





particular year exceeds the threshold for seeking Commission approval pursuant to the Settlement Agreement.

## **I. REQUEST FOR EXPEDITED COMMISSION ACTION**

NERC respectfully requests that the Commission issue an order by the end of the second quarter of 2022 approving this filing. The requested timeline will allow NERC to fulfill its obligations to the CRISP participants and the Department of Energy in moving forward with the Cloud-Based ISD Pilot such that the majority of the work can be completed in 2022. Alternatively, NERC requests that the Commission allow 30 days to pass from the date of this filing without acting on it or by issuing a tolling order, as provided under Paragraph 7(b)(ii) of the Settlement Agreement. The need for expedited action is also warranted by the unanimous recommendation for approval by the Finance and Audit Committee to the Board of Trustees on June 1, 2022 and the subsequent approval by the NERC Board of Trustees on June 7, 2022 through an action without a meeting.

## **II. NOTICES AND COMMUNICATIONS**

Notices and communications with respect to this filing may be addressed to the following:<sup>2</sup>

Nina H. Jenkins-Johnston\*  
Assistant General Counsel  
North American Electric Reliability  
Corporation  
3353 Peachtree Road, N.E.  
Suite 600, North Tower  
Atlanta, GA 30326  
nina.johnston@nerc.net

Stefan Bergere\*  
Counsel  
North American Electric Reliability  
Corporation  
1325 G Street NW, Suite 600  
Washington, D.C. 20005  
stefan.bergere@nerc.net

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<sup>2</sup> Persons to be included in Commission's official service list are indicated with an asterisk.

### **III. REQUEST TO REDIRECT BUDGETED CRISP FUNDS TO THE CRISP SPECIAL PROJECTS RESERVE FOR USE IN 2022 AND TO ANNUALLY REDIRECT UNDERRUNS OF THE CRISP BUDGET TO THE CRISP OPERATING RESERVE**

Pursuant to Paragraph 7(b)(ii) of the 2013 Settlement Agreement, NERC is required to “file for Commission review and approval Board-of-Trustees-approved proposals to expend \$500,000 or more from operating reserves designated for “unforeseen contingencies” (as that term is defined in NERC’s Working Capital and Operating Reserve Policy).” This provision is applicable when “any amount allocated from the unforeseen contingencies account of operating reserves *plus any amount redirected from previously budgeted funds is, in the aggregate, \$500,000 or more for any one specific project or major activity in a program area*” (emphasis added). Prior to this filing, NERC documented any CRISP program net underruns and transfers of such underruns, exceeding \$500,000, to CRISP reserves in its quarterly variance filings to the Commission. The Commission clarified that transfers of underruns *to reserves*, even prior to expenditures of such funds, are “redirections of previously budgeted funds” requiring Commission approval.<sup>3</sup>

#### **(1) CRISP Operating Reserve**

NERC requests Commission approval to redirect previously budgeted CRISP funds to a CRISP Operating Reserve, specific to and exclusively used for CRISP, whenever there is an underrun of participant funds in any particular year, beginning with the 2021 CRISP budget. On November 17, 2021, NERC amended the CRISP master agreement to document the CRISP participants’ desire to redirect any excess, budgeted funds to the CRISP Operating Reserve in this manner. This development occurred after NERC filed its 2022 business plan and budget. As of

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<sup>3</sup> *N. Am. Elec. Reliability Corp.*, 177 FERC ¶ 61,163 (2021) at P 14.

December 31, 2021, \$1,596,902 in underruns from the 2021 budgeted CRISP funds were available to be placed in the CRISP Operating Reserve in 2022. This redirection to the CRISP Operating Reserve is a change from prior practice, which called for the return of unspent money in a budget year, on a per-participant basis, in the following budget year. The CRISP participants authorized this change through an amendment to the CRISP master agreement that all participants have executed.

(2) CRISP Special Projects Reserve

NERC further requests Commission approval to redirect any underrun funds from the budgeted CRISP OT pilot programs to the CRISP Special Projects Reserve. In 2020, NERC redirected \$1,049,549 in excess 2020 budgeted CRISP OT funding to a CRISP Special Projects Reserve. As of December 31, 2021, the balance in the CRISP Special Projects Reserve was \$445,316. NERC also requests Commission approval to expend this balance to complete the CRISP OT pilots in 2022. Due to competing CRISP priorities and unforeseen, continuing supply chain issues in 2021, the funds in the CRISP Special Projects Reserve were unable to be fully spent in 2021. Any remaining funds in the CRISP Special Projects Reserve at the end of 2022 will be redirected towards the CRISP Operating Reserve.

**IV. REQUEST FOR APPROVAL TO EXPEND FUNDS FROM THE CRISP OPERATING RESERVE TO FUND THE CRISP CLOUD-BASED ISD PILOT**

In accordance with Paragraph 7(b)(ii) of the Settlement Agreement, NERC seeks Commission approval (whether by issuance of an order or by non-action in 30 days) to expend up to \$600,000 from the CRISP Operating Reserve to fund the cost of the CRISP Cloud-Based ISD Pilot. The CRISP Cloud-Based ISD Pilot is an effort to enable CRISP participants to share data from their cloud infrastructure through the CRISP infrastructure for analysis by NERC's E-ISAC,

the CRISP primary subcontractor, and the Department of Energy. This pilot's objective is to test various cloud-based ISD information sharing mechanisms for future application across all CRISP participants. Accordingly, NERC is making this filing since the draw on the CRISP Operating Reserve exceeds \$500,000.

Under NERC's WCOR Policy, reserves may be made available for "contingencies that were not anticipated, assumed to be likely or the timing of which was uncertain, at the time of preparation and approval of the company's business plan and budget." The unanticipated contingency necessitating the proposed expenditure from the CRISP Operating Reserve in 2022 results from the prioritization of the already delayed OT Pilot. The CRISP participants determined not to initiate a new pilot to ensure proper time, resources, and attention was focused on the OT Pilot analysis. This expenditure was not contemplated at the time NERC prepared its 2022 business plan and budget.

#### **V. REQUEST FOR APPROVAL TO ANNUALLY EXPEND FUNDS COLLECTED FROM NEW CRISP PARTICIPANTS**

In accordance with Paragraph 7(b)(ii) of the Settlement Agreement, NERC seeks Commission approval (whether by issuance of an order or by non-action in 30 days) to annually expend funds supplied by newly admitted CRISP participants that are not included in the annual business plan and budget for costs associated with joining the program in the event that the costs for new CRISP participants in any particular year exceeds the threshold for seeking FERC approval in the WCOR policy. Since NERC has to bill the CRISP budget to the participants who existed at the time that the CRISP budget was created, the budget cannot add costs for participants who do not exist at the time of the budget creation. The collection and use of these funds for costs associated with joining the program from newly admitted CRISP participants are one-time costs

specific to and borne entirely by each new participant. Year to date in 2022, NERC has had two new participants join the program that were not anticipated at the time the 2022 annual CRISP budget was approved. The total cost associated with these two new participants joining is approaching \$500,000 in total.

## **VI. CONCLUSION**

For the reasons set forth above, NERC respectfully requests Commission approval of (1) the redirection of annual CRISP participant budget underruns to the CRISP Operating Reserve; (2) the use of \$600,000 of from the CRISP Operating Reserve to fund the CRISP Cloud-Based ISD Pilot; (3) the redirection of underrun funds from the CRISP OT pilot programs to the CRISP Special Projects Reserve in 2022; (4) annually expend funds paid by new CRISP participants for costs associated with joining the program in the event that the costs for new CRISP participants in any particular year exceeds the threshold for seeking FERC approval in the Settlement Agreement; and (5) the issuance of an order by the end of the second quarter, or alternatively, allowing 30 days

to pass from the date of this filing without acting on it or issuing a tolling order, as provided under Paragraph 7(b)(ii) of the Settlement Agreement in Docket No. FA11-21-000.

Respectfully submitted,

Nina H. Jenkins-Johnston  
Assistant General Counsel  
North American Electric Reliability  
Corporation  
3353 Peachtree Road, N.E.  
Suite 600, North Tower  
Atlanta, GA 30326  
(404) 446-9650  
nina.johnston@nerc.net  
*Counsel for the North American  
Electric Reliability Corporation*

Stefan Bergere  
Counsel  
North American Electric Reliability  
Corporation  
1325 G Street NW, Suite 600  
Washington, D.C. 20005  
(202) 400-3000  
stefan.bergere@nerc.net  
*Counsel for the North American Electric  
Reliability Corporation*

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