



NPCC 2022 Business Plan and Budget Overview Draft #1

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2022 Draft #1 Budget and Assessment Overview

- NPCC Total budget increase of 5.6% (\$972k) and assessments increase of 4.6% (\$723k)
- Regional Entity Statutory budget increase of 6.2% (\$1.03M) and assessments increase of 5.0% (\$758k)
 - Penalties of \$201k applied to reduce assessments
 - Reserves of \$1.3M applied to reduce assessments
- Criteria Services Non-Statutory budget decrease of 5.2% (\$52k) and assessments decrease of 5.2% (\$35k)
- Headcount
 - Increased by 7.75 FTEs for a total of 52 FTEs (Regional Entity Division 49.90, Criteria Services Division 2.10)



Budget Development Process

- February 18 – NPCC FAC reviewed preliminary budget scenarios
- March 9 – NPCC FAC reviewed preliminary draft budget
- April 20 – NPCC FAC reviewed and endorsed Draft #1
- May 5 – Draft #1 presented to NPCC BOD, submitted to NERC and posted to NPCC website for comment through May 27
- May 26 – Draft #1 presented at NPCC RCC meeting
- May 26 – Meeting with FERC, NERC & RE's to review Draft #1's
- June 1 – FAC meeting to review comments received (if needed)
- June 2 – NPCC BOD meeting – provide update on any comments received
- June 3 – NERC FAC reviews REs & NERC Draft #1's
- June 15 – NPCC FAC reviews Draft for Approval
- June 23 – NPCC BOD reviews Draft for Approval



2022 Budget Drivers

- Improve NPCC's cybersecurity posture and address continuously increasing threats
- Replace compliance contract auditors with in-house compliance employees
- Develop data analytics and visualization tools to support the NERC ERO Analytical Community of Excellence initiative and to support the Reliability and Security Technical Committee's Energy Reliability Assessment Task Force on behalf of NPCC
- Decrease in meetings and travel across all program areas; some meetings expected to continue in virtual format; less compliance auditors on-site for compliance engagements as some will participate virtually; one in-person workshop and two virtual workshops in 2022 compared with two in-person in prior years

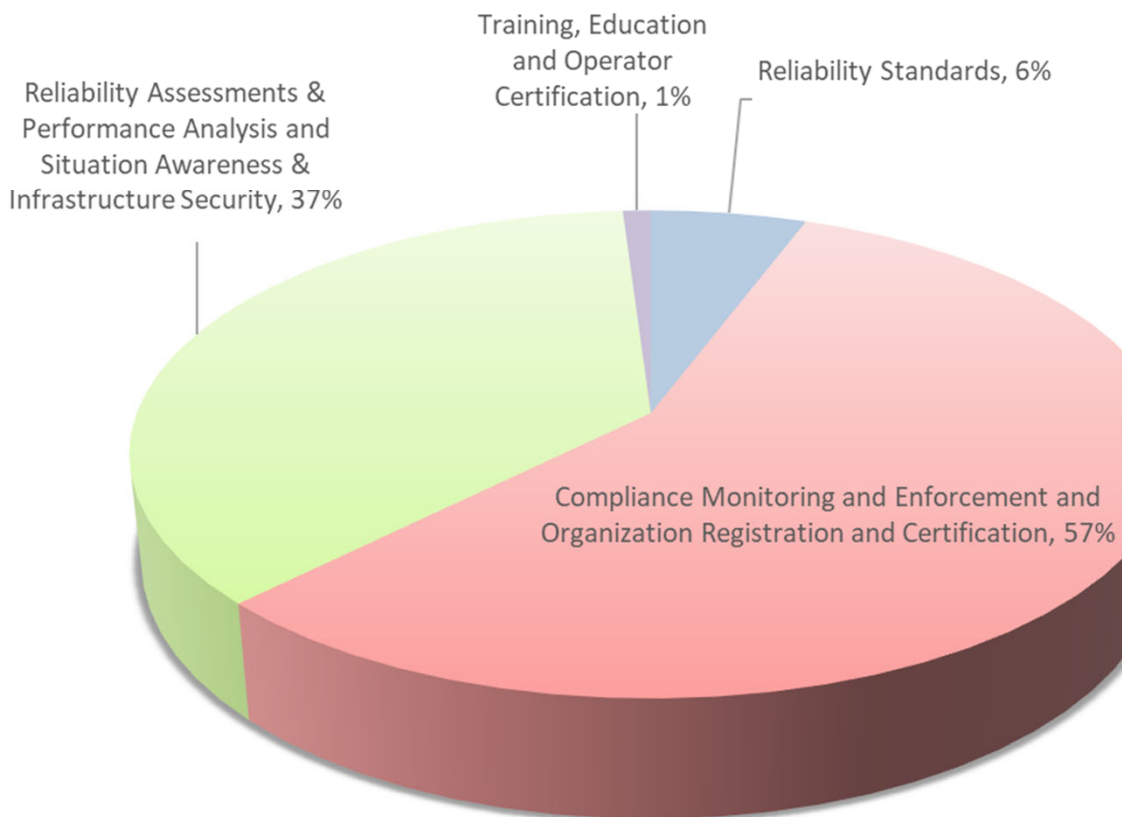


2022 Regional Entity Budget by Category

- Personnel \$12.9M (14% increase)
 - 7.79 FTE net increase driven primarily by IT security enhancements and transition to employee compliance auditors
 - 3% average merit increase
 - 4% vacancy rate
- Meetings and Travel \$736k (31% decrease)
 - 25% decrease in Meetings and Travel across all program areas
 - One in-person workshop in 2022 rather than two in prior years
 - Less compliance auditors on-site for compliance engagements; some will participate virtually
- Operating Expenses \$4.0M (6% decrease)
 - Decrease in compliance contract auditor expenses
 - Increase in IT maintenance and software licenses
- Fixed Assets \$111k (18% increase)
 - Reconfiguration of office space and equipment purchases



2022 Total Resources by Program Area Regional Entity Division





2022 Assessment Details

- NPCC total assessments increase 4.6% (\$723k)
 - Regional Entity assessment increase of 5.0% (\$758k)
 - Criteria Services assessment decrease of 5.2% (\$35k)
- Penalties of \$201k applied to reduce assessments
- Reserves of \$1.6M applied to reduce assessments
 - Regional Entity \$1.3M
 - Criteria Services \$309k
- CORC 2020 actual vs budget variance assigned directly to the CORC program to allocate CORC underage in the same manner and percentage as CORC assessments were collected in order to respect the specific compliance responsibilities and funding methodologies within each of the Canadian provinces within NPCC.



Projected Reserve Balances

- No change in Working Capital and Operating Reserve policy.
 - Operating Reserves of 8.33% (30 days) of the annual budget
 - Working Capital range between 8.33% and 25.00% (90 days) in order to provide more stability in annual funding assessments
- Assessment Stabilization Reserve (ASR) established in 2020.
 - Penalties are included in ASR balance when received.
 - Amount released from ASR to offset US assessments to be approved annually through the business plan and budget.
 - ASR balance of \$568k at 4/30/2021. Release of \$201k is included in draft 2022 budget.
- Business Continuity Reserve (BCR) in the amount of \$1M (allocated between RE and CS divisions) to be utilized 2020-2021
 - Remaining balance at year end 2021 to be released back into Working Capital
- Projected RE Total Reserve balance at year end 2021: \$5.7M
- Projected RE Total Reserve balance at year end 2022: \$4.2M



Preliminary 2023-2024 RE Projections

2023

Total budget increase of \$1.2M or 6.6%

Total assessments of \$17.0 million

+3 FTEs in compliance program area

3% average merit increase

2024

Total budget increase of \$1.3M or 6.7%

Total assessments of \$18.1 million

+3 FTEs in compliance program area

3% average merit increase



Questions and Answers