

November 5, 2021

**VIA ELECTRONIC FILING**

Mr. Neil Cunningham  
Director of Climate Change and Energy Branch  
Department of Sustainable Development  
1200-155 Carlton Street  
Winnipeg MB R3C 3H8

RE: *North American Electric Reliability Corporation*

Dear Mr. Cunningham:

The North American Electric Reliability Corporation (“NERC”) hereby submits Notice of Filing of the North American Electric Reliability Corporation of its 2022 Business Plan and Budget and the 2022 Business Plan and Budget of the Relevant Regional Entity. NERC requests, to the extent necessary, a waiver of any applicable filing requirements with respect to this filing.

Please contact the undersigned if you have any questions concerning this filing.

Sincerely,

/s/ Lauren Perotti

Lauren Perotti  
*Senior Counsel for the North American Electric  
Reliability Corporation*

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Washington, DC 20005  
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**BEFORE THE  
PROVINCE OF MANITOBA**

**NORTH AMERICAN ELECTRIC )  
RELIABILITY CORPORATION )**

**NOTICE OF FILING OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
OF ITS 2022 BUSINESS PLAN AND BUDGET AND  
THE 2022 BUSINESS PLAN AND BUDGET OF THE RELEVANT REGIONAL ENTITY**

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November 5, 2021

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## **ATTACHMENTS**

**Attachment 1:** Summary tables showing NERC's proposed 2022 budget; the proposed 2022 budget for statutory activities of each Regional Entity; and the 2022 U.S. ERO statutory assessments of NERC and the Regional Entities

**Attachment 2:** NERC Proposed 2022 Business Plan and Budget

**Attachment 3:** Midwest Reliability Organization Proposed 2022 Business Plan and Budget

**Attachment 4:** NERC Management's Responses to Stakeholder Comments Submitted on Draft #1 of NERC's 2022 Business Plan and Budget

**Attachment 5:** Calculation of Adjustments to the 2022 AESO NERC Assessment, IESO NERC Assessment, New Brunswick NERC Assessment and Québec NERC Assessment

**Attachment 6:** Memorandum for NERC Board of Trustees Describing NERC's Participation in Preparation of and Review of Regional Entity 2022 Business Plans and Budgets

**Attachment 7:** Donation Holdback Agreement between Peak Reliability and the Western Electricity Coordinating Council

**Attachment 8:** Metrics Comparing Regional Entity Operations Based on the 2022 Budgets

**Attachment 9:** Metrics on NERC and Regional Entity Administrative (Indirect) Costs Based on the 2021 and 2022 Budgets

## **I. INTRODUCTION**

The North American Electric Reliability Corporation (NERC) hereby submits: (1) NERC's proposed Business Plan and Budget as the electric reliability organization (ERO), for the year ending December 31, 2022; (2) the relevant Business Plan and Budget for the year ending December 31, 2022; and (3) NERC's proposed allocation of the proposed ERO statutory assessments of NERC, the Regional Entities, and WIRAB by country and among the Regional footprints, and the proposed assessments to load-serving entities (LSEs) within each Region to collect the statutory funding requirements. This filing includes the following attachments:

**Attachment 1** is a set of summary tables showing (i) NERC's proposed 2022 budget by program, (ii) the proposed 2022 budget for statutory activities of each Regional Entity, and (iii) the aggregate ERO statutory assessment of NERC and the Regional Entities allocated to the U.S., for which approval is requested.

**Attachment 2** contains NERC's detailed 2022 Business Plan and Budget and the allocation of assessments by Region and LSE to recover the resulting statutory funding requirements for 2022 (as well as the assessments to recover the statutory funding requirements of the Regional Entities and WIRAB).

**Attachments 3** is the detailed 2022 Business Plan and Budget of Midwest Reliability Organization ("MRO").

**Attachment 4** contains copies of NERC management's responses to stakeholder comments submitted on the posted Draft #1 of NERC's 2022 Business Plan and Budget during the budget development process.

**Attachment 5** contains calculation of the adjustments to the NERC 2022 assessments to the Alberta Electric System Operator (AESO), Ontario Independent Electric System Operator (IESO), New Brunswick, and Québec, for credits for certain NERC Compliance Monitoring and Enforcement Program and Situation Awareness costs.

**Attachment 6** is a memorandum prepared for the NERC Board of Trustees describing NERC's participation in the preparation of and review of the Regional Entities' 2022 Business Plans and Budgets.

**Attachment 73** is a Donation Holdback Agreement between Peak Reliability and WECC relating to a donation to WECC by Peak Reliability of Peak's remaining funds upon its dissolution in December 2020.

**Attachment 8** provides metrics, based on the 2022 budgets, for Regional Entity operations.

**Attachment 9** contains metrics, based on the 2021 and 2022 budgets, on NERC and Regional Entity administrative (indirect) costs.

NERC's 2022 fiscal year begins January 1, 2022. This filing contains the entire annual budget of the relevant Regional Entity for statutory and non-statutory activities and the ERO's and the relevant Regional Entity's complete business plan and organization chart, explanations of the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected.

**II. NOTICES AND COMMUNICATIONS**

Notices and communications concerning this filing may be addressed to:

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Andrew G. Sharp, Vice President and  
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### **III. OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS**

#### **A. Development of the 2022 Business Plans and Budgets**

NERC prepared its 2022 Business Plan and Budget, and worked with the Regional Entities in the development of their business plans and budgets, through a rigorous process that provided ample opportunity for review and input by the Finance and Audit Committee (FAC) of the NERC Board and stakeholders. Development of the 2022 business plans and budgets built off of the revised *ERO Enterprise Long-Term Strategy*, approved by the NERC Board in December 2019, which identifies strategic focus areas for the ERO Enterprise.<sup>1</sup> As part of the business planning and budgeting process, NERC and the Regional Entities identify goals and activities to ensure alignment with the long-term strategy, and may develop annual work plan priorities that summarize the critical goals and objectives for the year. These goals, activities and work plans are described in the NERC and Regional Entity business plans and budgets.

During the business plan and budget development process, successive versions of the 2022 NERC and Regional Entity business plans and budgets were discussed in public meetings and conference calls of the FAC and of the full NERC Board, with opportunities for stakeholders to provide comments. NERC management also held meetings and conference calls with the

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<sup>1</sup> NERC uses the term “ERO Enterprise” to refer to NERC and the Regional Entities.

NERC Member Representatives Committee (MRC) Business Plan and Budget Input Group.<sup>2</sup>

The following chronology highlights important steps in preparation of the NERC and Regional Entity 2022 Business Plans and Budgets.

- On October 8, 2020, a conference call with the MRC Business Plan and Budget Input Group initiated discussions relating to development of the 2022 business plan and budget.
- On November 4-5, 2020, a meeting of the NERC FAC included a review of the proposed schedule for development of the 2022 business plans and budgets.
- On November 9-10, 2020, the ERO Finance Group, comprised of Finance representatives from NERC and each Regional Entity, met by conference call to review strategic goals and objectives for 2022 and discuss how they would be translated into the 2022 business plans and budgets.
- On January 19, 2021, February 24, 2021, March 25, 2021, and April 14, 2021, the ERO Finance Group met by conference call to discuss progress and status in the development of the 2022 business plans and budgets.
- On January 28, 2021, March 11, 2021 and April 15, 2021, conference calls were held with the MRC Business Plan and Budget Input Group.
- On April 21, 2021, NERC's quarterly meeting with trade associations and forum groups, to which the MRC Business Plan and Budget Input Group was also invited, included a high-level overview of the NERC 2022 Business Plan and Budget.
- On April 22, 2021, the NERC FAC met in closed session to review assumptions for the 2022 NERC Business Plan and Budget.
- In late April and early May 2021, the Regional Entities provided drafts of their 2022 business plans and budgets to NERC. NERC reviewed these drafts and provided feedback to the Regional Entities as needed prior to the submission of each Regional Entity's final business plan and budget to its Board or other governing body.
- Beginning in April, 2021, and continuing into May, 2021, the Regional Entities posted drafts of their 2022 Business Plans and Budgets on their respective websites for various time periods for review and comment by their stakeholders, in accordance with each Regional Entity's review process. (See §V.A below for further information on the stakeholder review opportunities provided by each Regional Entity for its 2022 Business Plan and Budget.)
- On April 29, 2021, a meeting of the Member Executive Committee (MEC) of the Electricity Subsector Coordinating Council (ESCC) included a high-level overview of Draft # 1 of the E-ISAC 2022 budget.
- On May 12-13, 2021, during meetings of the MRC, NERC Board committees, and the

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<sup>2</sup> The MRC Business Plan and Budget Input Group is a subgroup of MRC members who are tasked with providing input specifically on the business plans and budgets.



NERC Board, the NERC FAC meeting included a preview of Draft #1 of NERC's 2022 Business Plan and Budget and the preliminary ERO Enterprise combined 2022 budgets and assessments.

- On May 24, 2021, drafts of the NERC, Regional Entity, and WIRAB 2022 Business Plans and Budgets, and information on the ERO Enterprise combined 2022 budgets and assessments, were posted on the NERC website. Notice of the posting (and of all subsequent postings) was sent by e-mail to a broad distribution list of interested persons and entities. Comments were requested on Draft #1 of NERC's 2022 Business Plan and Budget by June 18, 2021. Six sets of written stakeholder comments were received and were posted on the NERC website.<sup>3</sup>
- On May 25, 2021, and June 17, 2021, the ERO Finance Group held additional meetings by conference call.
- On May 26, 2021, representatives of NERC, each Regional Entity, and WIRAB met with Federal Energy Regulatory Commission ("FERC") Staff to discuss the 2022 business plans and budgets and the ERO Enterprise combined 2022 budgets and assessments.
- On June 3, 2021, the NERC FAC held a conference call and webinar to review Draft #1 of NERC's 2022 Business Plan and Budget, the current drafts of the Regional Entity and WIRAB 2022 business plans and budgets, and the ERO Enterprise combined 2022 budgets and assessments.
- At various dates from mid-May to late June 2021, the Boards or other governing bodies of the Regional Entities and of WIRAB approved their respective proposed 2022 business plans and budgets.
- On June 30, 2021, another conference call was held with the MRC Business Plan and Budget Input Group.
- On July 6, 2021, NERC's quarterly meeting with trade associations and forums, to which the MRC Business Plan and Budget Input Group was also invited, included discussion of the stakeholder comments received on Draft #1 of NERC's 2022 Business Plan and Budget, and a preview of Draft #2.
- On July 7, 2021, a closed meeting was held with the NERC FAC to review assumptions for Draft #2 of NERC's 2022 Business Plan and Budget.
- On July 15, 2021, NERC posted on its website management's responses to the comments that were submitted on Draft #1 of the 2022 Business Plan and Budget. **Attachment 4** to this filing provides the text of the responses.
- Also on July 15, 2021, Draft #2 of NERC's 2022 Business Plan and Budget was posted on the NERC website. Any additional stakeholder comments on Draft #2 were requested

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<sup>3</sup> Comments were submitted by (i) the American Public Power Association, Edison Electric Institute, and Large Public Power Council, (ii) the Canadian Electricity Association, (iii) the IESO, (iv) the ISO-RTO Council Standards Review Committee, (v) the Midcontinent Independent System Operator, Inc., and (vi) the National Rural Electric Cooperative Association (Cooperative Sector). The comments are posted at: <https://www.nerc.com/gov/bot/FINANCE/Pages/2022NERCBusinessPlanandBudget.aspx>. NERC management's responses to these comments are included in **Attachment 4**.

by July 28, 2021. No additional stakeholder comments were submitted.

- Also on July 15, 2021, the final versions of the Regional Entity and WIRAB 2022 Business Plans and Budgets were posted on the NERC website, along with the ERO Enterprise combined 2022 budgets and assessments.
- On July 16, 2021, the ERO Finance Group held a meeting by conference call.
- On July 22, 2021, the FAC held a conference call and webinar to review Draft #2 of NERC's 2022 Business Plan and Budget, the final Regional Entity and WIRAB 2022 business plans and budgets, and the ERO Enterprise combined 2022 business plans and budgets.
- On July 29, 2021, a conference call meeting of the ESCC MEC included a review of the final projected E-ISAC budget as shown in Draft #2 of NERC's 2022 Business Plan and Budget, which was endorsed by the MEC.
- On August 5, 2021, the final NERC, Regional Entity, and WIRAB 2022 Business Plans and Budgets and assessments, as proposed for NERC Board consideration, were posted on the NERC website for the upcoming MRC, FAC and NERC Board meetings.
- At the August 11, 2021 open meeting of the FAC, NERC management presented the final version of the NERC 2022 Business Plan and Budget. The FAC recommended NERC Board approval of the 2022 business plans and budgets and associated statutory assessments for NERC, the Regional Entities and WIRAB.
- At its August 12, 2021 meeting, the NERC Board approved the 2022 business plans and budgets and statutory assessments for NERC, the Regional Entities and WIRAB.

The processes followed by NERC and the Regional Entities to develop the proposed 2022 business plans and budgets were thorough, comprehensive, open and inclusive, involved significant input from NERC and Regional Entity management and staffs, as well as iterative review and comment by the FAC, and provided multiple opportunities for stakeholder input and comment, including by the MRC Business Plan and Budget Input Group, the full MRC, and trade associations and industry forums.

## **B. NERC's 2022 Business Plan and Budget**

### **1. Organization of NERC's Business Plan and Budget**

NERC's Business Plan and Budget is organized based on its statutory program areas:

- Reliability Standards and Power Risk Issue Strategic Management (PRISM)
- Compliance Assurance, Organization Registration and Certification, and Compliance Enforcement

- Reliability Assessments and Performance Analysis (RAPA)
- Situation Awareness
- Event Analysis
- E-ISAC, including the Cyber Risk Information Sharing Program (CRISP)
- Personnel Certification and Continuing Education
- Training and Education

Each program area carries out or supports implementation of one or more of the ERO’s statutory activities as specified in §215 of the U.S. Federal Power Act (“FPA”) and FERC’s regulations and orders. NERC’s statutory, or “direct,” programs are supported by its Administrative Services, or “indirect,” programs: General & Administrative (G&A), Legal and Regulatory, Information Technology (IT), Human Resources (HR) & Administration, and Finance and Accounting. The functions and activities of each statutory program and Administrative Services program are described in the sections on each program in Section A and in Exhibit A of **Attachment 2**.

The initial sections of the 2022 Business Plan and Budget, Preface and About NERC, provide an overview of NERC’s organization, governance, scope, responsibilities, and funding, including the ERO Enterprise model and strategic and operational planning. The Introduction and Executive Summary provides an overview of NERC’s 2022 budget, funding, and staffing requirements, with comparisons to the 2021 budget, by the principal categories of funding and expenses and by statutory program area. It describes NERC’s key business planning assumptions used to develop the 2022 budget. The Introduction and Executive Summary also describes NERC’s 2022 fixed assets budget and capital financing plans and the budgeted amounts for each category of NERC’s reserves. The table on page 7 shows the change in the 2022 budget from the 2021 budget for each statutory program area. The table on page 8 shows budgeted 2022 staffing and the change from the 2021 budget for each statutory program and Administrative

programs. The table on page 10 is NERC's overall Statement of Activities and Fixed Asset Additions (Statement of Activities), showing information from the 2021 budget, the projection of 2021 year-end results, and the 2022 budget, and the variances between the 2021 projection and 2021 budget and the 2022 budget and 2021 budget, for major line item categories for Funding, Expenses, Fixed Asset Additions, and Financing Activity. Finally, the Introduction and Executive Summary presents NERC's budget and assessment projections for 2023 and 2024.

Section A of **Attachment 2** is NERC's detailed 2022 Business Plan and Budget. Section A provides, for each statutory program and the Administrative Services functions, program background and scope, descriptions of key efforts under way in 2021, 2022 goals and deliverables, explanations of changes in budgeted Personnel Expenses and Consultants & Contracts expense, and, where applicable, significant changes in other budget categories, for 2022 over the 2021 budget. A Statement of Activities is provided for each statutory program and for the Administrative Services functions, showing funding and expenditure information from the 2021 budget, 2021 projection and 2022 budget.

In the Statements of Activities for each program, Funding is shown from NERC Assessments and, if applicable, from other sources.<sup>4</sup> Expenses are shown by major categories of, and sub-categories within, Personnel Expenses, Meeting & Travel Expense, Operating Expenses, and Other Non-Operating Expenses. The Statements of Activities for the statutory programs show the Indirect Expenses allocated from the Administrative Services departments. The Statements of Activities show Fixed Asset Additions, Net Financing Activity,<sup>5</sup> and Total Budget

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<sup>4</sup> Other sources include fees from Services & Software; Interest & Investment income; Third-Party Funding; System Operator Certification Testing, Certification Renewal, and Continuing Education Fees; and Miscellaneous Funding.

<sup>5</sup> Net Financing Activity shows the impacts of capital financing activity (debt borrowing, lease-financed asset purchases, and principal payments) on the total budget and funding requirements (*see* discussion on page 6 of **Attachment 2**).

(Total Expenses plus Fixed Asset Additions plus Net Financing Activity) for each program.

Section B of **Attachment 2** provides Supplemental Financial Information comprised of tables detailing the components of the Funding and Expense categories and explanations of significant changes from the 2021 budget, including information on the Reserves balances and increase or decrease to assessments to meet Reserves targets.<sup>6</sup>

Section C, Non-Statutory Activity, of **Attachment 2** is empty for NERC, which has no non-statutory activities. In the business plans and budgets of the Regional Entities that have non-statutory activities, Section C provides information on their non-statutory activities and budgets.

Section D, Consolidated Statement of Activities by Program, shows 2022 budgeted line-item Funding sources, Expenses, Fixed Asset Additions, and Net Financing Activity, in total and for each statutory program and Administrative Services function, as well as the direct and indirect expenses for each statutory program.

NERC's Business Plan and Budget includes the following Exhibits and Appendices:

Exhibit A – Application of NERC Section 215 Criteria, describes how the major activities included in the 2022 Business Plan and Budget for NERC's direct function programs and Administrative Services functions meet the NERC written criteria for eligibility for FPA §215 funding.<sup>7</sup>

Exhibit B – Consultants and Contracts Costs, contains a detailed list of NERC's budgeted 2022 Consultants & Contracts expenses, by program area and by major activity or project, and shows the 2021 budget amounts for Consultants & Contracts expense and the change in the 2022 budget from the 2021 budget for each line item, where applicable.

Exhibit C – Capital Financing, describes proposed borrowing and repayment activity under NERC's capital financing program for certain capital expenditures. Exhibit C shows (i) projected 2021, budgeted 2022, and projected 2023 and 2024 year-end

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<sup>6</sup> Table B-6 in the ERO Business Plan and Budget template is reserved for Consultants & Contracts expenses, but NERC's Business Plan and Budget provides a more detailed breakdown of these expenses in Exhibit B. Additionally, Table B-13 in the template is reserved for 2023-2024 Budget Projections, but NERC has provided its 2023-2024 budget projections in the Introduction and Executive Summary.

<sup>7</sup> FERC approved the FPA §215 criteria in *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013).

outstanding debt balances and (ii) annual payments for debt service, broken out by principal repayments and interest expense. (See §IV.C below for further discussion.)

Appendix 1 contains NERC's organization chart.

Appendix 2 contains the calculation of the net energy for load (NEL)-based allocation factors for each LSE or designee and the allocation of the NERC, Regional Entity and WIRAB statutory assessments, by allocation method, to each LSE or designee for 2022. Development of the assessments presented in Appendix 2 is discussed in §III.D below.

The information in the 2022 Business Plan and Budget demonstrates that the programs in it are necessary and appropriate to carry out NERC's responsibilities as ERO and that the budgeted resources meet the objectives for affordability, sustainability, and efficiency and effectiveness of the ERO's expenditures. The 2022 Business Plan and Budget demonstrates how the activities and expenditures it includes lend themselves to accomplishing NERC's statutory responsibilities and objectives as the ERO.

## **2. Summary of NERC's 2022 Budget and Funding Requirement**

NERC is proposing an overall 2022 budget of \$88,028,284, an increase of 6.2% (\$5,145,045) over the 2021 budget. NERC's proposed 2022 total Funding requirement is \$88,257,888, encompassing U.S., Canadian and Mexican activities, an increase of 8.8% from the 2021 budget. The budgeted non-assessment sources of Funding for 2022 total \$9,870,608, comprised of the following sources and amounts:<sup>8</sup>

- \$7,917,385 of Third-Party Funding for CRISP;
- \$1,756,723 of Testing, Renewal, & Continuing Education Fees charged to participants in the NERC System Operator Certification Program;
- \$60,000 of revenue from Services & Software;
- \$60,000 of Miscellaneous revenue; and
- \$76,500 in Interest & Investment Income.

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<sup>8</sup> NERC did not collect any Penalties in the 12 months ended June 30, 2021, and does not propose to release any funds from its ASR as a 2022 funding source. See §IV.B below.

Application of the non-assessment funding sources to the statutory Funding requirement results in a net Funding requirement of \$78,387,280 to be funded by assessments, which is an 8.9% increase from the 2021 assessment.

NERC's 2022 budget includes overall staffing of 223.72 full-time equivalent employees (FTEs), an increase of 10.34 FTEs from the 2021 budget. A net of 6.35 FTEs is being added in statutory programs (to 142.65 FTEs) and 4.00 FTEs in administrative programs (to 81.08 FTEs). Increases or decreases in budgeted FTEs for individual programs reflect, in some cases, reallocation of staffing among program areas to match current workloads and resource requirements. The budgeted FTEs for each program reflect an assumed 6.0% vacancy rate, *i.e.*, an adjustment for factors such as personnel attrition, delays in hiring or start date delays.

The 2022 budget reflects increases of 7.8% in Personnel Expenses, 18.5% in Meeting & Travel Expenses, and 5.3% in Operating Expenses, from the 2021 budget. With respect to Meetings & Travel, the budget assumes a partial return to in-person meetings (after an assumption of primarily virtual meetings in the 2021 budget due to the COVID-19 pandemic), including for the Board, MRC, and certain other committees or groups, while continuing to leverage the efficiencies of virtual meetings for other groups. Under Operating Expenses, budgeted 2022 Consultants & Contracts expense is increased by \$982,987 from the 2021 budget; budgeted Office Rent is decreased by \$360,165; and budgeted Office Costs are \$563,433 higher. Budgeted Fixed Asset Additions are \$4,118,750, an increase of \$1,367,250 from the 2021 budget. The \$4,118,750 of budgeted Fixed Asset Additions includes \$2,100,000 for IT equipment leases, which is directly offset by corresponding lease proceeds reflected in Net Financing Activity.

Budgeted CRISP expenditures for 2022 are increased by 9.4% from the 2021 budget.

The budgeted CRISP expenditures will be funded 88.3% by participating utilities; the remaining funding will come from assessments and an allocation of NERC’s Interest & Investment Income.

The following table shows NERC’s 2021 and 2022 budgets for its statutory programs:

<b><u>Program</u></b>	<b><u>2021 Budget</u></b>	<b><u>2022 Budget</u></b>
Reliability Standards and Power Risk Issues Strategic Management	\$ 7,856,641	\$ 9,430,925
Compliance Assurance and Organization Registration and Certification	\$13,686,302	\$12,563,971
Compliance Enforcement	\$ 7,327,875	\$ 6,945,963
Reliability Assessments and Performance Analysis	\$12,631,436	\$14,775,082
Situation Awareness	\$ 4,450,989	\$ 5,076,614
Event Analysis	\$ 4,287,213	\$ 3,782,150
E-ISAC (including CRISP)	\$29,821,738	\$32,600,947
Personnel Certification and Continuing Education	\$ 1,736,522	\$ 1,827,619
Training and Education	<u>\$ 1,084,523</u>	<u>\$ 1,025,014</u>
	<u>\$82,883,239</u>	<u>\$88,028,284</u>

The 2022 budgeted amounts for statutory programs incorporate budgeted Administrative Services costs of \$36,925,018 (9.6% increase from the 2021 budget). Administrative Services expenses, Fixed Asset Additions, and Net Financing Activity are allocated to statutory programs based on the ratio of FTEs budgeted for each statutory program to total statutory program FTEs.

**C. Regional Entity Proposed 2022 Business Plans and Budgets - Overview**

NERC staff worked collaboratively with the Regional Entities in developing their 2022 business plans and budget. Drafts and final proposed versions of the Regional Entities’ proposed business plans and budgets were also reviewed by the NERC FAC.<sup>9</sup>

The table below shows the proposed 2022 budgets for statutory and (if applicable) non-statutory functions for each Regional Entity, and its total (for all jurisdictions) proposed

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<sup>9</sup>**Attachment 6** is a memorandum prepared for the NERC Board describing NERC’s participation in preparation of and review of the Regional Entity Business Plans and Budgets.



assessment after taking into account other Funding sources.

<b>Regional Entity</b>	<b>Total Budget for Statutory Functions</b>	<b>Budget for Non-Statutory Functions</b>	<b>Statutory Funding Assessment</b>
<b>MRO</b>	\$20,034,361	-----	\$17,832,414 <sup>10</sup>
<b>NPCC</b>	\$17,465,133	\$ 947,611	\$15,912,313 <sup>11</sup>
<b>ReliabilityFirst</b>	\$26,219,927	-----	\$23,447,945
<b>SERC</b>	\$26,708,260	-----	\$24,798,934
<b>Texas RE</b>	\$17,160,613	-----	\$15,003,365
<b>WECC</b>	\$29,746,899	\$ 2,736,535	\$25,000,000 <sup>12</sup>

#### **D. Allocation of Statutory Assessments**

The total ERO statutory funding requirement for 2022 net of other NERC and Regional Entity income sources, to be funded by assessments, is \$201,080,951, consisting of \$78,387,280 for funding of NERC’s programs and \$122,693,671 for funding of Regional Entity statutory activities and the WIRAB. NERC’s proposed 2022 assessment is allocated \$70,691,258 to the U.S., \$7,432,831 to Canadian provinces, and \$263,191 to Mexico. Based on the aggregate NEL of Canada for 2020 on which the allocation of assessments is based, the Canadian assessment for NERC represents approximately \$0.0000146 per end-user kilowatt-hour.<sup>13</sup>

NERC proposes allocation of its 2022 assessment to the Regional footprints as follows:

- |                    |                            |            |                            |
|--------------------|----------------------------|------------|----------------------------|
| • MRO              | \$ 8,588,263 <sup>14</sup> | • SERC     | \$23,127,549               |
| • NPCC             | \$ 9,442,667 <sup>15</sup> | • Texas RE | \$ 6,844,590               |
| • ReliabilityFirst | \$15,353,456               | • WECC     | \$15,030,754 <sup>16</sup> |

<sup>10</sup> MRO’s assessment is allocated \$15,937,255 to the U.S. and \$1,895,159 to Canadian provinces.

<sup>11</sup> NPCC’s assessment is allocated \$9,624,476 to the U.S. and \$6,287,836 to Canadian provinces.

<sup>12</sup> WECC’s assessment is allocated \$21,207,153 to the U.S., \$3,251,269 to Canadian provinces, and \$541,578 to Mexico. The \$25,000,000 amount does not include the WIRAB assessment.

<sup>13</sup> The allocation and calculation of assessments for the 2022 budgets is based on NEL data for the second preceding calendar year, 2020, the most current annual NEL data available as of August 2021.

<sup>14</sup> For MRO, \$7,698,403 is allocated to the U.S. and \$889,860 is allocated to Canadian provinces.

<sup>15</sup> For NPCC, \$4,786,540 is allocated to the U.S. and \$4,656,127 is allocated to Canadian provinces.

<sup>16</sup> For WECC, \$12,880,718 is allocated to the U.S., \$1,886,845 is allocated to Canadian provinces, and \$263,191 is allocated to Mexico.

Appendix 2 to **Attachment 2** shows, for each LSE or designee within the footprint of each Regional Entity: (i) 2020 NEL data and development of the NEL-based factors used to allocate the NERC and Regional Entity assessments (Appendix 2-A), and (ii) allocation of the total ERO, NERC and Regional Entity statutory assessments (Appendices 2-B, 2-C and 2-D).

NERC has allocated its statutory assessment to the LSEs within each Regional footprint primarily based on NEL, with the following adjustments: In accordance with NERC's *Expanded Policy on Allocation of Certain Compliance and Enforcement Costs*, the NEL-based assessments for AESO, IESO, New Brunswick and Québec have been adjusted for certain Compliance Monitoring and Enforcement Program (CMEP) and Situation Awareness costs, as shown on **Attachment 5**. These adjustments recognize that entities in Ontario, Alberta and New Brunswick expend resources to perform compliance and enforcement activities that otherwise would be performed by NERC or a Regional Entity, and that the compliance and enforcement resources NERC needs for Alberta and Québec are reduced due to the small number of entities subject to compliance and enforcement activities in those provinces. The adjustments also recognize that certain NERC Situation Awareness activities either overlap with Canadian regulatory programs or are not used by these Canadian provinces; therefore they are not allocated a share of the costs. The credits, totaling \$1,569,526, are reflected in Appendix 2-C of **Attachment 2**. The total credit amount is reallocated to all other LSEs (Balancing Authorities or designees) based on NEL. The resulting adjusted NEL-based allocations to the Regional footprints are shown in Appendix 2-C of **Attachment 2**.

NEL has also been used to allocate the Regional Entity assessments, with these exceptions: First, portions of NPCC's Compliance Monitoring and Enforcement and Organization Registration and Certification (CORC) Program costs have been allocated among

the six U.S. and Canadian Balancing Authority Areas (BAAs) in NPCC using activity-based methodologies that reflect the nature and scope of the compliance functions and activities performed by NPCC in each Canadian province in its footprint.<sup>17</sup> As FERC has directed,<sup>18</sup> NPCC CORC costs allocated to the U.S. using these methodologies are then allocated between the New England and New York BAAs based on NEL. Second, WECC's allocation of its assessment to the AESO has been reduced by \$1,174,344 representing WECC CMEP costs that are duplicative of programs of the AESO.<sup>19</sup> The AESO credit amount was allocated to the remainder of the LSEs (Balancing Authorities or designees) in the WECC Region based on NEL.

After allocating the calculated portions of the NERC, Regional Entity and WIRAB funding requirements to the U.S. and Mexico (and taking into account adjustments to the allocations to Canadian provinces described above), the total ERO statutory assessment for 2022 allocable to Canadian LSEs is \$18,967,035 (a 5.9% increase from 2021), comprised of the NERC assessment of \$7,432,831 and the aggregate Regional Entity and WIRAB assessments of \$11,534,203.

The funding requirement of each Regional Entity for statutory activities is allocated 100% to that region. The WIRAB funding requirement is allocated 100% to the WECC Region. The table below shows the allocation to the relevant Regions of the 2022 ERO statutory assessment of \$18,967,035 for the Canadian activities of NERC, the Regional Entities, and WIRAB.

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<sup>17</sup> The allocation of NPCC CORC Program costs is further described in §V.B.2 below and in greater detail at pages 59-61 of NPCC's 2022 Business Plan and Budget.

<sup>18</sup> *North American Electric Reliability Corp.*, 128 FERC ¶ 61,025 (2009) (*July 16, 2009 Budget Compliance Order*).

<sup>19</sup> See Appendix C of WECC's 2022 Business Plan and Budget,.

<b>Regional Entity</b>	<b>NERC Canadian Assessment</b>	<b>Regional Entity Canadian Assessment</b>	<b>Total Canadian. Assessment</b>	<b>Assessment per kWh (2020 NEL)</b>
<b>MRO</b>	\$889,860	\$1,895,159	\$2,785,018	\$0.0000561
<b>NPCC</b>	\$4,656,127	\$6,287,836	\$10,943,963	\$0.0000323
<b>WECC</b>	\$1,886,845	\$3,251,271	\$5,138,115	\$0.0000420
<b>WIRAB</b>	---	\$99,937	\$99,937	\$0.0000008
<b>Total</b>	\$7,432,831	\$11,534,203	\$18,967,035	\$0.0000371

NERC obtained from each Regional Entity a listing of LSEs or their designees in the Region and a breakdown of the Region’s 2020 NEL by LSE or designee, and used this data to allocate the total ERO assessment allocated to each Region among LSEs, their designees or other entities to be billed the assessments within that Region.<sup>20</sup> The amounts of the NERC and Regional Entity assessments allocated to each LSE or designee or other entity to be billed in each Region is shown in Appendix 2-B of **Attachment 2**.<sup>21</sup>

As provided for in Exhibit E to the delegation agreement with each Regional Entity, NERC will directly invoice the approved assessments to LSEs or designees, or to the other entities to be billed, in all Regions except WECC. WECC will invoice LSEs or Balancing Authorities or their designees within the WECC footprint, collect the assessments, and remit the funds collected for the NERC, WECC and WIRAB assessments to NERC.<sup>22</sup>

<sup>20</sup> For the NPCC Region, assessments are allocated on the basis of NEL in each BAA (New York, New England, Ontario, Québec, Nova Scotia and New Brunswick), and will be billed to ISO New England and the New York ISO (and similar entities in Ontario, Québec, New Brunswick and Nova Scotia), which will be responsible for billing and collecting assessments from LSEs in their respective footprints.

<sup>21</sup> As a matter of administrative convenience and efficiency, NERC will calculate and bill the assessments to certain entities, referred to as “designees,” based on NEL values that include the NEL for other LSEs served by the designee, or for which the designee is otherwise responsible for assessments. The lists of LSEs and designees for which assessments will be calculated and billed have been provided to NERC by the Regional Entities. NERC is not involved in developing the lists of LSEs or in arrangements between LSEs and designees pursuant to which a designee agrees to accept responsibility for an assessment that would otherwise be billed to the LSE and the LSE agrees to reimburse the designee for the assessment.

<sup>22</sup> For administrative convenience, billing and payment by LSEs of annual assessments less than \$100 will not be required.

#### **IV. NERC BUSINESS PLAN AND BUDGET**

##### **A. 2022 NERC Business Plan and Budget by Program**

The proposed 2022 staffing and expenditure budgets for each NERC program and department are described in the subsections below. Key overall budget assumptions are discussed at pages 4-6 of **Attachment 2**. Budgeted staffing is increased for some statutory programs and decreased for others, compared to the 2021 budget, based on specific needs in certain programs and ongoing efforts to match staffing with current program needs. Budgeted expenses, Fixed Asset Additions and Net Financing Activity for Administrative Services are allocated to statutory programs based on the ratio of budgeted FTEs in each statutory program to total budgeted statutory program FTEs; therefore, changes in FTEs budgeted for each statutory program for 2022 compared to 2021 impact the allocation of Administrative Services costs among the statutory programs.

##### **1. Reliability Standards and Power Risk Issues Strategic Management**

The major activities of the Reliability Standards and PRISM Program are described at pages 13-16 of **Attachment 2**. The 2022 budget is increased 20.0% (\$1,574,284) from 2021 (after decreasing 5.4% in 2021 from 2020), due primarily to an increase in staffing of 2.82 FTEs (anticipating increased standards development activity), increased Meeting & Travel expenses, and increased Consultants & Contracts expense. The budgeted Consultants & Contracts expense of \$158,960 is for engineering support and support for standards and PRISM applications.

##### **2. Compliance Assurance, Organization Registration and Certification, and Compliance Enforcement**

The major activities of Compliance Assurance and Organization Registration and Certification are described at pages 18-22 of **Attachment 2**. The 2022 budget is decreased 8.2% (\$1,122,331) from the 2021 budget, due primarily to a decrease of 1.88 FTEs (to 21.62 FTEs)

and associated reductions in Personnel Expense and allocated Indirect costs. Continued maturation of and experience with the CMEP processes is enabling NERC to reduce staffing for this program and reallocate these FTEs to other strategic priorities. The 2022 budget is also decreasing from the 2021 budget due to reduced Fixed Asset Addition expenditures as a result of the completion of the initial development of Align in 2021. Budgeted Consultants & Contracts expenses of \$345,000 includes support for CMEP audits of the Regional Entities and a post-implementation audit of the Align tool, which are split evenly between the Compliance Assurance and Compliance Enforcement budgets. Additionally, budgeted Consultants & Contracts expense, Office Costs, and Fixed Asset Additions related to enhancements, support, and maintenance of Align and the ERO Secure Evidence Locker (SEL), are split evenly between the Compliance Assurance and Compliance Enforcement budgets. Net Financing Activity reflects loan principal payments for the ERO SEL capital investment borrowing in 2020, which are also split evenly between the Compliance Assurance and Compliance Enforcement budgets.

The major activities of Compliance Enforcement are described at pages 25-26 of **Attachment 2**. The 2022 budget is decreased 5.2% (\$381,912) from 2021, due primarily to reductions in Fixed Asset Additions as a result of the completion of the initial development of Align in 2021 mentioned above. Budgeted staffing remains at 12.22 FTEs. Budgeted Consultants & Contracts expense of \$249,000 (\$180,000 increase) is primarily for support for CMEP audits of the Regional Entity and a post-implementation audit of the Align tool. As noted above, these budgeted expenses for audit support and budgeted Align and ERO SEL-related expenditures are shared evenly with Compliance Assurance.

### **3. Reliability Assessments and Performance Analysis (RAPA)**

The major activities of RAPA are described at pages 29-35 of **Attachment 2**. The 2022 budget is increased \$17.0% (\$2,143,646) from 2021 (after decreasing 3.7% from 2020 to 2021),

due primarily to a net increase of 0.94 FTE (to 26.32 FTEs), increased Consultants & Contracts expense, and increased Fixed Asset Additions. The increased Consultants & Contracts expense reflects a return to or resumption of projects deferred in 2021 due to cost saving efforts that were implemented to provide relief to industry during the uncertainty of the pandemic. The increased budget for Fixed Asset Additions includes funds for enhancements to RAPA data systems including the Generating Availability and Transmission Availability Data Systems.

#### **4. Situation Awareness**

The major activities of Situation Awareness are described at pages 37-39 of **Attachment 2**. The 2022 budget is increased 14.1% (\$625,625) from 2021, due primarily to increased Personnel Expense, Office Costs, and Fixed Asset Additions. Budgeted staffing is increased by 0.94 FTE from the 2021 budget, to 7.52 FTEs. The increased Office Costs are for software hosting and support costs for the situation awareness tool disaster recovery site and increased license and support costs for situation awareness tools. The increase in Fixed Asset Additions includes situation awareness tool enhancement costs.

#### **5. Event Analysis**

The major activities of Event Analysis are described at pages 41-42 of **Attachment 2**. The 2022 budget is decreased 11.8% (\$505,063) from 2021 (after being decreased 9.4% from 2020 to 2021), due primarily to reduced staffing of 0.94 FTE (to 6.58 FTEs) and resulting decreases in Personnel Expenses and allocated Indirect Expenses. Budgeted Consultants & Contracts expense of \$118,158 includes support for applications used by Event Analysis.

#### **6. Electricity Information Sharing and Analysis Center (E-ISAC)**

The major activities of the E-ISAC are described at pages 45-49 of **Attachment 2**. In addition to operating the E-ISAC, this program performs the management role for CRISP, a

public-private initiative that delivers cybersecurity risk information to E-ISAC member electricity asset owners and operators in the U.S., Canada and Mexico.

The 2022 budget for the E-ISAC, including CRISP, is increased by 9.3% (\$2,779,209) (after decreasing by 4.8% in 2021 from 2020). The CRISP budget comprises 27.5% of the total E-ISAC budget. Budgeted staffing for the E-ISAC is increased by 4.47 FTEs from the 2021 budget to 43.95 FTEs (after decreasing by 4.70 FTEs in the 2021 budget from 2020), with four new positions being added to the E-ISAC and one new position added to CRISP, offset by the repurposing of one position to other strategic priorities in the company. Budgeted Consultants & Contracts expense of \$8,325,861 is decreased by \$399,780 from 2021, due in part to replacement of two contractor positions with NERC employees. Of the budgeted Consultants & Contracts expense, \$6,154,820 (74.0%) is for CRISP. NERC will continue to subcontract to Pacific Northwest National Laboratory for resources to operate and maintain CRISP, which represents the majority of CRISP Consultants & Contracts expense. Budgeted Office Costs for E-ISAC (including CRISP) are increased by \$384,657, with much of the increase for software licenses, support, and maintenance costs for CRISP analytics and tools.

Under the CRISP master services agreement, the E-ISAC budget for 2022 is supported by \$7,917,385 of Third-Party Funding (88.3% of the CRISP budget) provided by participating utilities. The budgeted Third-Party Funding includes proposed funding to increase the CRISP reserve by \$300,000. Any underrun in the CRISP budget funded by CRISP participants is credited against future participant funding requirements.

## **7. Personnel Certification and Continuing Education**

The Personnel Certification and Continuing Education department manages the System Operator Certification and Continuing Education Programs under oversight of the NERC



Personnel Certification and Governance Committee. The major activities of the Personnel Certification and Continuing Education program are described at pages 54-56 of **Attachment 2**. The 2022 budget is increased 5.2% (\$91,097) from the 2021 budget. Budgeted 2022 staffing is 2.82 FTEs, the same as the 2021 budget. Budgeted Consultants & Contracts expense of \$463,188 will provide support for System Operator testing and examination development, Continuing Education audit and review, maintenance of the System Operator Certification and Continuing Education Database, and a credential maintenance research project.

The Personnel Certification and Continuing Education program receives no funding from assessments. The System Operator Certification Program receives fees, intended to recover the costs (including allocated indirect expenses) of the program, for system operator certification exams and certification renewals. Further, fees charged to continuing education providers offset costs associated with review of courses taken by certified operators to maintain certification.

## **8. Training and Education**

The major activities of the Training and Education Program are described at pages 58-59 of **Attachment 2**. The 2022 budget is decreased 5.5% (\$59,510) from the 2021 budget, due primarily to reduced Consultants & Contracts expense. Budgeted 2022 staffing of 1.88 FTEs is unchanged from the 2021, 2020 and 2019 budgets.

## **9. Administrative Services**

The Administrative Services departments, which support NERC's statutory programs, are: (i) G&A (the Chief Executive Officer, Chief Engineer, Chief Administrative Officer, their staffs, External Affairs, and Board functions); (ii) Legal and Regulatory; (iii) IT; (iv) HR and Administration; and (v) Finance and Accounting. Responsibilities and functions of Administrative Services are described at pages 62-69 of **Attachment 2**.

The total amount budgeted for Administrative Services for 2022 (before provision for

Working Capital and Operating Reserves) is increased by 9.6% (\$3,223,972) from 2021 (after decreasing 1.3% from 2020 to 2021). Budgeted staffing is increased by 4.00 FTEs, including 0.94 FTE in G&A, 1.18 FTE in IT, and 1.88 FTE in HR and Administration. Principal areas of budget increase are in Personnel Expenses (reflecting, among other factors, increased FTEs); increased Meetings & Travel Expense (reflecting partial return to in-person meetings, as noted earlier in this filing); increased Consultants & Contracts expense, including increases for internal audit and corporate risk management support (Legal and Regulatory), applications and infrastructure security support (IT), training and development, compensation and benefits consulting, and documentation and system support (HR), and finance and accounting support; and increased Professional Services costs including Board costs (see next paragraph below). Budgeted Office Rent is decreased by \$360,165 from 2021, based on revised cost estimates for the Washington, D.C. office and reduced maintenance costs for both offices.

The budgeted amount for Independent Trustee expenses for 2022 (included in G&A) is increased by 17.5% (\$294,436) from 2021 (after decreasing by 6.9% from the 2020 to the 2021 budget), due primarily to addition of one trustee,<sup>23</sup> a return to in-person Board meetings necessitating related travel, and a planned increase in trustee compensation; partially offset by elimination of trustee search fees.<sup>24</sup> Budgeted Independent Trustee Fees are increased by \$187,500 from the 2021 budget, reflecting the additional trustee and estimated increases to trustee compensation, which will be subject to the next independent study on trustee compensation, scheduled for the end of 2021, which will be reviewed by the CGHRC and approved by the Board in accordance with Paragraph 12(a) of the Settlement Agreement for

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<sup>23</sup> An additional Board member was added pursuant to Article III, §1.a of the NERC Bylaws.

<sup>24</sup> The table on page 64 of **Attachment 2** details budgeted Board of Trustees expenses for 2022 and 2021.

FERC's 2011 financial performance audit of NERC that requires the NERC Board to review trustee compensation annually.<sup>25</sup>

## **B. Working Capital and Reserves**

NERC's WCOR Policy provides for the categories of Working Capital and Reserves maintained by NERC: Working Capital, Future Obligations Reserve, Operating Contingency Reserve (OCR), System Operator Certification Reserve, CRISP Reserve, and Assessment Stabilization Reserve (ASR). The discussion at page 9, as well as Table B-1, in **Attachment 2** show and explain the amounts proposed to be budgeted in each reserve account for 2022 (target balances at December 31, 2022), as follows:

### Working Capital: \$0

NERC maintains a \$4,000,000 line of credit with a major financial institution. Based on cash flow projections and the timing by which assessments are billed and paid, NERC does not project a need to access working capital in 2022 for monthly cash flow needs.

### Future Obligation Reserve: \$1,135,565

The projected level for this reserve at December 31, 2021, is \$1,106,301; therefore, this reserve is being reduced by \$29,264 to reach the target balance at December 31, 2022.

### Operating Contingency Reserve: \$6,268,207

The WCOR Policy specifies that except as otherwise approved by the NERC Board, the budgeted OCR is to be between 3.5% - 7.0% of NERC's total expenses and Fixed Asset budget excluding the budgets for the System Operator Certification Program and CRISP, which have their own reserves. The projected balance in this reserve at December 31, 2021, is \$6,268,207. NERC is proposing to maintain the OCR at this level during 2022. The projected reserve amount, at 8.1%, is slightly higher than the target range; however, NERC believes maintaining a slightly higher OCR is prudent to provide adequate reserves to accommodate potential one-time costs associated with changes to Atlanta office lease arrangements in 2022.

### System Operator Certification Program Reserve: \$667,534

The projected December 31, 2021 reserve balance of the System Operator Certification Program is \$737,930; therefore, a decrease of \$70,396 is budgeted to reach the target balance for this reserve at December 31, 2022.

### CRISP: \$800,000

The CRISP Reserve is used solely for certain contingencies in connection with CRISP.

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<sup>25</sup> Annual review of trustee compensation is also required by the CGHRC's mandate and by NERC's Governance Guidelines.

The reserve level of \$500,000 at December 31, 2021 is equal to the original CRISP reserve, established in 2015, funded by the participating utilities. Subject to approval of the CRISP participants, NERC proposes to increase the reserve by \$300,000 in 2022, funded by the participants, to provide additional operating reserve for CRISP.

Assessment Stabilization Reserve (ASR): \$2,521,000

NERC did not collect any Penalties during the 12 months ended June 30, 2021. The balance in the ASR at December 31, 2021 will be the current amount of \$2,521,000. NERC is not proposing to release any funds from the ASR in 2022 to reduce the 2022 assessment, but rather to maintain the current balance in the ASR for use in reducing or stabilizing assessments in future years.

Total Budgeted Working Capital and Reserves at 12/31/2022: \$11,392,306.

Based on the beginning Working Capital and Reserves balances at January 1, 2021, the projected funding, expenditures, and net financing activity for 2021, the budgeted funding, expenditures, and net financing activity for 2022, and the target Working Capital and Reserves balances at December 31, 2022, Table B-1 (page 71) in **Attachment 2** shows the calculation of the resulting adjustment (increase) of \$229,604 to NERC's 2022 assessment. To the extent the actual year-end 2021 Working Capital and Reserves balances are higher than the projected amounts shown on Table B-1, the excess funds will be included in the OCR, System Operator Certification Program Reserve, or CRISP Reserve, as applicable, and subject to the limitations and authorities regarding their use as set forth in the WCOR Policy.

**C. Capital Financing**

As originally described in NERC's 2014 Business Plan and Budget (submitted on November 4, 2013), NERC is financing certain capital expenditures over multi-year periods through a capital financing program. NERC secured an \$8.0 million non-revolving credit facility, approved by the Board in May 2020 and closed in July 2020, to fund capital expenditures from July 2020 to December 2021 for software application development projects and hardware equipment that benefit the ERO Enterprise. Authorized borrowings under the facility are limited to amounts authorized by the NERC Board and FERC in each year's Business

Plan and Budget. As described in NERC's June 8, 2020 Petition to FERC in Docket No. RR19-8-001, NERC financed \$2.0 million of ERO SEL costs in late 2020 and 2021. The credit facility provides for a floating interest rate; a 3.0% interest rate is projected in 2022 for the ERO SEL borrowing. The loan will be amortized over five years and can be prepaid without penalty.

NERC's projected outstanding debt balance at December 31, 2021 is \$1,625,000 and at December 31, 2022 is \$1,250,000. As shown in Table B-12 of **Attachment 2**, the 2022 Fixed Asset Additions budget, excluding \$2,100,000 of capital lease assets that are directly offset by corresponding lease financing proceeds, is \$2,018,750, a decrease of \$732,750 from the 2021 budget. However, NERC is not planning to use the credit facility to fund any 2022 capital projects. The tables in Exhibit C show projected year-end outstanding debt balances and the annual payments for debt service (principal repayment and interest) for 2021, 2022, 2023 and 2024; the budgeted debt service payments for each year are \$430,000. The actual interest expense will be reflected in the quarterly budget-to-actual variance reports that NERC posts on its website, reviews in open session with the NERC FAC, and files with FERC. Any savings in actual interest expense compared to budgeted expense will be captured and reported as a contribution to the OCR, expenditures from which are subject to the terms of NERC's WCOR Policy.

## **V. RELEVANT REGIONAL ENTITY BUSINESS PLAN AND BUDGET**

### **A. Development of the Regional Entity Business Plans and Budgets**

NERC management and staff worked collaboratively with the Regional Entities on development of their 2022 Business Plans and Budgets. Drafts of each Regional Entity's Business Plan and Budget were posted on the NERC website on May 24, 2021. NERC also reviewed and provided feedback on these drafts. The draft Business Plans and Budgets were also the subject of presentations and discussion at meetings of the NERC FAC.

Additionally, each Regional Entity posted one or more drafts of its 2022 Business Plan and Budget on its own website for comment by its stakeholders, and/or provided other opportunities for stakeholder input, as follows:

**MRO**: MRO posted its draft 2022 Business Plan and Budget for comments on May 12, 2021. MRO's 2022 Business Plan and Budget was presented in multiple meetings of the MRO Board and its stakeholders. There were no written or oral challenges to the 2022 Business Plan and Budget. On June 24, 2021, MRO's Board of Directors approved a resolution that approved the 2022 reserves and 2022 budget, and affirmed that the budget is sufficient to complete MRO's delegated responsibilities.

**NPCC**: NPCC's draft 2022 Business Plan and Budget was presented to the NPCC FAC on April 20, 2021, and to its Board of Directors on May 5, 2021. NPCC's draft 2022 Business Plan and Budget was posted on its website for stakeholder review and comment on May 5, 2021, with a request for comments by May 27, 2021. NPCC received one stakeholder comment letter. The NPCC Board of Directors approved NPCC's 2022 Business Plan and Budget on June 23, 2021.

**ReliabilityFirst**: On April 16, 2021, the ReliabilityFirst Board of Directors approved the first draft of its 2022 Business Plan and Budget, after which it was posted to the ReliabilityFirst website for a 30-day industry review and comment period. ReliabilityFirst did not receive any comments. The final 2022 Business Plan and Budget was approved by the ReliabilityFirst Board on June 18, 2021.

**SERC**: On March 31, 2021, the draft 2022 Business Plan and Budget was presented to, and approved by, SERC's Board of Directors. The draft budget was then posted on the SERC public website for a 30-day comment period beginning April 13, 2021. No comments were received. The final 2021 Business Plan and Budget was approved for submittal to NERC by the Board Executive Committee at its June 24, 2021 meeting.

**Texas RE**: Texas RE's 2022 Business Plan and Budget was presented in multiple meetings of the Texas RE Board and Member Representatives Committee. The draft 2022 Business Plan and Budget was posted for a 7-day comment period before being presented to the Texas RE Board of Directors for final approval. There were no written or oral challenges to the 2022 Business Plan and Budget. The Board of Directors approved Texas RE's 2021 Business Plan and Budget on May 19, 2021.

**WECC**: WECC's draft 2022 Business Plan and Budget was posted on its website on April 26, 2021, for a fifteen business day comment period. The WECC Board of Directors and WECC stakeholders were notified of the posting. One set of comments was received from stakeholders during the comment period. Additionally, one set of comments was received from the WECC Member Advisory Committee Budget Subcommittee. WECC's Board approved WECC's 2022 Business Plan and Budget on June 16, 2021.

NERC's review of the draft Regional Entity business plans and budgets focused on:

1. Adequacy of the resources and activities to perform delegated functions;
2. Alignment of the Regional Entity's goals, objectives and major activities to the *ERO Enterprise Long-Term Strategy* and related focus areas;
3. Efforts to improve efficiency and control costs;
4. Quality and completeness of the financial information presented, including:
  - a. Conformance with FERC budget reporting requirements and with the ERO Enterprise common presentation format,
  - b. Separation of statutory and non-statutory activities,
  - c. Supporting detail, including explanations for significant changes from the entity's 2021 budget,
  - d. Working capital and operating reserve budgets, policies and controls, and
  - e. Compliance with any budget or audit related orders from FERC.

Through the processes described above and in §III.A, NERC determined that each Regional Entity 2022 Business Plan and Budget provides necessary and adequate resources to carry out the Regional Entity's delegated functions in 2022.<sup>26</sup>

The Regional Entities submitted their final 2022 Business Plans and Budgets, as approved by their respective governing bodies, to NERC in June and July 2021. These Business Plans and Budgets were submitted to the NERC FAC and Board, were reviewed at the FAC's meetings held on July 22 and August 11, 2021, and were approved by the Board at its August 12, 2021 meeting for submission to the applicable governmental authorities.

In developing their 2022 Business Plans and Budgets and proposed assessments, the Regional Entities took into account the need to maintain appropriate working capital and operating reserves. Table B-1 in each Regional Entity's 2022 Business Plan and Budget shows the calculation of the increase or decrease to its 2022 assessment to achieve the Regional Entity's target Reserves balance at December 31, 2022. The basis for each Regional Entity's target

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<sup>26</sup> In reviewing the Regional Entity Business Plans and Budgets, NERC afforded the Regional Entity Business Plans and Budgets no presumption of reasonableness due to having been approved by the Regional Entities' governing bodies.

Reserves balance is stated on its Table B-1 or elsewhere in its Business Plan and Budget.

**B. Summary of Relevant Regional Entity Business Plan and Budget**

**1. MRO – Attachment 3**

MRO's 2022 statutory budget is \$20,034,361, an increase of \$1,622,159 (8.8%) from its 2021 budget. MRO's proposed assessment for 2022 is \$17,832,414, an increase of \$849,162 (5.0%) from its 2021 and 2020 assessments. The increased assessment reflects the net of (i) the increased budget, (ii) a \$97,746 increase in Penalty collections compared to the 2021 budget, and (iii) use of \$1,743,698 of Assessment Stabilization Reserves (ASR), an increased use of ASR by \$675,251 from the 2021 budget.

MRO is budgeting increased staffing for 2022 of 5.00 FTEs, reflecting net increases of 0.98 in statutory programs (including an increase of 1.51 FTEs in its Compliance and Situation Awareness and Infrastructure Security programs, which are areas of particular focus for MRO in 2022) and 4.02 FTEs in administrative programs (including increased staffing of 1.98 FTEs in IT). Total budgeted 2022 staffing is 71.00 FTEs, including 36.56 FTEs in MRO's Compliance programs. The 2022 budget for Administrative Services is \$7,942,270, an increase of \$782,583.

As described in its 2020 Business Plan and Budget, MRO established an ASR into which Penalty collections received in the 12 months ending the previous June 30 would be deposited, and from which funds would be released to reduce year-to-year fluctuations in the amount of assessments needed to fund operations. For 2022, to reduce assessments, MRO proposes to use the \$458,250 of Penalties collected between July 1, 2020 and June 30, 2021 and, additionally, to release \$1,743,698 from the ASR. In its 2022 Business Plan and Budget filing submitted to FERC on August 24, 2021, and pursuant to §1107.4 of the NERC ROP, NERC requested that FERC approve an exception to the requirement of §1107.2 that all Penalties collected during the 12 months ended the previous June 30 be used to reduce assessments in the following year, in



order to allow MRO to utilize Penalties collected prior to July 1, 2020, and held in the ASR, to reduce its 2022 assessment. MRO's projected reserves balance at December 31, 2021 is \$7,541,460 (Working Capital - \$2,962,394; 30-day cash reserve - \$1,513,332; ASR - \$3,065,734); with the proposed use of Penalties and ASR to reduce the 2022 assessment, MRO projects a reserves balance at December 31, 2022 of \$5,339,512 (Working Capital - \$2,806,196; 30-day cash reserve - \$1,669,530; ASR - \$863,786).

## **VI. METRICS RELATED TO NERC AND REGIONAL ENTITY BUDGETS**

Consistent with NERC's February 25, 2015 *Notice of Filing to Revise Certain "Metrics" Filing Components for its Annual Business Plan and Budget Filings and its Annual Actual Cost-to-Budget True-Up Filings*, NERC is providing the metrics information listed below in **Attachment 8** and **Attachment 9** to this filing.

**Attachment 8** provides the following information relating to the Regional Entities' operations based on their 2022 Business Plans and Budgets:

1. Numbers of registered entities
2. Numbers of registered functions
3. Total NEL (GWh)
4. NEL (GWh) per registered entity
5. Total ERO Funding (sum of assessments plus Penalty sanctions collections)
6. ERO Funding per registered entity
7. ERO Funding per registered function
8. Total Budget (sum of Total Expenses plus increase/decrease in Fixed Assets)
9. Total Budget per registered entity
10. Total Budget per registered function
11. Total Statutory FTEs (FTEs are based on working 2,080 hours per year)
12. Registered entities per Statutory FTE
13. Registered functions per Statutory FTE
14. Total Compliance Budget (sum of Direct Expenses, Indirect Expenses allocated to the Compliance Program, and Capital Expenditures)

15. Compliance budget per registered entity
16. Compliance budget per registered function
17. Total Compliance FTEs
18. Registered entities per Compliance FTE
19. Registered functions per Compliance FTE

In addition, **Attachment 8** provides the following metrics and graphics based on the Regional Entities' 2022 Business Plans and Budgets:

20. Compliance Budget per Number of Registered Functions and per Number of Registered Entities
21. Number of Registered Functions per Registered Entity
22. Compliance Program Budget as a Function of Number of Registered Entities and Number of Registered Functions
23. Number of Registered Entities per Compliance Program FTE and Number of Registered Functions per Compliance Program FTE
24. Comparisons of Number of Registered Entities per Compliance program FTE and Number of Registered Functions per Compliance Program FTE for the current year (2021) and the budget year (2022)

**Attachment 9** provides the following metrics on the budgeted Administrative Services costs of NERC and each Regional Entity, based on their budgets for 2021 and 2022:

1. Statutory Indirect (Administrative) Budget as a Percentage of Total Statutory Budget, for 2021 and 2022
2. Ratio of Statutory Direct Budget to Statutory Indirect Budget, for 2021 and 2022
3. Statutory Indirect FTEs as a Percentage of Total Statutory FTEs, for 2021 and 2022
4. Number of Direct Statutory FTEs per Indirect FTE, for 2021 and 2022

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# **ATTACHMENT 1**

## NERC Proposed Budget by Program

NERC Program	2021 Budget for Statutory Functions	2022 Budget for Statutory Functions
Reliability Standards and Power Risk Issue Strategic Management	\$ 7,856,641	\$ 9,430,925
Compliance Assurance and Organization Registration and Certification	13,686,302	12,563,971
Compliance Enforcement	7,327,875	6,945,963
Reliability Assessment and Performance Analysis	12,631,436	14,775,082
Situation Awareness	4,450,989	5,076,614
Event Analysis	4,287,213	3,782,150
E-ISAC (including CRISP)	29,821,738	32,600,947
Personnel Certification and Continuing Education	1,736,522	1,827,619
Training and Education	1,084,523	1,025,014
<b>Total Budget</b>	<b>\$ 82,883,239</b>	<b>\$ 88,028,284</b>

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

	2021 Budget for Statutory Functions	2022 Budget for Statutory Functions
NERC	\$ 82,883,239	\$ 88,028,284
MRO	18,412,202	20,034,361
NPCC	16,440,648	17,465,133
ReliabilityFirst	24,785,492	26,219,927
SERC	25,829,079	26,708,260
Texas RE	14,211,538	17,160,613
WECC	28,605,029	29,746,899
WIRAB	1,205,500	918,900
<b>Total Budget</b>	<b>\$ 212,372,727</b>	<b>\$ 226,282,377</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	2022 Budget v	2021 Budget	% Over
	Functions 2021	Canada 2021	Functions 2022	Canada 2022	Over (Under)	Over (Under)	(Under)
<b>NERC</b>	\$ 72,011,373	\$ 6,826,738	\$ 78,387,280	\$ 7,432,831	\$ 606,093	8.88%	
<b>Regional Entities</b>	\$ 116,760,116	\$ 10,933,774	\$ 121,994,971	\$ 11,434,266	\$ 500,492	4.58%	
MRO	16,983,251	1,794,465	17,832,414	1,895,159			
NPCC	15,154,584	6,008,840	15,912,313	6,287,836			
ReliabilityFirst	22,764,995	-	23,447,945	-			
SERC	23,513,886	-	24,798,934	-			
Texas RE	13,343,400	-	15,003,365	-			
WECC	25,000,000	3,130,470	25,000,000	3,251,271			
<b>WIRAB</b>	\$ 986,300	\$ 143,163	\$ 698,700	\$ 99,937	\$ (43,226)	-30.19%	
<b>Total Budget</b>	\$ 189,757,789	\$ 17,903,676	\$ 201,080,951	\$ 18,967,035	\$ 1,063,359	5.94%	

**ATTACHMENTS 2 - 9**