

# NERC 2017 Business Plan and Budget Final Draft

Finance and Audit Committee Meeting  
August 10, 2016

**RELIABILITY | ACCOUNTABILITY**



- Activities supporting
  - Goals and objectives in the Strategic Plan
  - RISC Priorities
  - Standing Committees
- Increasing NERC's analytical capabilities
- E-ISAC operations
- Enterprise Risk Management
- Highly skilled workforce
- Resource allocation and efficiency of operations

- Personnel costs and assumptions
  - Updated personnel allocations and costs based on latest projections
  - FTEs are slightly lower than Draft 1
  - Minor changes in other personnel categories
- Updated budget to reflect funding of further improvements to E-ISAC portal
- Other costs remain close to Draft 1, with minor adjustments

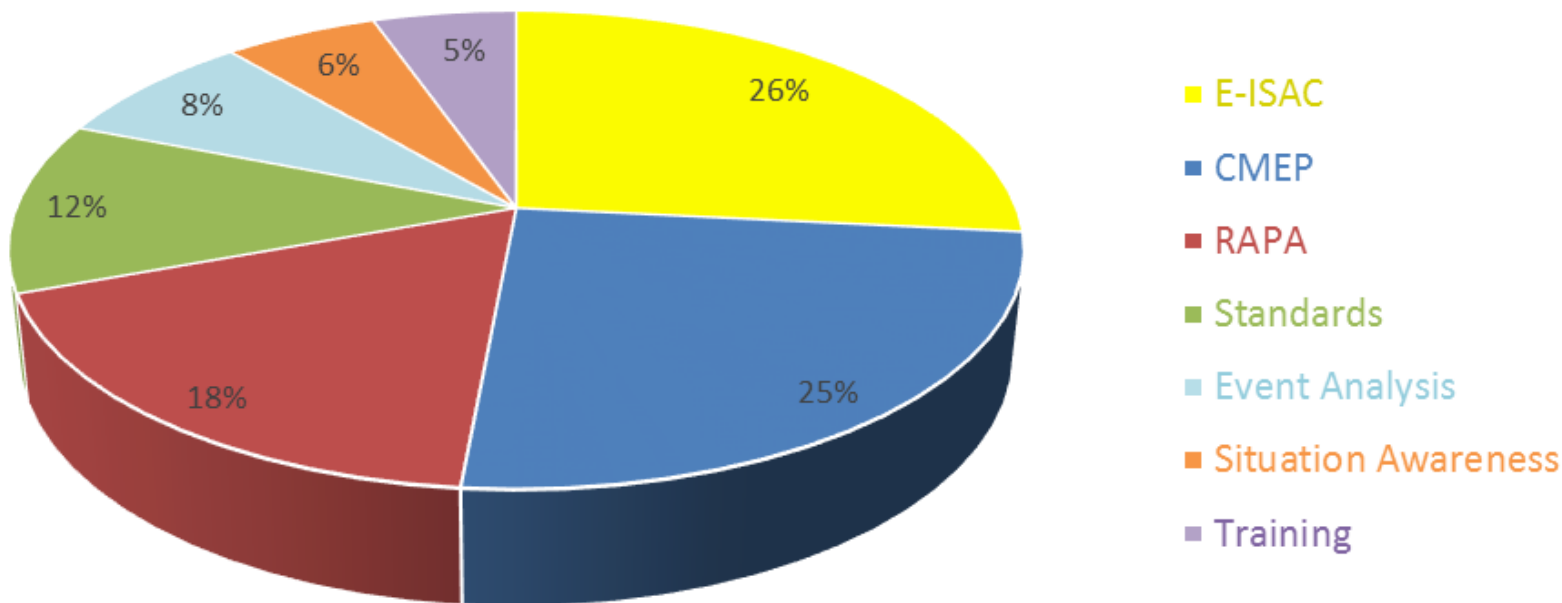
- Total NERC before additional E-ISAC portal investment
  - Budget increase unchanged at 2.5%
  - Assessment increase unchanged at 4.5%
- Total NERC with additional E-ISAC portal investment
  - Adds another 1.1% to total budget increase
    - 3.6% overall, 3.5% without CRISP
  - Adds another 0.4% to total assessment increase
    - 4.9% overall, 4.7% without CRISP
    - Includes release of \$1.1M in Assessment Stabilization Reserves
- CRISP
  - Finalizing budget with Battelle and participants
  - Anticipate minimal changes between 2016 and 2017

# 2017 Budget – Final Draft Summary

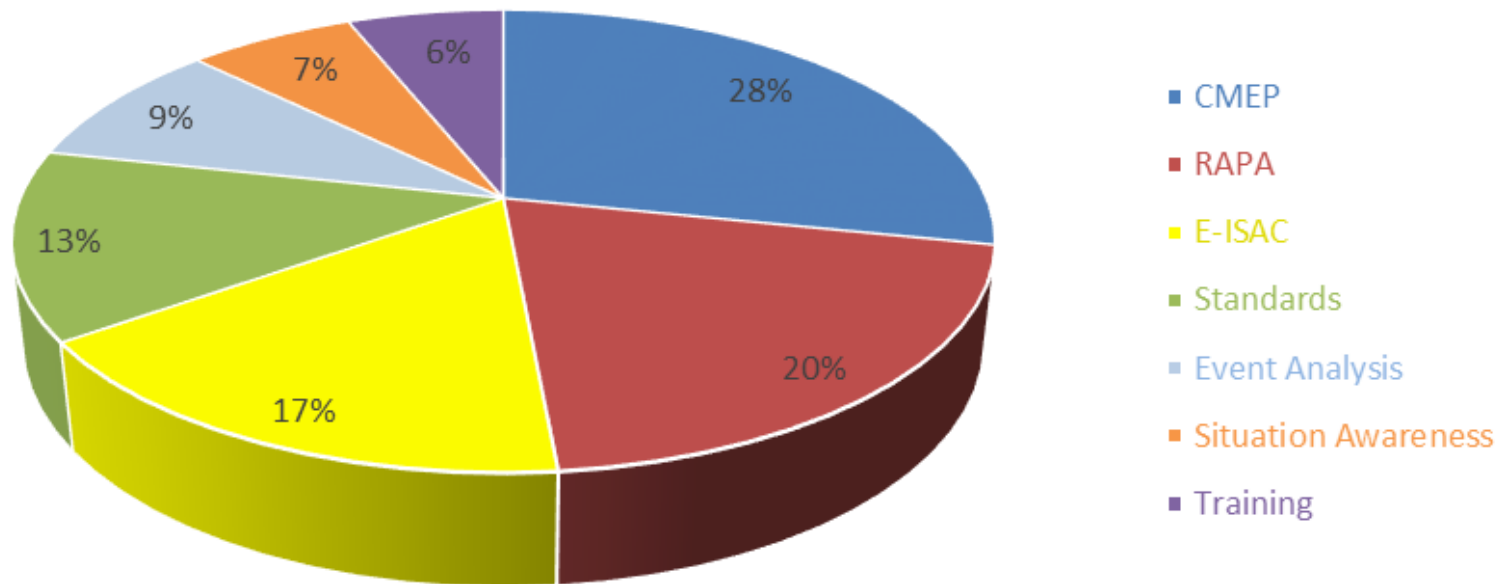
	2016 Budget	2017 Budget	Variance \$ Over(Under)	Variance % Over(Under)
<b>Expenses</b>				
Personnel Expenses	\$ 37,283,807	\$ 38,641,331	\$ 1,357,525	3.6%
Meeting Expenses	3,620,286	3,372,886	(247,400)	-6.8%
Operating Expenses	24,903,515	24,800,690	(102,825)	-0.4%
Other Non-Operating Expenses	110,000	106,725	(3,275)	-3.0%
<b>Total Expenses</b>	<b>\$ 65,917,608</b>	<b>\$ 66,921,632</b>	<b>\$ 1,004,024</b>	<b>1.5%</b>
<b>Inc(Dec) in Fixed Assets</b>	1,269,057	2,680,543	1,411,486	111.2%
<b>TOTAL BUDGET</b>	<b>\$ 67,186,665</b>	<b>\$ 69,602,175</b>	<b>\$ 2,415,510</b>	<b>3.6%</b>
<b>FTEs</b>	<b>192.47</b>	<b>189.88</b>	<b>(2.58)</b>	<b>-1.3%</b>

- Personnel expenses include salaries, at-risk incentive compensation, benefits, temporary staffing, and training. In addition to those categories, overall personnel expense is increasing in part due to lower attrition and stabilizing workforce.
- Change in fixed assets, excluding depreciation and allocations, is an increase of \$461,000.

## NERC 2017 Budget By Program Area

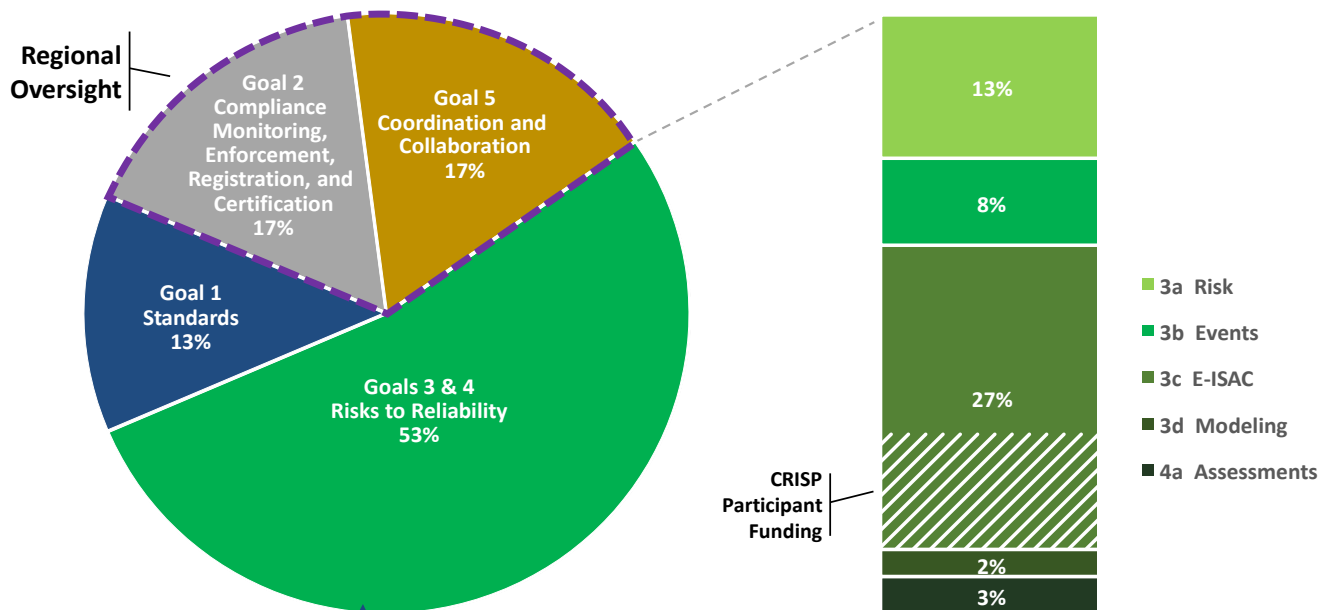


NERC 2017 Budget By Program Area  
without CRISP



*Note: CRISP is funded largely by third-parties. This chart reflects the distribution of resources funded primarily by assessments.*

## NERC Resource Allocation to Strategic Goal Areas



### Highest Priority Risks

- Changing Resource Mix
- Inadequate Planning Coordination
- Ineffective Resource Planning
- Cyber Security



- Multi-year strategy to better align budget increases, assessment requirements, and billed assessments
- Phased release of Assessment Stabilization Reserves\*
  - 2017 assessment increase at 4.9%
  - 2018 assessment increase +/- 3.8%
  - 2019 assessment increase +/- 3.1%
  - 2020 and beyond +/- 3.0% declining toward 2.7%
- Actual budget increases and use of reserves determined annually

\* Assumed 2.5% budget increase for modeling purposes

- ASR projected at \$1,671,000 for year-end 2017
  - Balance at beginning of 2016 = \$2,271,000
  - Received \$500k penalty in May 2016
    - Restricted in 2016, unrestricted and available for ASR in 2017\*
  - Balance at beginning of 2017 = \$2,771,000
  - Releasing \$1,100,000 from ASR in 2017 to offset assessments\*
  - Balance at end of 2017 = \$1,671,000
  - Expect \$500k penalty in May 2017, restricted in 2017, unrestricted in 2018 and available for ASR subject to requisite approvals

\* *In conjunction with the 2017 budget approval, management recommends the deposit of \$500k into the ASR on 1/1/17 and the release of \$1,100,000 from the ASR to offset 2017 assessment.*

- Future Obligation Reserves - \$2.6M
- Operating Contingency Reserve - \$2.2M
  - Conservative projection, generally target \$2M
- System Operator Certification Reserve - \$714k
- CRISP Reserve - \$500k
  - Funded by participants, subject to final budget negotiation

- Total NERC Assessment Increase – 4.9%
  - U.S. Increase – 4.9%
  - Canada Increase – 4.2%
  - Mexico Increase – 10.8%
    - Primarily resulting from an increase in NEL

# Total Canadian Assessments

**FINAL**

	% Change - 2017 v 2016			\$ Change - 2017 v 2016		
	Total Assessment	RE Assessment	NERC Assessment	Total Assessment	RE Assessment	NERC Assessment
AESO	-5.1%	-10.2%	5.9%	\$ (82,120)	\$ (112,454)	\$ 30,334
IESO	1.2%	-0.1%	3.3%	37,474	(1,498)	38,972
New Brunswick	0.6%	-2.0%	7.3%	2,567	(5,939)	8,506
Quebec	0.5%	-0.5%	2.1%	23,122	(14,650)	37,772
Nova Scotia	-0.1%	-3.1%	5.0%	(304)	(7,528)	7,224
Manitoba Hydro	-3.1%	-4.6%	1.2%	(38,907)	(42,827)	3,920
SaskPower	1.5%	-0.1%	6.0%	18,128	(590)	18,718
British Columbia Hydro	3.0%	0.6%	9.1%	82,930	11,203	71,728
<b>Total Canada</b>	<b>0.3%</b>	<b>-1.7%</b>	<b>4.2%</b>	<b>\$ 42,891</b>	<b>\$ (174,282)</b>	<b>\$ 217,173</b>

- NERC's assessment increasing more than Regions for a variety of reasons
- Broader responsibilities
  - E-ISAC
  - ERO Enterprise application development and maintenance
  - Broader analytical needs and capabilities
- Personnel costs represent majority of costs
  - Larger workforce
  - Even stable workforce yields upward pressure on budget



# Questions and Answers