

2015 NERC, Regional Entity and Consolidated Business Plans and Budgets and Assessments

August 13, 2014

RELIABILITY | ACCOUNTABILITY



- Final Recommended Business Plan and Budget Updates
 - NERC
 - Stakeholder Comments
 - Changes from Draft 2
 - CRISP
 - Regional Entities and WIRAB
 - Consolidated
- 2016 and 2017 Projections
 - NERC
 - Regional Entities and WIRAB

- EEI supports business plan and budget and CRISP
- CEA
 - Concerned with continued increase in assessments
 - Supports proposed physical separation of ES-ISAC
 - Support CRISP and 50/50 incremental cost sharing proposal
 - Concerns with CRISP
 - long term cost uncertainty
 - potential impact on other priorities
 - Whether others cost reductions are available to offset added cost
 - Encourage efforts to stabilize assessments
 - Would like to see LSE assessment projections earlier in process

- Updated personnel expense projection to reflect
 - actual cost of new staff
 - addition of administrative FTE to the ES-ISAC department.
- Reduced projected IT expenses
- Reduced projected benefit expenses
- Increased rent expense to reflect
 - exercise the option for the remaining Washington, D.C. lease space
 - reduced sublease income from the subtenant at NERC's former Washington, D.C. office location

- Reduced projected professional fees
- Updated 2014 working capital and operating reserve projection
- Increased operating reserves to \$2M
- Updates Enterprise IT Application strategy and investment text and forecast
- Updated projected debt service repayment expenses
- Incorporated CRISP
 - Majority of costs funded the utility participants
 - Assessment funding capped

| Statement of Activities and Fixed Assets Expenditures | | | | |
|--|------------------------|------------------------|---|---------------------------------|
| 2014 Budget & Projection, and 2015 Budget | | | | |
| STATUTORY | | | | |
| | 2014 Budget | 2015 Budget | Variance 2015 Budget v 2014 Budget Over(Under) | % Inc 2015 over 2014 |
| Funding | | | | |
| ERO Funding | | | | |
| NERC Assessments | \$ 51,401,382 | \$ 54,812,063 | \$ 3,410,681 | 6.6% |
| Penalty Sanctions | 290,000 | 1,155,000 | 865,000 | |
| Total NERC Funding | \$ 51,691,382 | \$ 55,967,063 | \$ 4,275,681 | |
| Testing Fees | 1,620,000 | 1,670,000 | 50,000 | |
| Services & Software | 50,000 | 50,000 | - | |
| Workshops | 354,000 | 241,300 | (112,700) | |
| Interest | 20,000 | 3,000 | (17,000) | |
| Total Funding (A) | \$ 53,735,382 | \$ 57,931,363 | \$ 4,195,981 | 7.8% |
| Expenses | | | | |
| Total Personnel Expenses | \$ 34,059,654 | \$ 35,344,061 | \$ 1,284,407 | 3.8% |
| Total Meeting Expenses | \$ 3,789,525 | \$ 3,516,146 | \$ (273,379) | -7.2% |
| Total Operating Expenses | \$ 17,612,133 | \$ 17,542,302 | \$ (69,831) | -0.4% |
| Other Non-Operating Expenses | \$ 144,000 | \$ 131,000 | \$ (13,000) | -9.0% |
| Total Expenses (B) | \$ 55,605,313 | \$ 56,533,509 | \$ 928,197 | 1.7% |
| Fixed Assets | | | | |
| Depreciation | \$ (2,333,006) | \$ (2,333,006) | \$ - | |
| Computer & Software CapEx | 2,904,790 | 3,153,500 | 248,710 | |
| Equipment CapEx | 213,000 | 365,000 | 152,000 | |
| Inc(Dec) in Fixed Assets (C) | 784,784 | 1,185,494 | 400,710 | |
| TOTAL BUDGET (=B + C) | \$ 56,390,096 | \$ 57,719,003 | \$ 1,328,907 | 2.4% |
| FTEs | 189.5 | 190.4 | 0.9 | 0.5% |

Statement of Activities and Fixed Assets Expenditures

2015 Budget

STATUTORY

| | 2014 Budget | 2015 Budget | Variance 2015 Budget v 2014 Budget Over(Under) | % Inc 2015 over 2014 |
|---------------------------------------|----------------------|----------------------|--|-------------------------|
| Funding | | | | |
| ERO Funding | | | | |
| NERC Assessments | \$ 51,401,382 | \$ 55,308,375 | \$ 3,906,993 | 7.6% |
| Penalty Sanctions | 290,000 | 1,155,000 | 865,000 | |
| Total NERC Funding | \$ 51,691,382 | \$ 56,463,375 | \$ 4,771,993 | |
| Third-Party Funding | - | 8,943,589 | 8,943,589 | |
| Testing Fees | 1,620,000 | 1,670,000 | 50,000 | |
| Services & Software | 50,000 | 50,000 | - | |
| Workshops | 354,000 | 241,300 | (112,700) | |
| Interest | 20,000 | 3,000 | (17,000) | |
| Miscellaneous | - | - | - | |
| Total Funding (A) | \$ 53,735,382 | \$ 67,371,264 | \$ 13,635,882 | 25.4% |
| Total Personnel Expenses | \$ 34,059,654 | \$ 35,803,312 | \$ 1,743,658 | 5.1% |
| Total Meeting Expenses | \$ 3,789,525 | \$ 3,566,146 | \$ (223,379) | -5.9% |
| Total Operating Expenses | \$ 17,612,133 | \$ 25,863,357 | \$ 8,251,224 | 46.8% |
| Other Non-Operating Expenses | \$ 144,000 | \$ 131,000 | \$ (13,000) | -9.0% |
| Total Expenses (B) | \$ 55,605,313 | \$ 65,363,815 | \$ 9,758,502 | 17.5% |
| Fixed Assets | | | | |
| Depreciation | \$ (2,333,006) | \$ (2,333,006) | \$ - | |
| Computer & Software CapEx | 2,904,790 | 3,253,500 | 348,710 | |
| Equipment CapEx | 213,000 | 365,000 | 152,000 | |
| Inc(Dec) in Fixed Assets (C) | 784,784 | 1,285,494 | 500,710 | |
| TOTAL BUDGET (=B + C) | \$ 56,390,096 | \$ 66,649,309 | \$ 10,259,212 | 18.2% |
| FTEs | 189.5 | 192.3 | 2.8 | 1.5% |

NERC, Regional Entity and WIRAB Final Recommended Budgets

Total Budget

| Entity | 2015 Budget | % of Total ERO Budget | 2014 Budget | % of Total ERO Budget | Change 2015 v 2014 | % Change |
|--------|--------------------|--------------------------|--------------------|--------------------------|-----------------------|-------------|
| NERC | 66,649,309 | 36.1% | 56,390,097 | 32.8% | 10,259,212 | 18.2% |
| FRCC | 7,162,233 | 3.9% | 6,794,932 | 4.0% | 367,301 | 5.4% |
| MRO | 10,328,687 | 5.6% | 9,744,799 | 5.7% | 583,888 | 6.0% |
| NPCC | 14,778,540 | 8.0% | 14,129,006 | 8.2% | 649,534 | 4.6% |
| RF | 18,756,763 | 10.2% | 18,063,200 | 10.5% | 693,563 | 3.8% |
| SERC | 15,995,840 | 8.7% | 16,877,288 | 9.8% | (881,448) | -5.2% |
| SPP RE | 11,808,109 | 6.4% | 11,823,629 | 6.9% | (15,520) | -0.1% |
| TRE | 11,983,702 | 6.5% | 11,771,248 | 6.8% | 212,454 | 1.8% |
| WECC | 26,300,035 | 14.2% | 25,638,085 | 14.9% | 661,950 | 2.6% |
| WIRAB | 1,013,581 | 0.5% | 703,700 | 0.4% | 309,881 | 44.0% |
| | 184,776,799 | 100.0% | 171,935,984 | 100.0% | 12,840,815 | 7.5% |

NERC, Regional Entity and WIRAB Final Average Assessments

| TOTAL ASSESSMENTS BY ENTITY | | | | | | Factors Impacting the Change in assessments | | | | | | | |
|-----------------------------|-------------------|-------------------|------------------|--------------|------------------------------|---|-------------------------------------|-------------|-------------------|-------------------------|---------------|-------------|--|
| | 2014 | 2015 | \$ Change | Change | <u>Dec(Inc) in Penalties</u> | <u>Dec(Inc) in Release of Excess Reserves *</u> | <u>Dec(Inc) in Other Funding **</u> | | | <u>Budget Inc (Dec)</u> | | | |
| | (\$000's) | (\$000's) | (\$000's) | % | (\$000's) | % | (\$000's) | % | (\$000's) | % | (\$000's) | % | |
| NERC | \$ 51,401 | \$ 55,308 | \$ 3,907 | 7.6% | \$ (865) | -1.7% | \$ 3,377 | 6.6% | \$ (8,864) | -17.2% | 10,259 | 20.0% | |
| FRCC | 5,488 | 6,063 | 575 | 10.5% | 168 | 3.1% | 38 | 0.7% | - | 0.0% | 367 | 6.7% | |
| MRO | 8,741 | 9,426 | 685 | 7.8% | (259) | -3.0% | 359 | 4.1% | - | 0.0% | 584 | 6.7% | |
| NPCC | 13,612 | 14,069 | 457 | 3.4% | (138) | -1.0% | (55) | -0.4% | - | 0.0% | 650 | 4.8% | |
| RF | 15,160 | 18,714 | 3,554 | 23.4% | 788 | 5.2% | 2,172 | 14.3% | (100) | -0.7% | 694 | 4.6% | |
| SERC | 13,734 | 13,731 | (3) | 0.0% | 268 | 1.9% | 579 | 4.2% | 32 | 0.2% | (881) | -6.4% | |
| SPP | 9,219 | 9,681 | 462 | 5.0% | 44 | 0.5% | 433 | 4.7% | - | 0.0% | (16) | -0.2% | |
| TRE | 10,509 | 10,500 | (9) | -0.1% | (81) | -0.8% | (140) | -1.3% | (1) | 0.0% | 212 | 2.0% | |
| WECC | 15,631 | 25,032 | 9,401 | 60.1% | 2,790 | 17.8% | 2,419 | 15.5% | 3,530 | 22.6% | 662 | 4.2% | |
| WIRAB | 588 | 1,058 | 470 | 79.8% | - | | 160 | 27.2% | 0 | 0.0% | 310 | 52.7% | |
| | \$ 144,085 | \$ 163,582 | \$ 19,498 | 13.5% | 2,716 | 1.9% | 9,343 | 6.5% | \$ (5,403) | -3.7% | 12,841 | 8.9% | |

* For NERC, this includes proceeds from capital financing activities and the increase in the reserve balance required for specialty risk insurance related to CRISP.

** For NERC, includes third-party funding for CRISP. For WECC, primarily due to the loss of grant funding.

Dollar and Percentage Increase (Decrease) in Final Average Assessments by Region 2015 v 2014

| REGION | CHANGE IN TOTAL ERO ASSESSMENTS BY REGION | | | | | CHANGE IN REGIONAL ENTITY & WIRAB ASSESSMENTS | CHANGE IN NERC ASSESSMENTS |
|-----------------|---|-------|-------------------|------------------|----------------|--|----------------------------------|
| | TOTAL | | US | Canada | Mexico | TOTAL | TOTAL |
| | \$ | % | \$ | \$ | \$ | \$ | \$ |
| FRCC | 760,804 | 9.4% | 760,804 | - | - | 574,781 | 186,023 |
| MRO | 984,532 | 8.1% | 740,845 | 243,687 | - | 684,575 | 299,957 |
| NPCC | 1,099,524 | 5.5% | 571,598 | 527,926 | - | 456,997 | 642,527 |
| RF | 4,365,897 | 16.9% | 4,365,897 | - | - | 3,554,113 | 811,784 |
| SERC | 697,356 | 2.7% | 697,356 | - | - | (3,465) | 700,821 |
| SPP RE | 624,262 | 5.3% | 624,262 | - | - | 461,525 | 162,737 |
| TRE | 352,493 | 2.5% | 352,493 | - | - | (8,862) | 361,355 |
| WECC | 10,612,822 | 40.5% | 9,482,568 | 1,023,267 | 106,988 | 9,871,033 | 741,789 |
| Total | 19,497,690 | | 17,595,822 | 1,794,881 | 106,988 | 15,590,697 | 3,906,993 |
| % Change | 13.5% | | 13.5% | 13.8% | 26.3% | 16.8% | 7.6% |

- Personnel Cost Assumptions-similar to 2015
- Meeting and Operating Expenses- known increases
- Contractors and Consultants
 - known or projected increases under existing multi-year contracts
 - projected information technology plan and budget
- Capital spending and financing costs based on IT budget forecast
- Assumes no increase CRISP costs or assessment funding and continued significant participant funding support

| Entity | Total Budget | | | | | | |
|---------------|--------------------|--------------------|-----------------------|-------------|--------------------|-----------------------|-------------|
| | 2015 | 2016 | Change 2016 v 2015 | % Change | 2017 | Change 2017 v 2016 | % Change |
| NERC | 66,649,309 | 67,860,658 | 1,211,349 | 1.8% | 69,031,445 | 1,170,787 | 1.7% |
| FRCC | 7,162,233 | 7,385,065 | 222,832 | 3.1% | 7,620,418 | 235,353 | 3.2% |
| MRO | 10,328,687 | 10,639,439 | 310,752 | 3.0% | 10,983,693 | 344,254 | 3.2% |
| NPCC | 14,778,540 | 14,978,804 | 200,264 | 1.4% | 15,320,790 | 341,986 | 2.3% |
| RF | 18,756,763 | 19,418,155 | 661,392 | 3.5% | 20,094,738 | 676,583 | 3.5% |
| SERC | 15,995,840 | 15,681,413 | (314,427) | -2.0% | 15,938,567 | 257,154 | 1.6% |
| SPP RE | 11,808,109 | 12,162,353 | 354,244 | 3.0% | 12,527,225 | 364,872 | 3.0% |
| TRE | 11,983,702 | 12,463,049 | 479,347 | 4.0% | 12,961,572 | 498,523 | 4.0% |
| WECC | 26,300,035 | 26,834,163 | 534,128 | 2.0% | 27,448,158 | 613,995 | 2.3% |
| WIRAB | 1,013,581 | 1,435,037 | 421,456 | 41.6% | 1,484,300 | 49,263 | 3.4% |
| | 184,776,799 | 188,858,136 | 4,081,337 | 2.2% | 193,410,906 | 4,552,770 | 2.4% |