

NERC, Regional Entities' and WIRAB 2016 Business Plans and Budgets

Action

Review and recommend Board of Trustees approval of NERC, the Regional Entities' and WIRAB's 2016 Business Plans and Budgets and associated assessments

Final Draft of NERC's 2016 Business Plan and Budget

There were no material changes to the 2016 business plan and budget since Draft 2, previously posted on July 15, 2015 and discussed at the FAC meeting on July 22, 2015. The executive summary of the company's business plan and budget and accompanying presentation materials provide an overview of NERC's major activities and associated resource requirements during 2016. NERC's total 2016 funding requirement is approximately \$67.2M, an increase of approximately \$537K (0.8%) over 2015. Assessment funding for 2016 is approximately \$57.1M, an increase of approximately \$1.8M (3.2%) over 2015. NERC assessments and total budget amounts typically do not track together in any year due to several factors. For 2016, various items impacted assessments differently than overall budgeted costs (additional reserve funding, anticipated debt funding of ERO projects, reductions in CRISP funding, and changes in penalty funds usage).

Comments were received from the Canadian Electricity Association, IESO and EEI on draft 1 of the NERC 2016 business plan and budget. These comments, as well as NERC's response, were posted on NERC's website in connection with the posting of draft 2 of NERC's 2016 business plan and budget. No additional written comments were received in response to the company's July 16, 2015 business plan and budget posting.

Detailed information summarizing NERC's final proposed 2016 budget and assessments is included as attachments to this agenda item.

Final and Approved 2016 Business Plans and Budgets - Regional Entities and WIRAB

NERC and Regional Entity management worked collaboratively in the development of their respective business plans and budgets, including the development of common strategic plan and assumptions, as well as collaboration in the review of the Regional Entity draft and final business plans and budgets. Management's review of the Regional Entities' 2016 business plans and budgets focused on the following areas:

1. An assessment of the adequacy of the resources and activities to perform delegated functions
2. The alignment of the Regional Entity's goals, objectives and major activities to the ERO Strategic Plan
3. The quality and completeness of the financial information presented, including:
 - a. Conformance with FERC budget reporting requirements

- b. Separation of statutory and non-statutory activities
 - c. Supporting detail for projections
 - d. Working capital and operating reserve budgets, projections, policies and controls
4. Description of any efforts to improve efficiency and control costs

On July 31, 2015 Avista Corporation, Idaho Power Company and Portland General Electric Company provided NERC with comments on WECC's 2016 business plan and budget. These comments have been posted on NERC's website, together with WECC's response. These comments requested that WECC's budget should ensure that only activities eligible for statutory funding under Section 215 are included in WECC's statutory programs and that WECC should include more detail in its budget to justify requested funding. WECC has responded to such comments, and NERC is in general comfortable with WECC's responses. In particular, NERC believes that those functions for which WECC is seeking Section 215 funding are in fact activities that are consistent with NERC's Section 215 criteria and prior FERC orders relating to those activities of the ERO Enterprise for which Section 215 funding is appropriate. Comments received from other entities on WECC's 2016 Budget are posted on the WECC website. The Independent Electricity System Operator (IESO), Hydro-Quebec TransEnergie (HQT) and the Regie de l'energie submitted comments on NPCC's draft business plan and budget and NPCC responded to these comments. The other Regional Entities reported that they did not receive any written comments from third parties.

Based on its review, management is satisfied (1) that the proposed resources contained in each Regional Entity business plan and budget are adequate to perform their delegated functions in 2016, (2) the Regional Entity 2016 goals, objectives and activities are sufficiently aligned with the ERO Strategic Plan, and (3) with the quality and completeness of the financial information presented. NERC and the Regional Entities will continue to collaborate on ways to further improve the business planning and budgeting process, as well as the efficiency and effectiveness of their individual and collective operations.

Management's review of WIRAB's proposed 2016 business plan and budget focused on the scope of WIRAB's proposed activities and the explanation of its proposed budget increase of approximately \$357k. This increase is primarily due to the need to provide continued funding for activities which received federal grant funding in 2015, as well as for other emerging reliability focused activities set forth in WIRAB's business plan and budget. Management was satisfied with WIRAB's explanation of the need for additional funding, as well as the format of, and supporting information contained in, its 2016 business plan and budget.

Each regional entity budget (including WIRAB) was included in the FAC package for the July 22, 2015 webinar and is posted on NERC's website. Aside from very minor wording adjustments, they have remained materially the same as the previous versions submitted to the FAC.

2016 Assessment Schedule

The assessment schedule for all entities, including both NERC and RE assessments, is included with this FAC package and will be posted on NERC's website with the other documents related to the final business plan and budget.

Requested Committee Action

Management requests that the committee recommend Board of Trustees approval of the final NERC, Regional Entities' and WIRAB 2016 business plans and budgets and associated assessments.