EEI encouraged NERC to continue looking for opportunities to prioritize activities that focus on the highest risks to security and reliability while deferring certain lower risk projects to efficiently manage resources.

### NERC Management Response

NERC appreciates EEI's comments and support for its 2021 BP&B. As noted above in the response to CEA, NERC commits to focusing on addressing the highest risks to reliability and security while considering prevailing economic conditions, potential facility and workplace model changes resulting from lessons learned during the pandemic, and judicious use of OCR and ASR to manage assessment increases. Additionally, we will continue to assess our program areas and prioritize initiatives.

With respect to the Regional Entity 2021 budgets, NERC notes that it has ongoing touchpoints with the Regional Entities during budget development, in which the organizations share information on budget pressures, cost savings efforts, best practices, and opportunities to leverage costs across the ERO Enterprise. Our review of their BP&Bs focuses on the sufficiency of resources for the Regional Entities to meet their delegated accountabilities and the appropriateness of expenditures to qualify for statutory funding. However, each Regional Entity's situation is unique and we do rely on the Regional Entity boards to determine the appropriate funding, and also note that all Regional Entities have robust stakeholder engagement processes surrounding their own budgets. Additionally, while the budget and assessment increases for 2021 vary across the ERO Enterprise entities, the weighted average assessment increase for NERC and the Regional Entities combined in 2021 is 0.6%. NERC will continue to explore enhanced collaboration opportunities with the Regional Entities for future budget cycles.

### **Independent Electricity System Operator (IESO)**

The IESO expressed appreciation for NERC's minimal budget increase and flat assessment for 2021 as compared to 2020, particularly in the context of cost implications resulting from the current pandemic situation. The IESO also expressed support for the methodology for establishing assessments that acknowledges the capabilities and

expertise of each entity, including the IESO's role in cyber security in Ontario. The IESO encouraged NERC to seek budget stabilization as priority when developing preliminary projections for 2022 and 2023.

#### NERC Management Response

NERC appreciates IESO's comments and support for its 2021 BP&B. As noted above in the response to CEA, as a result of holding the 2021 budget and assessment to 2020 levels, especially with respect to the use of reserves to flatten the assessment, NERC is anticipating a measured return to pre-COVID-19 planning assumptions in future years to fund deferred resources and system enhancements that are necessary for the ERO to continue to fulfill its reliability and security mission in the long-term. During the 2022 and 2023 budget development cycles, NERC commits to focusing on addressing the highest risks to reliability and security while considering prevailing economic conditions, potential facility and workplace model changes resulting from lessons learned during the pandemic, and judicious use of OCR and ASR to manage assessment increases. Additionally, we will continue to assess our program areas and prioritize initiatives.

#### **ISO RTO Council Standards Review Committee (SRC)**

The ISO RTO Council SRC expressed support for NERC's efforts to minimize cost increases in the 2021 BP&B and keep its assessment flat in response to the uncertain economic conditions resulting from the COVID-19 pandemic. The ISO RTO Council SRC also requested the following: (1) a better understanding of NERC's plans for conducting in-person meetings in 2021; (2) clarification regarding the appearance of reduced funding in the Event Analysis program; and (3) that NERC expand all of the charts provided in the BP&B to include at least one additional year of historical data so that trends can more easily be identified.

#### NERC Management Response

NERC appreciates the ISO RTO Council SRC's comments and support for its 2021 BP&B and offers the following responses to the requested information:

1. NERC's 2021 BP&B assumes some continued pandemic conditions with respect to in-person meetings and travel, which is reflected as a \$1.1M (33.7%) decrease in the Draft 1 2021 budget versus the 2020 budget. While this does not represent a change with respect to NERC's model for meetings and overall stakeholder engagement, it does factor in the expectation that NERC will be leveraging technology to conduct virtual meetings to a greater extent due to assumed travel restrictions, at least for the first portion of 2021. Specific decisions on in-person meetings in 2021 will be evaluated as pandemic conditions are known closer to the scheduled meeting dates.
2. The \$785k (16.6%) decrease in the Event Analysis program in the Draft 1 2021 budget is primarily related to a shift in personnel charged to that department at the leadership and administrative levels to a different department (with a resulting decrease in corresponding indirect cost allocations); however, the core resources and program investments remain the same, reflecting NERC's continued commitment to the importance of this area. The Draft 2 budget will show a reallocation of budget funds back into the Event Analysis department as a result of evaluating the organization administrative structure and financial reporting, and to allow for a more consistent budget comparison to prior periods.
3. The format for the tables provided in the BP&B are mutually agreed upon by NERC, the Regional Entities, and FERC. NERC can explore the value of adding an additional year of historical information with the Regional Entities for future BP&B cycles. In the meantime, NERC would be happy to provide any specific historical information for programs or cost categories upon request.

**National Rural Electric Cooperative Association (NRECA)**

NRECA expressed appreciation for the attention to cost savings steps and use of reserve contingency funds and provided overall support for the draft 2021 BP&B.

We appreciate the comments received and stakeholders' continuing support of NERC's mission. NERC encourages stakeholders' continued participation in the BP&B process during its development of the 2021 budget.

Sincerely,



Andy Sharp  
Vice President and Chief Financial Officer

Re: Management Response to 2021 Business Plan and Budget (BP&B) Draft 2 Comments

Date: August 13, 2020

The deadline for comments on the second draft of NERC's 2021 BP&B ended on July 30, 2020. Comments were submitted by the Canadian Electricity Association (CEA), the National Rural Electric Cooperative Association (NRECA), and Utility Services, Inc. NRECA's comments were supportive of NERC's continued attention to cost savings efforts for the 2021 budget. CEA also expressed appreciation for NERC's efforts to ensure a flat assessment in 2021 and that the projection for 2022 is lower than previously projected in the 2020 BP&B. CEA also reiterated the need for continued budget stabilization to align with the fiscal realities faced by electric utilities, especially with respect to the long-term financial effects of COVID-19.

Utility Services, Inc.'s comments primarily focused on the work and tools of the Power Risk Issue Strategic Management (PRISM) group, including potential duplication of efforts with stakeholder committees, the role the group plays in Reliability Standards training, and further insight on the purpose and cost of the data repository tool, wERock. The comments also requested clarification on the relationship between NERC's access to reliability-related data and future plans for Reliability Standards.

In response to these comments, NERC has adjusted the respective language in the final 2021 BP&B in the Reliability Standards and PRISM section to (1) explain that PRISM's work on Distributed Energy Resources, Interconnection Reliability Operating Limits and System Operating Limits, and Battery Storage will be in collaboration with the Reliability and Security Technical Committee (RSTC) and applicable task forces and working groups; (2) clarify that the PRISM group has extensive Reliability Standards development experience and, as such, has the expertise to provide training on standards for staff within the ERO Enterprise as needed; (3) provide additional information on the wERock tool, which is used to track Reliability Issues Steering Committee-identified issues and corresponding RSTC and other ERO Enterprise committee work plan items, and is being developed using in-house resources on existing internal platforms; and (4) clarify that NERC's access to increasing amounts of data for the purpose of identifying trends to reliability risks can inform the efficacy of standards with respect to these emerging risks.

We appreciate the comments received and stakeholders' continuing support of NERC's mission. NERC encourages stakeholders' continued participation during its development of the 2022 budget.

Sincerely,



Andy Sharp, Vice President and Chief Financial Officer

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## Attachment 5

Calculation of Adjustments to the AESO 2021 NERC Assessment, the IESO 2021 NERC Assessment, the  
New Brunswick 2021 NERC Assessment and the Québec 2021 NERC Assessment









## Attachment 6

Memorandum for NERC Board of Trustees Describing NERC's Participation in Preparation of and Review of Regional Entity 2021 Business Plans and Budgets

To: NERC Board of Trustees

From: Andy Sharp

Re: Review Process for Regional Entity 2021 Business Plans & Budgets (BP&Bs)

Date: June 12, 2020

NERC has reviewed the Regional Entity 2021 BP&Bs and believes each provides for adequate resources to meet its delegated functions. Additional details on the review process and outcomes are discussed below.

In accordance with 18 C.F.R. Section 39.4, Rules of Procedure Section 1104, and Exhibit E of the regional delegation agreements, NERC oversees that the Regional Entities are adequately funded to accomplish their delegated functions. For each annual BP&B cycle, the Regional Entities submit their BP&Bs to NERC according to a schedule established collaboratively by NERC and the Regional Entities, and NERC conducts reviews of each, focusing on the following:

- Adequacy of the resources and activities to perform delegated functions;
- Alignment of the Regional Entity's goals, objectives, and major activities to the *ERO Enterprise Long-Term Strategy* and the related focus areas;
- Efforts to improve efficiency and control costs;
- Quality and completeness of the financial information presented, including:
  - Conformance with FERC budget reporting requirements and common presentation format;
  - Separation of statutory and non-statutory activities;
  - Supporting detail, including explanations for significant changes from the previous budget;
  - Reporting of working capital and operating reserve budgets and explanation of policies; and
  - Compliance with any budget or audit-related orders from FERC, if applicable.

These reviews generally occur according to the following timeline and process for each BP&B cycle:

- End of April/early May – Regional Entities provide their Draft 1 BP&Bs to NERC
- May through early June – Managerial staff from each NERC statutory program area reviews its respective sections of each Regional Entity BP&B and completes a template/checklist to indicate alignment with the above noted areas of focus. NERC Finance staff reviews for conformance to reporting requirements and presentation format. NERC also coordinates reviews of the Regional Entity BP&Bs with the external counsel that prepares the annual BP&B filings to provide feedback regarding overall document integrity and adherence to FERC expectations and requirements.

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- In accordance with the timeline for each Regional Entity board meeting to approve its final BP&B, NERC provides any necessary feedback to the Regional Entity on suggested revisions.
- Regional Entities address feedback and NERC confirms implementation of revisions.
- Mid-May through June – Regional Entities provide their NERC-reviewed BP&Bs to their boards for approval.
- Mid-June – Regional Entities submit their Net Energy for Load (NEL) and Load-Serving Entity (LSE) data to NERC.
- Mid-June through July – NERC validates the data and calculates assessments for each LSE to be included with the submission of the final NERC and Regional Entity BP&Bs to the Board in August, followed by applicable regulatory filings.

The above process is in addition to regular touchpoints with the ERO Finance Group (comprised of NERC and Regional Entity financial representatives) to discuss and coordinate development of the BP&Bs, as well as ongoing discussions among the other ERO working groups and ERO Executive Committee.

In recent years, this review process has produced minimal feedback to the Regional Entities, as resources are generally found to be adequate with respect to Regional Entities fulfilling their delegated statutory functions. Any input has primarily been limited to suggestions on narrative language or, from the financial perspective, the implementation of recent Statement of Activity format changes. Any areas of improvement for the Regional Entities regarding activities, processes, and procedures are addressed through ongoing Regional Entity oversight and the collaborative work of the ERO Executive Committee and its working groups.

NERC recently completed reviews of the Regional Entity 2021 BP&Bs. The following is a summary of the review findings and outcomes:

- All Regional Entity budgets cover activities eligible for funding, consistent with the regional delegation agreements as well as section 215 criteria.
- All statutory areas for all Regional Entities have adequate resources, including both FTEs and contracting resources, to fulfill their delegated functions. Texas RE and RF were requested to clarify the drivers for their compliance-related FTE increases, which was adequately addressed by both Regional Entities.
- All Regional Entities generally conform to necessary budget reporting and format requirements. Feedback was provided to RF, NPCC, and WECC to add a recently implemented change to the Statement of Activities, which is the inclusion of a footnote that explains the penalty release line item with respect to the change in Generally Accepted Accounting Principles (GAAP) regarding revenue recognition. This was adequately addressed by the three Regional Entities.
- Other minor wording change suggestions.

Additionally, the ERO Finance Group has had ongoing discussions over the last several months regarding reserve balances and policies. The group is continuing to work toward better alignment of reserve category definitions and overall presentation to provide further clarity on reserve balances and penalty funds received, and use of these funds to offset future assessments.

## Attachment 7

### Metrics Comparing Regional Entity Operations Based on the 2021 Budgets

**2021 Metrics for Budget Submissions**

Budget Metrics	MRO	NPCC <sup>6</sup>	ReliabilityFirst	SERC	Texas RE	WECC
1 Number of registered entities <sup>1</sup>	200	243	250	264	247	1,021
2 Number of registered functions	568	496	512	720	453	427
3 Total NEL (GWh)	491,563	620,663	894,231	-	384,060	860,534
4 NEL (GWh) per registered entity	2,458	2,554	3,577	1,310	1,555	843
5 Total ERO Funding <sup>2</sup>	\$16,983,251	\$ 15,355,716	\$ 27,304,995	\$ 24,693,886	\$13,512,595	\$28,499,000
6 ERO Funding per registered entity	\$ 84,916	\$ 63,192	\$ 109,220	\$ 93,537	\$ 54,707	\$ 27,913
7 ERO Funding per registered function	\$ 29,900	\$ 30,959	\$ 53,330	\$ 34,297	\$ 29,829	\$ 66,742
8 Total Budget <sup>3</sup>	\$18,412,202	\$ 16,440,648	\$ 24,785,492	\$ 25,829,079	\$14,211,538	\$28,605,029
9 Total Budget per registered entity	\$ 92,061	\$ 67,657	\$ 99,142	\$ 97,837	\$ 57,537	\$ 28,017
10 Total Budget per registered function	\$ 32,416	\$ 33,146	\$ 48,409	\$ 35,874	\$ 31,372	\$ 66,991
11 Total Statutory FTE <sup>4</sup>	66.00	42.11	84.35	100.00	63.00	148.50
12 Registered entity per Statutory FTE	3.030	5.771	2.964	2.640	3.921	6.875
13 Registered function per Statutory FTE	8.606	11.779	6.070	7.200	7.190	2.875
14 Total Compliance Budget <sup>5</sup>	\$13,056,084	\$ 9,030,944	\$ 18,377,880	\$ 19,064,908	\$10,938,214	\$16,427,492
15 Compliance budget per registered entity	\$ 65,280	\$ 37,164	\$ 73,512	\$ 72,216	\$ 44,284	\$ 16,090
16 Compliance budget per registered function	\$ 22,986	\$ 18,208	\$ 35,894	\$ 26,479	\$ 24,146	\$ 38,472
17 Total Compliance FTE	36.00	19.45	50.00	50.15	38.75	62.75
18 Registered entity per Compliance FTE	5.6	12.5	5.0	5.3	6.4	16.3
19 Registered function per Compliance FTE	15.8	25.5	10.2	14.4	11.7	6.8

<sup>1</sup> As of June 2020.

<sup>2</sup> ERO Funding is the sum of Assessments and Penalty Sanctions only. (Excludes funding such as Membership Dues, Testing Fees, Services & Software, Workshops, Interest, and Miscellaneous.)

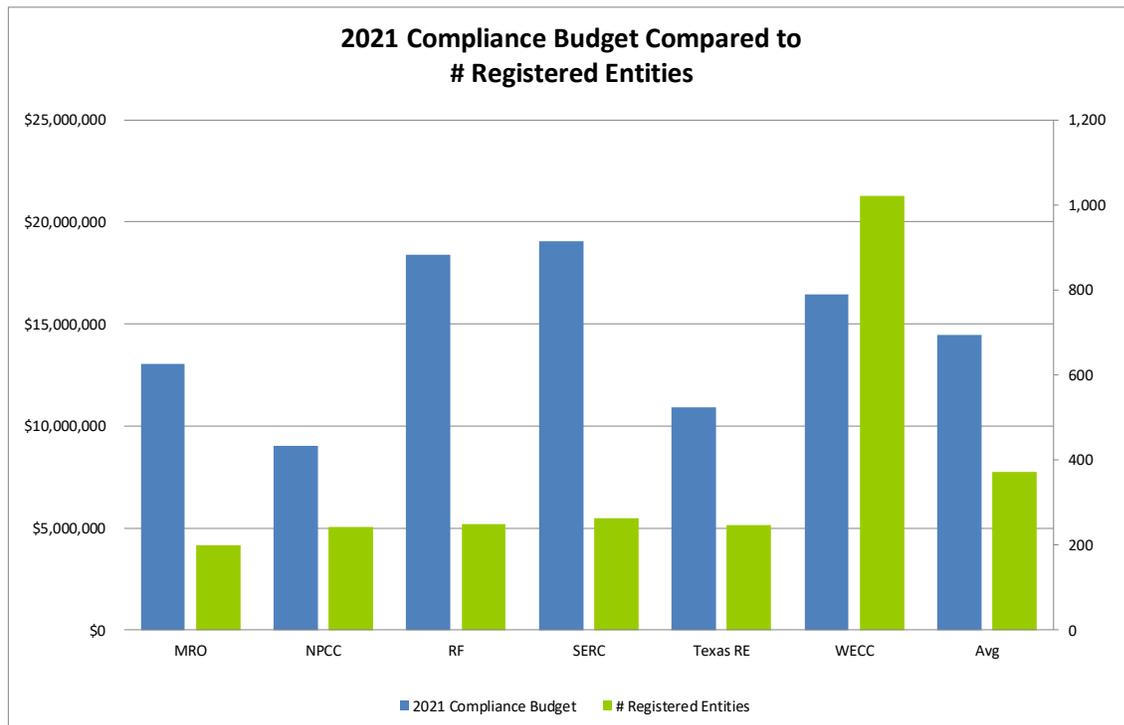
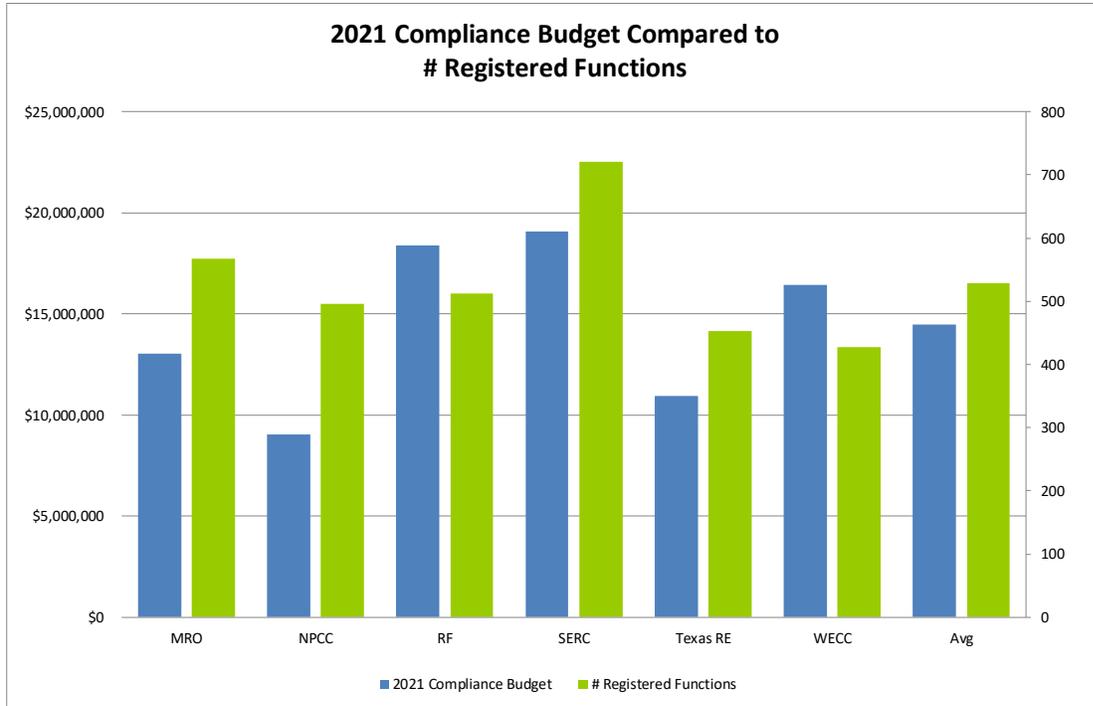
<sup>3</sup> Total Budget is the sum of Total Expenses and the Increase/(Decrease) in Fixed Assets.

<sup>4</sup> Each FTE that works 2,080 hours per year is counted as one FTE. An FTE working less than the 2,080 hours per year is counted as a fractional FTE.

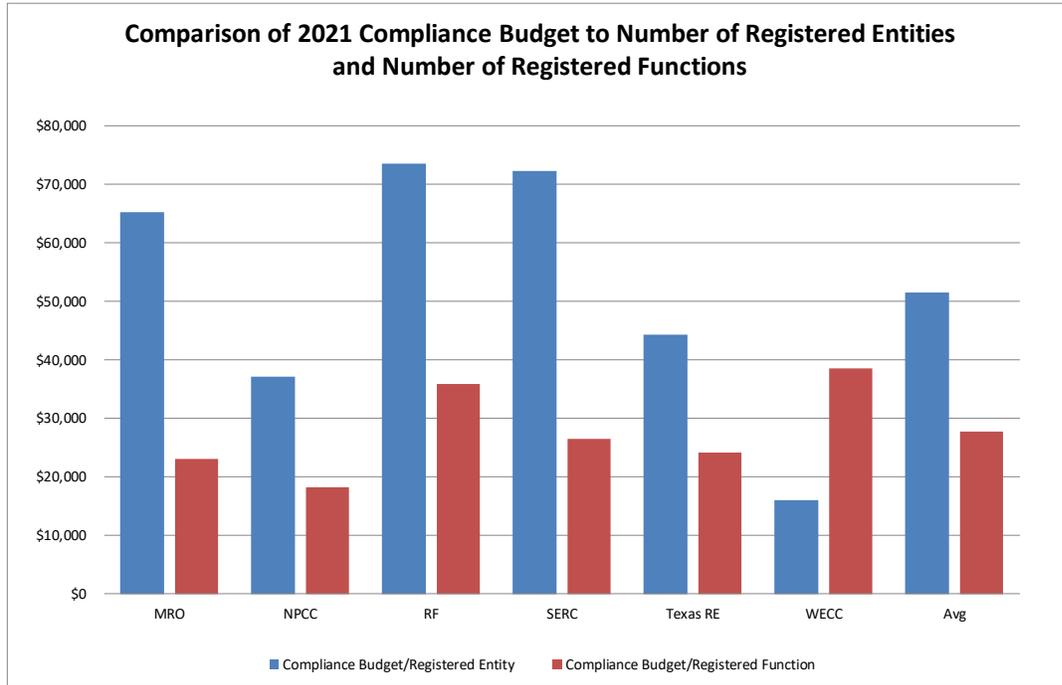
<sup>5</sup> Total Compliance Budget is a sum of Direct Expenses, Indirect Expenses, and Capital Expenditures.

<sup>6</sup> Due to the specifics of the compliance program included in the individual provincial MOUs for cross-border regional entities, some of these metrics are not directly comparable.

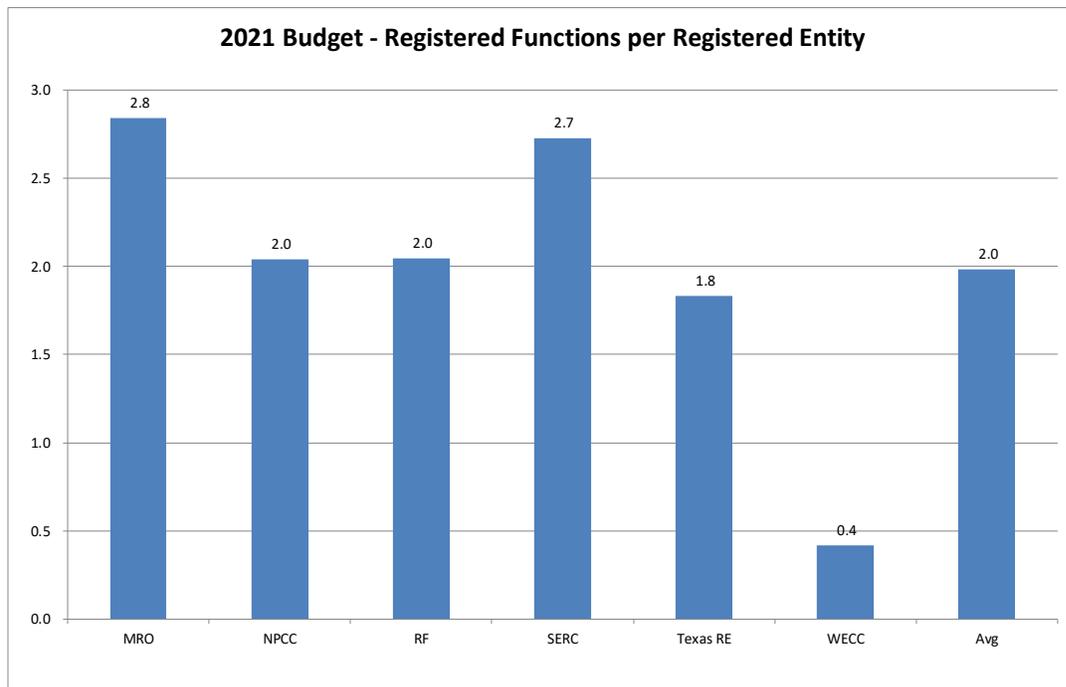
	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
2021 Compliance Budget	\$13,056,084	\$9,030,944	\$18,377,880	\$19,064,908	\$10,938,214	\$16,427,492	\$14,482,587
# Registered Entities	200	243	250	264	247	1,021	371
# Registered Functions	568	496	512	720	453	427	529



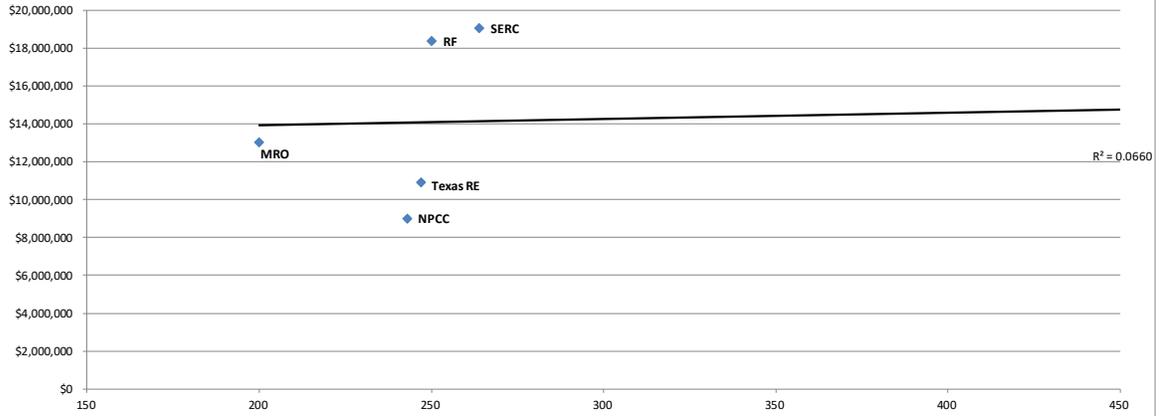
	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
Compliance Budget/Registered Entity	\$65,280	\$37,164	\$73,512	\$72,216	\$44,284	\$16,090	\$51,424
Compliance Budget/Registered Function	\$22,986	\$18,208	\$35,894	\$26,479	\$24,146	\$38,472	\$27,697



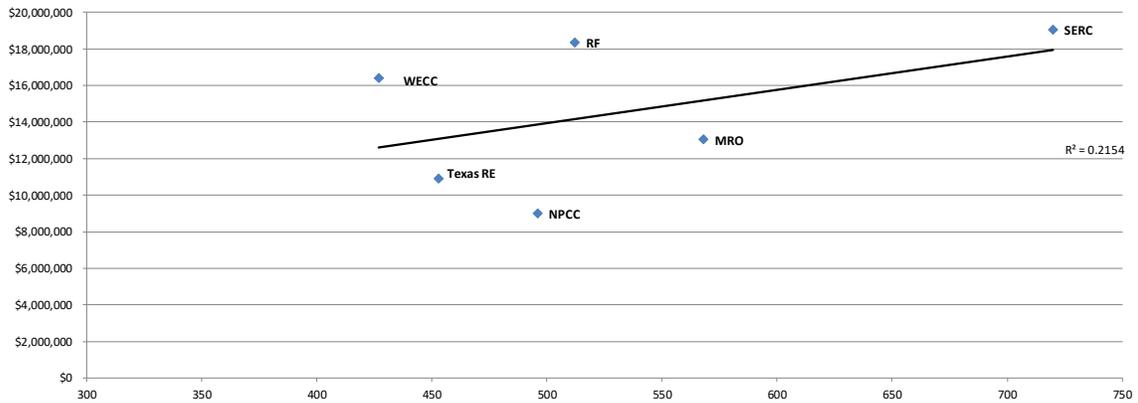
	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
Registered Functions per Registered Entity 2021 Budget	2.8	2.0	2.0	2.7	1.8	0.4	2.0



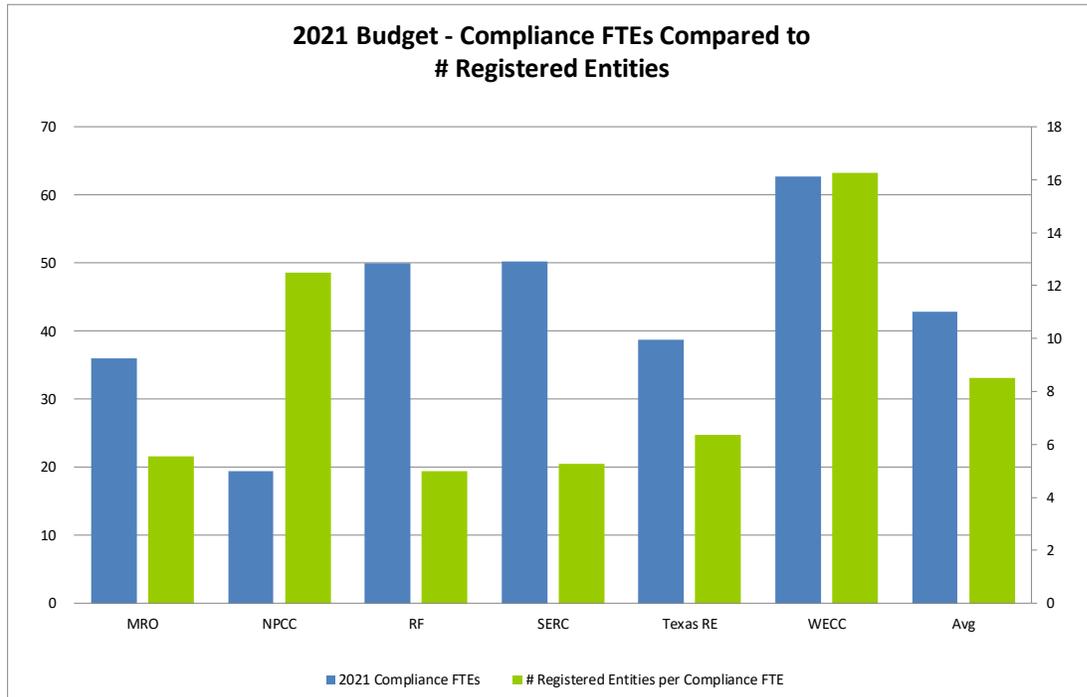
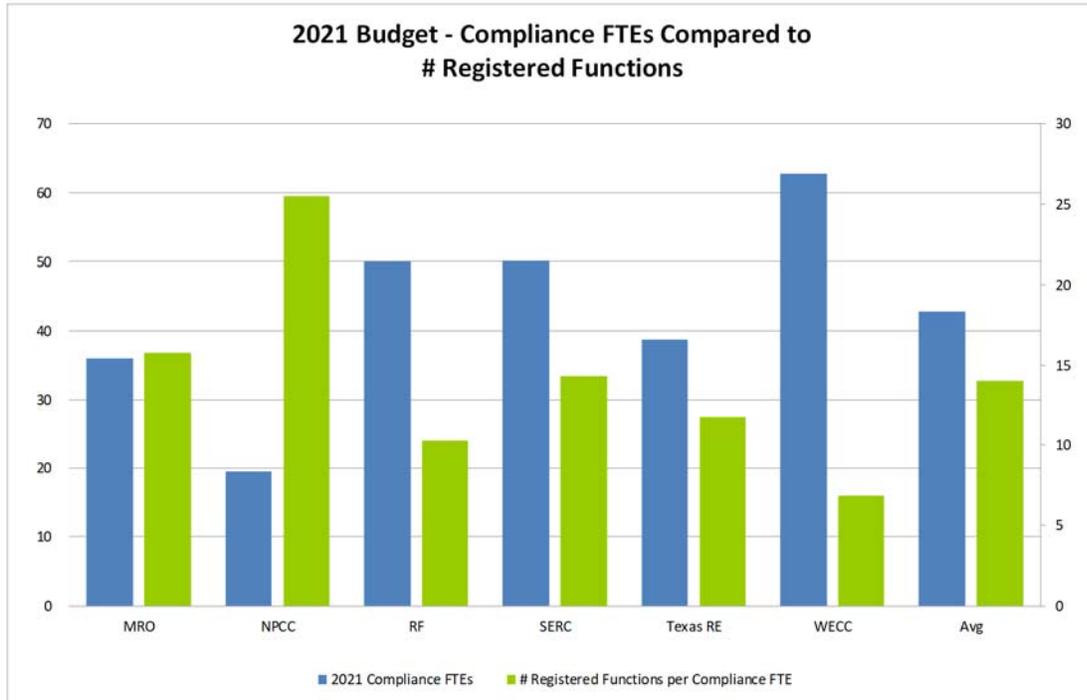
Regional Entity 2021 Compliance Program Budget as Function of Number of Registered Entities



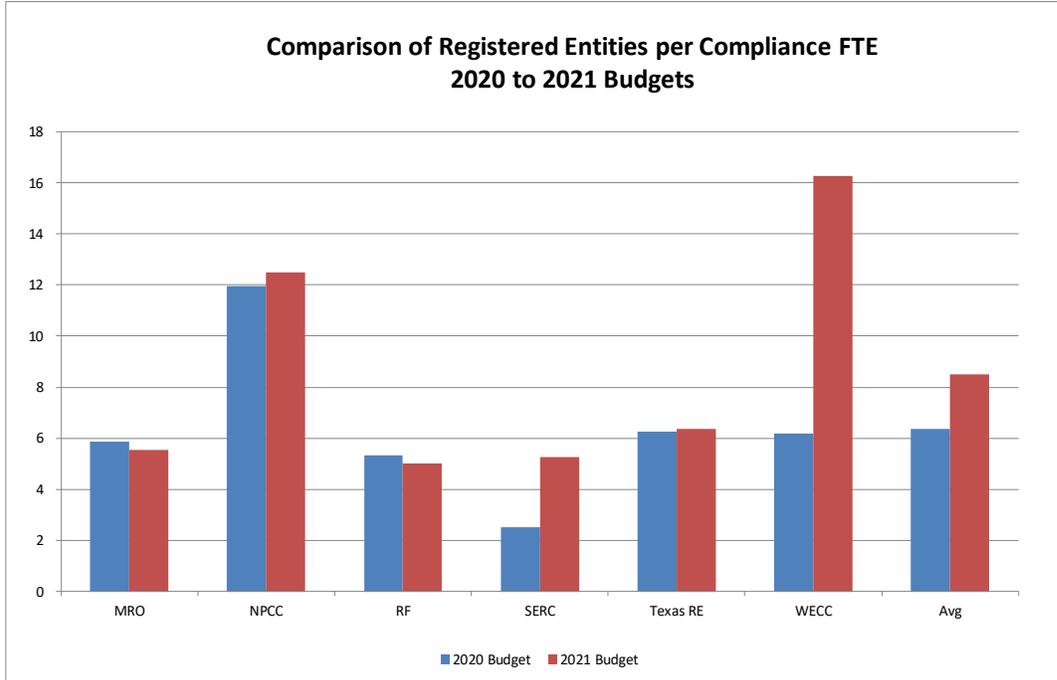
Regional Entity 2021 Compliance Program Budget as Function of Number of Registered Functions



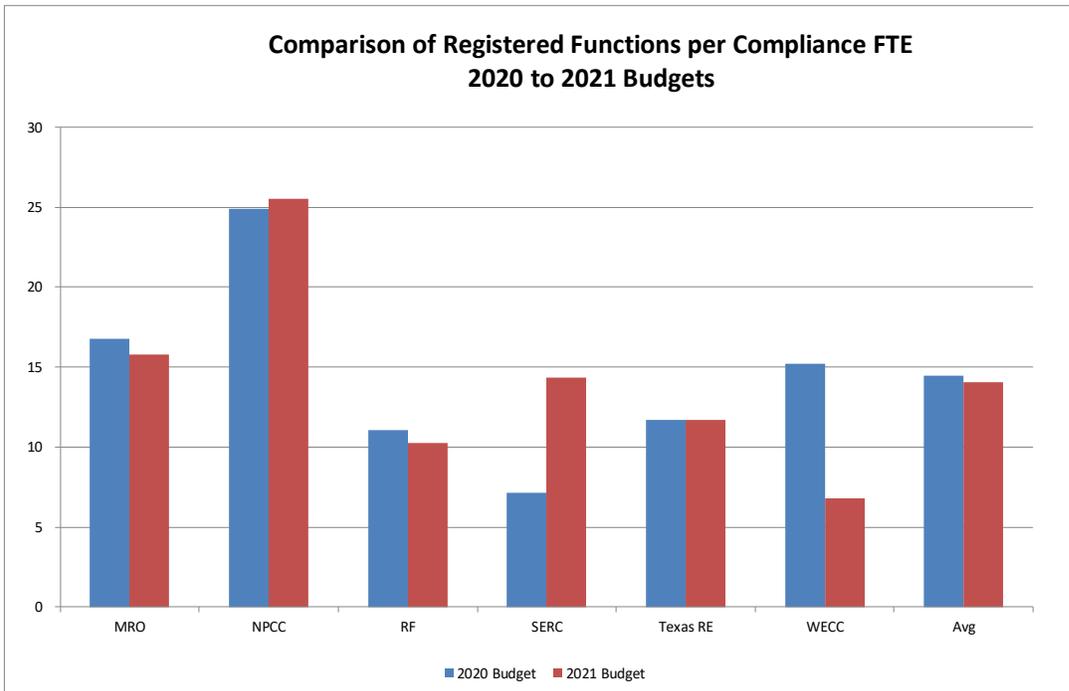
	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
2021 Compliance FTEs	36.00	19.45	50.00	50.15	38.75	62.75	42.85
# Registered Entities per Compliance FTE	5.6	12.5	5.0	5.3	6.4	16.3	8.5
# Registered Functions per Compliance FTE	15.8	25.5	10.2	14.4	11.7	6.8	14.1



	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
2020 Budget	5.9	11.9	5.3	2.5	6.3	6.2	6.4
2021 Budget	5.6	12.5	5.0	5.3	6.4	16.3	8.5



	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
2020 Budget	16.7	24.9	11.1	7.1	11.7	15.2	14.4
2021 Budget	15.8	25.5	10.2	14.4	11.7	6.8	14.1



## Attachment 8

### Metrics on NERC and Regional Entity Administrative (Indirect) Costs Based on the 2020 and 2021 Budgets

Analysis of Indirect (Administrative Services) Costs  
2021 Budget versus 2020 Budget

2020 BUDGET					2021 BUDGET					
Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total	Ratio of Statutory Direct Budget to Indirect Budget		Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total	Ratio of Statutory Direct Budget to
\$ 82,657,034	\$ 48,505,797	\$ 34,151,237	41.3%	1.42	NERC	\$ 82,883,240	\$ 49,182,194	\$ 33,701,046	40.7%	1.46
17,540,969	11,600,412	5,940,557	33.9%	1.95	MRO	18,412,201	11,252,515	7,159,686	38.9%	1.57
16,431,647	10,123,703	6,307,944	38.4%	1.60	NPCC	16,440,649	10,025,636	6,415,013	39.0%	1.56
23,650,862	16,495,173	7,155,689	30.3%	2.31	RF	24,785,492	17,694,926	7,090,566	28.6%	2.50
24,525,013	13,520,965	11,004,048	44.9%	1.23	SERC	25,829,078	14,051,451	11,777,627	45.6%	1.19
13,831,127	8,168,666	5,662,461	40.9%	1.44	Texas RE	14,211,538	8,177,064	6,034,474	42.5%	1.36
\$ 27,756,089	\$ 17,824,182	\$ 9,931,907	35.8%	1.79	WECC	28,605,029	18,042,747	10,562,282	36.9%	1.71
29.4%					AVERAGE	30.2%				
1.31						1.26				

2020 BUDGETED FTEs					2021 BUDGETED FTEs					
Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs		Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
213.38	139.12	74.26	34.8%	1.87	NERC	213.38	136.30	77.08	36.1%	1.77
63.00	49.14	13.86	22.0%	3.55	MRO	66.00	50.00	16.00	24.2%	3.13
41.09	30.86	10.23	24.9%	3.02	NPCC	42.11	32.23	9.88	23.5%	3.26
79.35	62.60	16.75	21.1%	3.74	RF	84.35	64.60	19.75	23.4%	3.27
98.00	64.50	33.50	34.2%	1.93	SERC	100.00	67.40	32.60	32.6%	2.07
60.00	45.25	14.75	24.6%	3.07	Texas RE	63.00	48.25	14.75	23.4%	3.27
143.00	104.50	38.50	26.9%	2.71	WECC	148.50	106.55	41.95	28.2%	2.54
20.9%					AVERAGE	21.3%				
2.21						2.14				