

October 28, 2014

Ms. Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: North American Electric Reliability Corporation  
Docket No. RR14-6-000  
Request for Acceptance of 2015 Business Plans and budgets of NERC and Regional Entities and  
for Approval of Proposed Assessments to Fund Budgets-  
Update on CRISP Implementation

Dear Secretary Bose,

The purpose of this letter is to provide the staff of the Federal Energy Regulatory Commission (the Commission) with a brief update regarding the status of CRISP Program implementation which was included in the NERC's 2015 business plan and budget.

Significant progress has been made since the filing of NERC's 2015 business plan and budget in August, 2014. NERC and 15 utilities have executed the Master Agreement (Master Agreement) and related Statements of Work. NERC has also executed the related agreement with Battelle Memorial Institute, the operator of the Pacific Northwest National Laboratory (PNNL). Implementation of the CRISP Program is now underway, and NERC will continue to seek additional industry participation in the CRISP program.

Funding by utility participants is in process. 2015 funding will be in two installments, with the first installment due in early January, 2015. The second installment will be due within 30 days after NERC provides a reconciliation of 2014 actual to budgeted costs, which is anticipated to be on or about March 15, 2015. A separate bank account has been established to segregate CRISP program funds and track funding by utility participants

#### **Budget Recap**

The 2014 budget is sufficient to fund 100% of the 2014 CRISP program costs, inclusive of PNNL costs. An overall not to exceed budget, as well as a not to exceed budget by participating utility, has been agreed to with PNNL and each participating utility. Consistent with the NERC board's resolution authorizing the program, 2014 utility funding amounts have been established in a sufficient amount to avoid the use of existing NERC reserves.

The 2015 CRISP program budget reflects final cost reduction negotiations with PNNL from those assumed in the 2015 business plan and budget, as well as the allocation of direct funding of program startup costs

by participating utility in 2014 that were assumed to be incurred in 2015 in the 2015 business plan and budget. As a result, the final 2015 CRISP program budget, inclusive of PNNL costs, has been reduced from the approximately \$9.3M included in the 2015 business plan and budget to approximately \$5.9M. This is in large part due to the 2014 allocation of funding of startup expenses as noted above. The 2014 CRISP program budget, covering the period from October 1, 2014 thru December 31, 2014, is approximately \$4.9M, entirely funded by the utility participants. The total direct utility funding for 2014 and 2015 will be approximately \$10.8M. The final total 2014 and 2015 CRISP budgets are set forth in Attachment A. NERC's internal 2015 ES-ISAC department budget, which is exclusive of PNNL subcontract costs and other costs funded directly by utility participants, is consistent with the internal ES-ISAC budget included in NERC's 2015 business plan and budget and which was utilized for purposes of determining the proposed 2015 CRISP program funding from assessments.

Please do not hesitate to contact me should Commission staff have any questions or require further information.

Sincerely,



Michael A. Walker  
Senior Vice President  
Chief Financial and Administrative Officer

CC: Gerald Cauley  
Charles Berardesco  
Susan Turpen  
Tim Roxey  
Matthew Light  
Meredith Jolivert

**Attachment A**  
**2014 and 2015 NERC CRISP Budget in Statement of Activities Format**  
**(Includes both NERC and PNNL costs)**

**Statement of Activities and Fixed Assets Expenditures**  
**2014 and 2015 NERC Budget**  
**CRISP**

	NERC 2014 Budget	NERC 2015 Budget
<b>Funding</b>		
<b>ERO Funding</b>		
NERC Assessments *	-	\$ 860,938
Penalty Sanctions	-	16,554
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ 877,492</u>
Third-Party Funding (CRISP)	4,894,545	5,038,269
Interest	-	42
<b>Total Funding (A) (Equals Total Budget plus Change in Working Capital)</b>	<u>\$ 4,894,545</u>	<u>\$ 5,915,803</u>
<b>Expenses</b>		
<b>Personnel Expenses</b>		
Salaries	\$ 90,839	363,357
Payroll Taxes	5,248	20,990
Benefits	8,488	33,953
Retirement Costs	10,238	40,951
<b>Total Personnel Expenses</b>	<u>\$ 114,813</u>	<u>459,251</u>
<b>Meeting Expenses</b>		
Meetings	\$ 3,750	15,000
Travel	7,500	30,000
Conference Calls	1,250	5,000
<b>Total Meeting Expenses</b>	<u>\$ 12,500</u>	<u>50,000</u>
<b>Operating Expenses</b>		
Consultants & Contracts - PNNL Initial Start-Up	\$ 1,902,385	\$ -
Consultants & Contracts - PNNL Operations	1,380,893	4,275,735
Consultants & Contracts - NERC	135,000	135,000
Office Rent	-	-
Office Costs	76,250	305,000
Professional Services	250,000	50,000
Cyber/E&O Insurance Premiums	325,000	150,000
Depreciation	-	-
<b>Total Operating Expenses</b>	<u>\$ 4,069,528</u>	<u>\$ 4,915,735</u>
<b>Total Direct Expenses</b>	<u>\$ 4,196,841</u>	<u>\$ 5,424,986</u>
<b>Indirect Expenses</b>	<u>\$ 92,201</u>	<u>\$ 368,803</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>-</u>
<b>Total Expenses (B)</b>	<u>\$ 4,289,041</u>	<u>\$ 5,793,788</u>
<b>Fixed Assets</b>		
Computer & Software CapEx	\$ 100,000	100,000
Allocation of Fixed Assets	5,504	22,014
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ 105,504</u>	<u>\$ 122,014</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ 4,394,545</u>	<u>\$ 5,915,803</u>
<b>INSURANCE DEFENSE FUND (=A-B-C)</b>	<u>\$ 500,000</u>	<u>\$ -</u>