

NERC 2018 Business Plan and Budget Draft 1 Overview

NERC Finance and Audit Committee Conference Call
May 25, 2017

RELIABILITY | ACCOUNTABILITY



- Budget and strategy alignment
- Analytical capabilities
- Standards review and cost effectiveness
- E-ISAC operations
- Employee development and training
- Resource allocation and efficiency of operations
- CMEP technology program
- Areas of upward pressure:
 - E-ISAC strategy
 - Geomagnetic Disturbance (GMD) analysis

NERC overall budget increase at 2.5%
for expenses and capital expenditures

EXPENSES and FIXED ASSETS (CAPITAL)	2017	2018	Change	
			\$	%
CMEP	\$ 17,305,535	\$ 20,469,789	\$ 3,164,254	18.3%
RRM	14,387,923	13,948,999	(438,924)	-3.1%
Standards	8,100,282	7,417,626	(682,656)	-8.4%
RASA	7,535,594	7,433,777	(101,817)	-1.4%
Training, Ed, and Op Cert	3,757,501	3,109,974	(647,526)	-17.2%
Programs (excluding E-ISAC)	\$ 51,086,835	\$ 52,380,166	\$ 1,293,331	2.5%
E-ISAC (without CRISP)	\$ 10,222,900	\$ 10,636,565	\$ 413,665	4.0%
CRISP - assessment funded	1,301,923	1,209,337	(92,586)	-7.1%
CRISP - participant funded	6,990,517	7,150,931	160,414	2.3%
E-ISAC	\$ 18,515,341	\$ 18,996,833	\$ 481,492	2.6%
TOTAL EXPENSES and FIXED ASSETS (CAPITAL)	\$ 69,602,175	\$ 71,376,999	\$ 1,774,823	2.5%

* Costs reflect the allocation of overheads.

NERC overall assessment increase at 3.3%
for expenses and capital expenditures

FUNDING	2017	2018	Change	
			\$	%
Assessments				
Program Areas	\$ 58,580,633	\$ 60,594,874	\$ 2,014,241	3.4%
CRISP	1,275,681	1,209,337	(66,344)	-5.2%
Total assessments	\$ 59,856,314	\$ 61,804,211	\$ 1,947,897	3.3%
Assessment Stabilization Releases	\$ 1,100,000	\$ -	\$ (1,100,000)	-100.0%
CRISP Member Funding	6,990,517	7,150,931	160,414	2.3%
Other revenues	2,204,830	2,090,000	(114,830)	-5.2%
Other funding	\$ 10,295,347	\$ 9,240,931	\$ (1,054,416)	-10.2%
TOTAL FUNDING	\$ 70,151,660	\$ 71,045,141	\$ 893,481	1.3%

Personnel Costs*

- 3.3% increase in overall personnel costs
- 3.0% salary adjustment (merit and market), based on market feedback
- Without considering E-ISAC, total FTE budget is stable
- 5.0% increase in medical/dental premiums
- Other retirement benefits consistent with prior years

Meeting Expenses

- 0.7% increase overall related to conferencing expenses, adjusting WebEx expenses based on historical usage

* Personnel costs include salaries, benefits, retirement, training/education, and temporary staffing.

Operating Costs increased 4.2%

- Contracts and Consultants increased mainly in E-ISAC
- Office Costs increased due to A/V lease costs, offset by reductions in capital expenditures

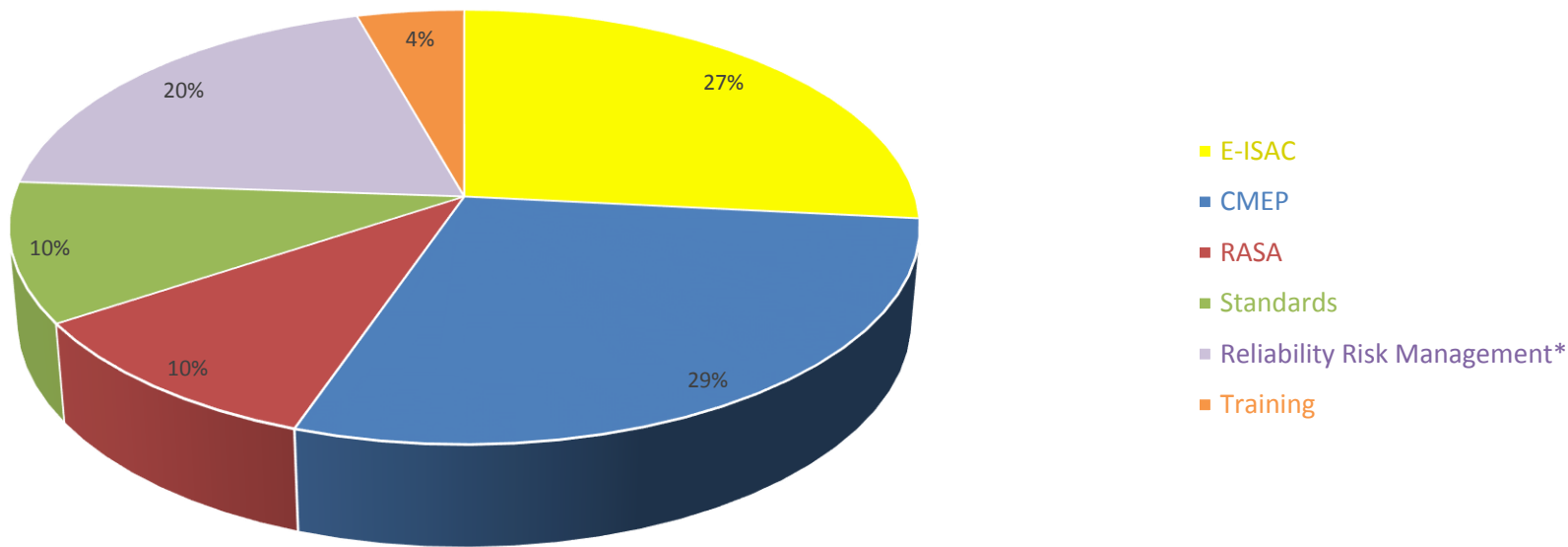
Capital Expenditures decreased 22.3%

- Reductions in A/V purchases and software development costs; offset by increases in CMEP and Entity Registration development spending

NERC Resource Allocation to Strategic Goal Areas



NERC 2018 Budget By Program Area



*Includes Performance Analysis, Event Analysis and Situation Awareness

Before Considering Assessment Stabilization Reserve

- 3.3% average assessment increase for NERC*
- Potential for use of stabilization reserves
- Any use would apply to U.S. assessments only

Assessment Stabilization Reserve

- Balance at beginning of 2017 = \$2,771,000
- Will add \$500,000 during 2017 under existing settlement agreement
- Will use \$1,100,000 during 2017 to offset billings
- Available funds for 2018 use = \$2,171,000

* *Average across US, Canada, and Mexico LSE's.*

- Future Obligation Reserve ~\$2.0M
- Operating Contingency Reserve ~\$2.0M
- System Operator Certification Reserve ~\$1.0M
- CRISP Reserve - \$500k
- Assessment Stabilization Reserve – to be determined
 - 2017 beginning balance was \$2,771,000
 - 2018 beginning balance projected to be \$2,171,000
 - Release of funds would impact U.S assessments only

- 2018 spend projected to be \$2.1M
 - Retained experienced consultant to assist in defining requirements, evaluating technology needs, and selecting vendors and partners
 - Projects have been endorsed by NERC and the Regional Entity executive management team
 - The proposed 2018 budget includes \$1.5M for CMEP technology program and \$600k for entity registration tool
 - Business case is complete for Entity Registration, efforts underway to finalize business plan and evaluate project benefits for CMEP tool
 - Discussions with NERC Board and relevant Committees are ongoing, with final approval expected in November 2018

- 2018 spend projected to be \$1.5M
 - FERC Order requested NERC to submit a study plan for GMD
 - Ongoing discussions with EPRI on analytical work spanning multiple years
 - Additional technology needs (~\$250k) for database management
 - Plan to submit filing on R&D plan, while requesting time to finalize the project structure and funding options

- Three new analyst positions already planned for 2017, reflected in 2018 base budget
- NERC Board and ESCC Members Executive Committee recently approved E-ISAC strategic plan, subject to review and feedback on resource requirements and budget
- Strategic plan will require additional personnel and technology investments
- Resources will improve threat analysis, information sharing, and industry engagement
- Detailed proposal included as addendum in May 19th BP&B posting
- June 14th review with MEC

E-ISAC 2018 Budget and Assessment Impact

	2017	2018	Change	
			\$	%
NERC Budget (current base case)	\$ 69,602,175	\$ 71,376,999	\$ 1,774,824	2.5%
2018 E-ISAC strategic additions	-	1,805,000	-	-
NERC Budget - adjusted	\$ 69,602,175	\$ 73,181,999	\$ 3,579,824	5.1%
NERC Assessments (current base case)	\$ 59,856,314	\$ 61,804,211	\$ 1,947,897	3.3%
2018 E-ISAC strategic additions	-	1,715,000	-	-
NERC Assessments - adjusted	\$ 59,856,314	\$ 63,519,211	\$ 3,662,897	6.1%

- June 30 – Comments due on NERC 1st draft
- July 13 – Closed FAC call to review proposed final draft budget and assessments
- July 17 – Post final draft NERC and Regional Entity BP&Bs and assessments to FAC
- July 20 – FAC webinar for review of final NERC and Regional Entity BP&Bs
- July 27 – Comments due on NERC final draft
- August 9 – FAC meeting to recommend approval of final NERC and Regional Entity BP&Bs and assessments
- August 10 – Board of Trustees meeting to approve final NERC and Regional Entity BP&Bs and assessments
- August 24 – Submit NERC and Regional Entity BP&Bs and assessments to FERC for approval, with subsequent filings with Canadian authorities



Questions and Answers