

August 2, 2017

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

On August 10, NERC's Board of Trustees will consider for approval the final NERC, Regional Entity, and WIRAB business plans and budgets. NERC management has compiled the NERC 2018 business plan and budget, and has reviewed the business plans and budgets for each Regional Entity and for WIRAB. NERC management will be recommending their approval.

#### **Final Draft of NERC's 2018 Business Plan and Budget**

There were no material changes to the 2018 Business Plan and Budget since Draft 2 (posted on July 17). The executive summary of the company's business plan and budget, and the accompanying presentation materials, provide an overview of NERC's major activities and resource requirements during 2018. NERC's final draft budget for 2018 represents a total cost increase of 5.1 percent over the 2017 approved budget. NERC's assessments included in the final draft for 2018 are 5.1 percent higher than the total assessments in the 2017 approved budget. The 2018 assessments reflect an assumed release of \$600,000 from the Assessment Stabilization Reserve to reduce the amount of U.S. assessments.

Various comments were received after the first draft was posted. Those comments, along with NERC's response, are posted on NERC's website. Additionally, those comments and responses were discussed at the July 21 Finance and Audit Committee (FAC) meeting and webinar. No additional comments were received after the second draft was posted.

#### **Final and Approved 2018 Business Plans and Budgets – Regional Entities and WIRAB**

All Regional Entity and WIRAB budgets have been posted for public input and approved by each Board. NERC and Regional Entity management worked collaboratively in the development of each business plan and budget, including the development of a common strategic plan and budget assumptions. NERC management reviewed each of these budgets and focused on the following areas:

- Adequacy of resources and activities to perform delegated functions
- Alignment of goals, objectives and major activities to the ERO Strategic Plan
- Description of efforts to improve efficiency and control costs
- Quality and completeness of the financial information presented, including:
  - Conformance with FERC budget reporting requirements
  - Separation of statutory and non-statutory activities
  - Supporting detail for projections
  - Working capital and operating reserve budgets, projections, policies and controls

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The review process yielded various opportunities for NERC and Regional Entities to work collaboratively on certain areas and ensure continued alignment of activities and resources. But no issues were noted that would prohibit NERC management from recommending the approval of each entity's budget.

As you know, the Southwest Power Pool, Inc (SPP Inc.) issued a press release on July 25, 2017 announcing the planned dissolution of the SPP regional entity. This process will require various steps including approvals from NERC and FERC and the transition of all registered entities from SPP regional entity oversight to another regional entity. NERC is working closely with SPP regional entity personnel on all aspects of this transition, including the financial and budgetary impacts. For now, we intend to move forward with the 2018 budget approval and assessment process, and the issuance of assessment billings to those registered entities in the SPP regional entity footprint. It is possible, depending on the timing of the remaining steps in this process, that we may need to submit an updated assessment schedule during 2018 that allows for an adjustment and true-up of assessment billings. We will provide updates on this process as we move forward.

**2018 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.

Sincerely,

*Scott Jones*

Vice President of Finance  
Treasurer