

July 17, 2017

Re: Updated Draft of the 2018 Business Plans and Budgets for NERC
Final 2018 Business Plans and Budgets for each Regional Entity
Final 2018 Business Plan and Budget for WIRAB

On May 19, 2017, NERC posted the first drafts of the 2018 Business Plans and Budgets (BP&B) for NERC, the Regional Entities, and WIRAB. A webinar was conducted on May 25, 2017 to review these budgets and written comments were requested by June 30, 2017. NERC received comments from seven companies and individuals, and these comments are posted on NERC's website. NERC has also posted a management response to these comments.

The primary change from NERC's first draft is the incorporation of additional costs and funding related to the long-term strategy of the E-ISAC. The strategy was discussed during the May 2017 Board meetings and details were provided in Exhibit F of the NERC BP&B. The Exhibit showed the projected cost impacts of this strategy over the next five years, including the proposed addition of \$1.8M in costs for 2018. NERC received positive feedback both formally through a Members Executive Committee resolution (posted with the aforementioned comments) and informally from industry stakeholders. Therefore, NERC has included the costs related to this long-term strategy in the next draft of the BP&B. The 2018 impact of this strategy implementation is an increase in NERC budgeted costs for 2018 of \$1.8M, bringing the overall NERC budget increase to 5.1% (from 2.5% in the first draft). Future resource additions to further support this strategy will be subject to customary corporate and budgetary authorizations and procedures.

NERC assessments will also increase from the first draft as a result of this E-ISAC strategy. In order to mitigate the impact on U.S. assessments, management is recommending the release of funds from the Assessment Stabilization Reserve. Before considering the release of reserves, the average assessments are expected to increase by 6.1% over the 2017 assessments. However, management is recommending the release of approximately \$600,000 in reserves to reduce this percentage increase to 5.1%. Of course, assessments will differ by region and will be impacted by certain credits related to compliance and enforcement activities in Canada.¹

Details on NERC's budget and assessments, including the current estimates across each country, are included in the final draft of NERC's 2018 Business Plan and Budget. Other minor updates to costs, assessments, and

¹ These calculations are pursuant to NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs.

accompanying language have been included as well. An overview presentation is also including in this posting, which summarizes the latest budget and assessment information. NERC has also posted the Business Plans and Budgets for each of the eight regional entities and WIRAB, along with an overview presentation for each entity.

Please join us for a webinar hosted by the Finance and Audit Committee of NERC's Board of Trustees this Thursday, July 20, 2017 where we will provide an overview of these drafts. As always, we welcome and appreciate your feedback. Written comments are requested by July 27, 2017, and should be directed to the attention of Meg Leonard at meg.leonard@nerc.net.

Sincerely,

Scott Jones

Vice President of Finance