

ARENTFOX SCHIFF LLP

Owen E. MacBride
(312) 258-5680
Email: owen.macbride@afslaw.com

233 SOUTH WACKER DRIVE
SUITE 7100
CHICAGO, ILLINOIS 60606
Tel.: 312.258.5500
Fax: 312.258.5600

August 23, 2022

VIA ELECTRONIC FILING

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: North American Electric Reliability Corporation
Docket No. RR22-____-000
Request for Acceptance of 2023 Business Plans and Budgets of NERC and
Regional Entities and for Approval of Proposed Assessments to Fund Budgets**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits this filing in accordance with 18 C.F.R. §39.4, requesting acceptance of the 2023 Business Plans and Budgets of NERC, the six Regional Entities, and the Western Interconnection Regional Advisory Body, and approval of the proposed assessments to fund the 2023 budgets.

NERC's filing consists of: (1) this transmittal letter, (2) the narrative text of this filing which follows this transmittal letter, and (3) Attachments 1 through 15, all of which are being transmitted in a single pdf file. Page ii in the Table of Contents to the narrative text list the 15 attachments.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Owen E. MacBride
Owen E. MacBride

Attorney for North American Electric
Reliability Corporation

I.	INTRODUCTION	1
II.	NOTICES AND COMMUNICATIONS.....	2
III.	OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS.....	3
A.	Development of the 2023 Business Plans and Budgets.....	3
B.	NERC’s 2023 Business Plan and Budget.....	6
1.	Organization of NERC’s 2023 Business Plan and Budget.....	6
2.	Summary of NERC’s 2023 Budget and Funding Requirement.....	9
C.	Regional Entity 2023 Business Plans and Budgets – Overview.....	12
D.	Allocation of Statutory Assessments.....	13
IV.	NERC BUSINESS PLAN AND BUDGET.....	17
A.	2023 Business Plan and Budget by Program.....	17
1.	Reliability Standards and Power Risk Issue Strategic Management.....	17
2.	Compliance Assurance and Organization Registration and Certification, and Compliance Enforcement.....	17
3.	Reliability Assessments and Performance Analysis.....	18
4.	Situation Awareness.....	18
5.	Event Analysis.....	18
6.	Electricity Information Sharing and Analysis Center (E-ISAC).....	19
7.	Personnel Certification and Credential Maintenance.....	20
8.	Training and Education.....	21
9.	Administrative Programs	21
B.	Working Capital and Operating Reserves.....	22
C.	Fixed Asset Expenditures and Capital Financing.....	24
V.	REGIONAL ENTITY BUSINESS PLANS AND BUDGETS.....	25
A.	Development of the Regional Entity Business Plans and Budgets.....	25
B.	Summaries of Regional Entity Business Plans and Budgets.....	28
1.	MRO.....	28
2.	NPCC.....	29
3.	ReliabilityFirst.....	32
4.	SERC.....	32
5.	Texas RE.....	33

6.	WECC.....	34
VI.	WIRAB FUNDING REQUEST.....	37
VII.	METRICS RELATING TO NERC AND REGIONAL ENTITY BUDGETS.....	38
VIII.	CONCLUSION.....	40

ATTACHMENTS

Attachment 1: Summary tables showing NERC’s proposed 2023 budget; the proposed 2023 budget for statutory activities of each Regional Entity; and the 2023 U.S. ERO statutory assessments of NERC and the Regional Entities

Attachment 2: NERC Proposed 2023 Business Plan and Budget

Attachment 3: Midwest Reliability Organization Proposed 2023 Business Plan and Budget

Attachment 4: Northeast Power Coordinating Council, Inc. Proposed 2023 Business Plan and Budget

Attachment 5: ReliabilityFirst Corporation Proposed 2023 Business Plan and Budget

Attachment 6: SERC Reliability Corporation Proposed 2023 Business Plan and Budget

Attachment 7: Texas Reliability Entity Proposed 2023 Business Plan and Budget

Attachment 8: Western Electricity Coordinating Council Proposed 2023 Business Plan and Budget

Attachment 9: Western Interconnection Regional Advisory Body Proposed 2023 Business Plan and Budget

Attachment 10: NERC Management’s Responses to Stakeholder Comments Submitted on Posted Draft of NERC’s 2023 Business Plan and Budget

Attachment 11: Calculation of Adjustments to the 2023 AESO NERC Assessment, IESO NERC Assessment, New Brunswick NERC Assessment and Québec NERC Assessment

Attachment 12: Report to the NERC Corporate Governance and Human Resources Committee on Results and Recommendations of Trustee Compensation Study

Attachment 13: Memorandum for NERC Board of Trustees Describing NERC’s Participation in Preparation of and Review of Regional Entity 2023 Business Plans and Budgets

Attachment 14: Metrics Comparing Regional Entity Operations Based on the 2023 Budgets

Attachment 15: Metrics on NERC and Regional Entity Administrative (Indirect) Costs Based on the 2022 and 2023 Budgets

I. INTRODUCTION

In accordance with 18 C.F.R. §39.4, the North American Electric Reliability Corporation (NERC) submits for the Commission's acceptance and approval: (1) NERC's proposed Business Plan and Budget as the electric reliability organization (ERO), for the year ending December 31, 2023; (2) the proposed Business Plans and Budgets for the year ending December 31, 2023, for the six Regional Entities,¹ and for the Western Interconnection Regional Advisory Body (WIRAB) for its activities under §215(j) of the Federal Power Act (FPA) for the year ending December 31, 2023; and (3) NERC's proposed allocation of the proposed ERO statutory assessments of NERC, the Regional Entities, and WIRAB by country and among the Regional footprints, and the proposed assessments to load-serving entities (LSEs) within each Region to collect the statutory funding requirements. This filing includes the following attachments:

Attachment 1 is a set of summary tables showing (i) NERC's proposed 2023 budget by program, (ii) the proposed 2023 budget for statutory activities of each Regional Entity, and (iii) the aggregate ERO statutory assessment of NERC and the Regional Entities allocated to the U.S., for which approval is requested.

Attachment 2 contains NERC's detailed 2023 Business Plan and Budget and the allocation of assessments by Region and LSE to recover the statutory funding requirements for 2023 of NERC, the Regional Entities and WIRAB.

Attachments 3 through 9 are the detailed 2023 Business Plans and Budgets of, respectively, MRO, NPCC, ReliabilityFirst, SERC, Texas RE, WECC, and WIRAB.

Attachment 10 contains NERC management's responses to stakeholder comments submitted on the posted draft of NERC's 2023 Business Plan and Budget during the budget development process.

Attachment 11 contains calculation of the adjustments to the NERC 2023 assessments to the Alberta Electric System Operator (AESO), Ontario Independent Electric System Operator (IESO), New Brunswick, and Québec, for credits for certain NERC Compliance Monitoring and Enforcement Program costs.

¹Midwest Reliability Organization (MRO), Northeast Power Coordinating Council, Inc. (NPCC), ReliabilityFirst Corporation (ReliabilityFirst), SERC Reliability Corporation (SERC), Texas Reliability Entity (Texas RE), and Western Electricity Coordinating Council (WECC).

Attachment 12 is a Report to the NERC Corporate Governance and Human Resources Committee (CGHRC) on Results and Recommendations of Trustee Compensation Study

Attachment 13 is a memorandum prepared for the NERC Board of Trustees describing NERC's participation in preparation of and review of the Regional Entities' 2023 Business Plans and Budgets.

Attachment 14 provides metrics, based on the 2023 budgets, for Regional Entity operations.

Attachment 15 contains metrics, based on the 2022 and 2023 budgets, on NERC and Regional Entity administrative (indirect) costs.

The Commission's regulations (18 C.F.R. §39.4(b)) require the ERO to file its proposed annual budget for statutory and non-statutory activities at least 130 days prior to the start of its fiscal year. NERC's 2023 fiscal year begins January 1, 2023. The filing must contain the annual budget of each Regional Entity for statutory and non-statutory activities and the ERO's and each Regional Entity's business plan and organization chart, explanations of the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected. This information is included in this filing. In accordance with 18 C.F.R. §39.4(c), NERC requests an order by November 2, 2022, accepting the proposed Business Plans and Budgets and approving the assessments submitted in this filing, which will enable billings to be issued to LSEs or their designees for assessments, with initial payment dates on or about January 1, 2023, to support the activities of NERC, the Regional Entities, and WIRAB.

II. NOTICES AND COMMUNICATIONS

Notices and communications concerning this filing may be addressed to

Owen E. MacBride*
ArentFox Schiff LLP
233 South Wacker Drive, Suite 7100
Chicago, IL 60606
(312) 258-5680
owen.macbride@afslaw.com

Nina H. Jenkins-Johnston*
Assistant General Counsel
North American Electric Reliability Corporation
3353 Peachtree Road
Suite 600, North Tower
Atlanta, GA 30326
(404) 446-9650
nina.johnston@nerc.net

*Persons to be included on the Commission's official service list

III. OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS

A. Development of the 2023 Business Plans and Budgets

NERC prepared its 2023 Business Plan and Budget, and worked with the Regional Entities in the development of their Business Plans and Budgets, through a rigorous process that provided ample opportunity for review and input by the Finance and Audit Committee (FAC) of the NERC Board and stakeholders. Development of the 2023 Business Plans and Budgets built off of the *ERO Enterprise Long-Term Strategy*, approved by the NERC Board in December 2019, which identifies strategic focus areas for the ERO Enterprise. (“ERO Enterprise” refers to NERC and the Regional Entities.) As part of the business planning and budgeting process, NERC and the Regional Entities identify goals and activities to ensure alignment with the long-term strategy. These goals and activities are described in the NERC and Regional Entity Business Plans and Budgets.

During the Business Plan and Budget development process, successive versions of the NERC and Regional Entity Business Plans and Budgets were discussed in public meetings and conference calls of the FAC and of the full NERC Board, with opportunities for stakeholders to provide comments. NERC management also held meetings and conference calls with the NERC Member Representatives Committee (MRC) Business Plan and Budget Input Group, NERC forum groups, and various trade associations.² The following chronology highlights important steps in preparation of the NERC and Regional Entity 2023 Business Plans and Budgets.

- On November 3, 2021, a meeting of the NERC FAC included a review of the proposed schedule for development of the 2023 Business Plans and Budgets.
- On December 15-16, 2021, the ERO Finance Group, comprised of Finance representatives from NERC and each Regional Entity, met by conference call to review strategic goals and objectives for 2023 and discuss how they would be translated into the

² The MRC Business Plan and Budget Input Group is a subgroup of MRC members who are tasked with providing input specifically on the Business Plans and Budgets.

2023 Business Plans and Budgets.

- On February 24, 2022, March 24, 2022, and April 21, 2022, the ERO Finance Group met by conference call to discuss progress and status on the development of the 2023 Business Plans and Budgets.
- On March 18, 2022 and April 29, 2022, conference calls were held with the MRC Business Plan and Budget Input Group.
- On March 31, 2022, a joint stakeholder meeting with trade associations, forum groups, and the MRC Business Plan and Budget Input Group was held and included review of business plan focus areas for 2023-2025.
- On April 14, 2022, the NERC FAC met in closed session to review the initial 2023 NERC Business Plan and Budget and 2024-2025 projections.
- In late April and early May 2022, the Regional Entities provided drafts of their 2023 Business Plans and Budgets to NERC. NERC reviewed these drafts and provided feedback to the Regional Entities as needed prior to the submission of each Regional Entity's final Business Plan and Budget to its Board or other governing body.
- Beginning in April, 2022, and continuing into May, 2022, the Regional Entities posted drafts of their 2023 Business Plans and Budgets on their respective websites for various time periods for review and comment by their stakeholders, in accordance with each Regional Entity's review process. (*See §V.A below for further information on the stakeholder review opportunities provided by each Regional Entity for its 2023 Business Plan and Budget.*)
- On April 27, 2022, the Member Executive Committee (MEC) of the Electricity Subsector Coordinating Council (ESCC) received a written quarterly update that included a high-level overview of the draft E-ISAC 2023 and the Cyber Risk Information Sharing Program (CRISP) budgets and 2024 and 2025 projections.
- On May 3, 2022, NERC's quarterly call with trade associations and forum groups, to which the MRC Business Plan and Budget Input Group was also invited, included discussion to preview the NERC 2023 Business Plan and Budget.
- On May 11, 2022, during meetings of the MRC, NERC Board committees, and the NERC Board, the NERC FAC meeting included a preview of the draft NERC 2023 Business Plan and Budget.
- On May 25, 2022, drafts of the NERC and Regional Entity 2023 Business Plans and Budgets, and information on the ERO Enterprise combined 2023 budgets and assessments, were posted on the NERC website. Notice of the posting (and of all subsequent postings) was sent by e-mail to a broad distribution list of interested persons and entities. Comments were requested on the draft NERC 2023 Business Plan and Budget by June 24, 2022. Five sets of written stakeholder comments were received and were posted on the NERC website.³

³ Comments were submitted by (i) the American Public Power Association, Edison Electric Institute, Large Public Power Council, and Transmission Access Policy Study Group (jointly), (ii) Electricity

- On May 31, 2022, and June 16, 2022, the ERO Finance Group held additional meetings by conference call.
- On June 1, 2022, the NERC FAC held a conference call and webinar to review the draft NERC 2023 Business Plan and Budget, current versions of the Regional Entity 2023 Business Plans and Budgets, and the ERO Enterprise combined 2023 budgets and assessments.
- On June 8, 2022, representatives of NERC, each Regional Entity, and WIRAB met with Commission Staff to discuss the 2023 Business Plans and Budgets and the ERO Enterprise combined 2023 budgets and assessments.
- At various dates in May and June 2022, the Boards or other governing bodies of the Regional Entities approved their respective proposed 2023 Business Plans and Budgets. By early July, the six Regional Entities and WIRAB submitted their final 2023 Business Plans and Budgets to NERC.
- On July 7, 2022, a closed meeting was held with the NERC FAC to review comments on the draft NERC 2023 Business Plan and Budget, the proposed final NERC 2023 Business Plan and Budget, and information on NERC's review of the Regional Entity 2023 Business Plans and Budgets.
- On July 13, 2022, another conference call was held with the MRC Business Plan and Budget Input Group to discuss the stakeholder comments received on the draft NERC 2023 Business Plan and Budget.
- On July 27, 2022, NERC's quarterly meeting with trade associations and forums, to which the MRC Business Plan and Budget Input Group was also invited, included discussion of the stakeholder comments received on the draft NERC 2023 Business Plan and Budget, and a preview of the proposed final NERC 2023 Business Plan and Budget.
- Also on July 27, 2022, a conference call meeting of the ESCC MEC included a review of the final projected E-ISAC and CRISP budgets to be included in NERC's 2023 Business Plan and Budget, which were endorsed by the MEC.
- On August 10, 2022, the final NERC, Regional Entity, and WIRAB 2023 Business Plans and Budgets and assessments, as proposed for NERC Board consideration, were posted on the NERC website for the upcoming MRC, FAC and NERC Board meetings.
- At the August 17, 2022, open meeting of the FAC, NERC management presented the final version of the NERC 2023 Business Plan and Budget. The FAC recommended NERC Board approval of the 2023 Business Plans and Budgets and associated statutory assessments for NERC, the Regional Entities and WIRAB.
- At its August 18, 2022, meeting, the NERC Board approved the 2023 Business Plans and Budgets and statutory assessments for NERC, the Regional Entities and WIRAB.

Canada, (iii) the IESO, (iv) the ISO-RTO Council Standards Review Committee, and (v) the National Rural Electric Cooperative Association. These comments are posted at: <https://www.nerc.com/gov/bot/FINANCE/Pages/2023-Business-Plan-and-Budget.aspx>. NERC management's responses to these comments are provided in **Attachment 10**.

The processes followed by NERC and the Regional Entities to develop the proposed 2023 Business Plans and Budgets were thorough, comprehensive, open and inclusive, involved significant input from NERC and Regional Entity management and staffs, as well as iterative review and comment by the NERC FAC, and provided multiple opportunities for stakeholder input and comment, including by the MRC Business Plan and Budget Input Group, the full MRC, and trade associations and industry forums.

B. NERC's 2023 Business Plan and Budget

1. Organization of NERC's Business Plan and Budget

NERC's Business Plan and Budget is organized based on its eight Statutory Program areas: (1) Reliability Standards and Power Risk Issue Strategic Management (PRISM); (2) Compliance Assurance and Organization Registration and Certification, and Compliance Enforcement; (3) Reliability Assessments and Performance Analysis (RAPA); (4) Situation Awareness; (5) Event Analysis; (6) E-ISAC, including CRISP; (7) Personnel Certification and Credential Maintenance; and (8) Training and Education. Each program area carries out or supports implementation of one or more of the ERO's statutory activities as specified in §215 of the FPA and the Commission's regulations and orders. NERC's statutory, or "direct," programs are supported by its Administrative Programs, or "indirect," programs: General & Administrative (G&A), Legal and Regulatory, Business (Information) Technology (IT), Human Resources (HR) & Administration, and Finance and Accounting. The functions and activities of each statutory and administrative program are described in the sections on each program in Section A and in Exhibit A of **Attachment 2**.

The initial sections of the NERC 2023 Business Plan and Budget, Preface and About NERC, provide an overview of NERC's organization, membership, governance, statutory and regulatory background, scope, responsibilities, and funding, including the ERO Enterprise model

and strategic and operational planning. The Introduction and Executive Summary then provides an overview of NERC's 2023–2025 priority focus areas and key budget assumptions, including staffing and technology strategies, fixed assets budget and capital financing plans, and reserves use assumptions. The Introduction and Executive Summary also provides a summary of NERC's 2023 budget and funding requirements and the budgeted amounts for each category of NERC's reserves. The table on page 11 shows the change in the 2023 budget from the 2022 budget for each Statutory Program area. The table on page 12 shows budgeted 2023 staffing and the change from the 2022 budget for each Statutory Program and for the Administrative Programs. The table on page 14 is NERC's overall Statement of Activities and Fixed Asset Additions (Statement of Activities), showing information from the 2022 budget, projection of 2022 year-end results, the 2023 budget, and variances between the 2023 and 2022 budgets, for major line item categories for Funding, Expenses, Fixed Asset Additions, and Net Financing Activity.

Section A of **Attachment 2** is NERC's detailed 2023 Business Plan and Budget, which addresses the requirements of 18 C.F.R. §39.4(b), the Commission's Order certifying NERC as the ERO,⁴ and applicable directives in subsequent Commission orders. Section A provides, for each Statutory Program and the Administrative Programs functions, program purpose and scope, 2023-2025 areas of focus, 2023 resource requirements and technology requirements, and explanations of significant changes in budget categories for 2023 over the 2022 budget. A Statement of Activities is provided for each Statutory Program and for the Administrative Programs, showing funding and expenditure information from the 2022 budget, 2022 projection

⁴ *Order Certifying North American Electric Reliability Corporation as the Electric Reliability Corporation and Ordering Compliance Filing*, 116 FERC ¶ 61,062 (2006) (*ERO Certification Order*).

and 2023 budget. Funding is shown from NERC Assessments and applicable other sources.⁵ Expenses are shown by major categories and sub-categories of Personnel Expenses, Meeting & Travel Expense, Operating Expenses, and Other Non-Operating Expenses, and, for Statutory Programs, the Indirect Expenses allocated from Administrative Programs departments. The Statements of Activities show Fixed Asset Additions, Net Financing Activity,⁶ and Total Budget (Total Expenses plus Fixed Asset Additions plus Net Financing Activity) for each program.

Section B of **Attachment 2** provides Supplemental Financial Information comprised of tables detailing components of Funding and Expense categories and explanations of significant changes from the 2022 budget, including information on Reserves activity and balances.

Section C, Non-Statutory Activity, of **Attachment 2** is empty for NERC, which has no non-statutory activities. In the Business Plans and Budgets of Regional Entities that have non-statutory activities, Section C provides information on their non-statutory activities and budgets.

Section D, Consolidated Statement of Activities by Program, shows 2023 budgeted line-item Funding sources, Expenses, Fixed Asset Additions, and Net Financing Activity, in total and for each Statutory Program and Administrative Program function, as well as the direct and indirect expenses for each Statutory Program.

NERC's Business Plan and Budget includes the following Exhibits and Appendices:

Exhibit A – Application of NERC Section 215 Criteria, describes how the major activities included in the 2023 Business Plan and Budget for NERC's Statutory and Administrative Program functions meet the Commission-approved NERC written criteria

⁵ Other sources include Third-Party Funding (provided for CRISP); System Operator Certification Testing, Certification Renewal and Continuing Education Fees; fees from Services & Software; Miscellaneous Funding; Interest & Investment Income; and Penalty collections or funds released from Assessment Stabilization Reserves (ASR).

⁶ Net Financing Activity shows the impacts of capital financing activity (debt borrowing, lease-financed asset purchases, and principal payments) on the total budget and funding requirements.

for eligibility for FPA §215 funding.⁷

Exhibit B – Capital Financing, describes proposed borrowing and debt service activity under NERC’s capital financing program, including projected 2022, budgeted 2023, and projected 2024 and 2025 year-end outstanding debt balances and annual payments for debt service. (See §IV.C below.)

Appendix 1 contains NERC’s organization chart, as required by 18 C.F.R. §39.4(b).

Appendix 2 contains the calculation of the net energy for load (NEL)-based allocation factors for each LSE or designee and the allocation of the NERC, Regional Entity and WIRAB statutory assessments, by allocation method, to each LSE or designee for 2023. Development of the assessments presented in Appendix 2 is discussed in §III.D below.

The information in the 2023 Business Plan and Budget demonstrates that the programs in it are necessary and appropriate to carry out NERC’s responsibilities as the ERO and that the budgeted resources meet the Commission’s objectives for affordability, sustainability, and efficiency and effectiveness of the ERO’s expenditures. *ERO Certification Order*, P 202 (budget principle (5)). The 2023 Business Plan and Budget demonstrates how the activities and expenditures it includes lend themselves to accomplishing NERC's statutory responsibilities and objectives as the ERO. *Id.* (budget principle (2)).

2. Summary of NERC’s 2023 Budget and Funding Requirement

NERC proposes a 2023 budget of \$101,001,613, an increase of 13.7% (\$12,173,329) over the 2022 budget. NERC’s proposed 2023 total Funding requirement is \$99,822,125, encompassing U.S., Canadian and Mexican activities. Budgeted non-assessment sources of Funding for 2023 total \$12,747,444, comprised of the following sources and amounts: (1) \$9,569,170 of Third-Party Funding for CRISP; (2) \$1,781,775 of Testing, Renewal, & Continuing Education Fees charged to participants in the System Operator Certification Program; (3) \$60,000 of revenue from Services & Software; (4) \$260,000 of Miscellaneous

⁷ The Commission approved the FPA §215 criteria in *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013).

revenue (including projected revenue of \$200,000 from a new Vendor Affiliate Program conducted by the E-ISAC); (5) \$76,500 in Interest & Investment Income; and (6) \$1,000,000 of Penalties to be released from the Assessment Stabilization Reserve (ASR).⁸ Applying these funding sources to the statutory Funding requirement results in a net Funding requirement of \$87,074,681 to be funded by assessments (11.1% increase from 2022).

NERC's 2023 budget includes overall staffing of 236.88 full-time equivalent employees (FTEs), an increase of 13.16 FTEs from the 2022 budget. In Statutory Programs, 5.69 FTEs are being added (bringing staffing to 148.33 FTEs) and 7.47 FTEs are being added in Administrative Programs (to 88.55 FTEs). The budgeted FTEs reflect an assumed 6.0% vacancy rate, *i.e.*, an adjustment for factors such as personnel attrition, delays in hiring, or start date delays.

The 2023 budget reflects increases from the 2022 budget of 11.6% in Personnel Expenses, 20.6% in Meeting & Travel Expenses, and 19.3% in Operating Expenses. The Personnel expense increase reflects the additional budgeted FTEs, as well as merit increases and market adjustments in Salaries expense, reflecting that personnel with the specialized skills required by NERC, particularly in the cybersecurity and IT areas, are in great demand in the industry and therefore competitive compensation levels must be provided to retain and attract staff. With respect to Meetings & Travel, the budget assumes a continued gradual return to in-person meetings from the low point in the 2021 budget, including for the Board, while continuing to utilize the efficiencies of virtual meetings for many meetings. Under Operating Expenses, budgeted 2023 Contractors & Consultants expense is increased by \$3,474,310 from the 2022 budget; budgeted Office Rent is decreased by \$221,011 from 2022; and budgeted

⁸NERC did not collect any Penalties in the 12 months ended June 30, 2022, but its ASR holds \$2,521,000 of Penalties collected prior to June 30, 2021. NERC proposes to use \$1,000,000 of funds in the ASR to reduce the 2023 assessment. *See* §IV.B below.

Office Costs are \$1,730,502 higher. The reduction in budgeted Office Rent reflects lease concessions obtained for the Atlanta office that will extend into 2024 and 2025. Budgeted Professional Services expense is increased \$802,496 over 2022, due mainly to a projected \$756,000 increase in insurance costs. Budgeted Fixed Asset Additions are \$6,224,000, an increase of \$1,305,250 from the 2022 budget, reflecting increased budgeted expenditures of \$4,050,250 in Computer & Software CapEx, offset in part by reductions in other areas including a \$1,970,000 reduction in Capital Lease Assets due to a refresh of leased IT equipment in 2022.

The following table shows NERC's 2022 and 2023 budgets for its Statutory Programs:

<u>Program</u>	<u>2022 Budget</u>	<u>2023 Budget</u>
Reliability Standards and Power Risk Issue Strategic Management	\$ 9,541,634	\$10,349,112
Compliance Assurance and Organization Registration and Certification	\$12,685,223	\$13,992,714
Compliance Enforcement	\$ 7,014,497	\$ 7,275,796
Reliability Assessments and Performance Analysis	\$14,922,693	\$18,154,510
Situation Awareness	\$ 5,118,788	\$ 6,010,996
Event Analysis	\$ 3,819,053	\$ 4,107,435
E-ISAC (including CRISP)	\$32,847,405	\$38,026,141
Personnel Certification and Credential Maintenance	\$ 1,843,435	\$ 1,961,763
Training and Education	<u>\$ 1,035,557</u>	<u>\$ 1,123,146</u>
	<u>\$88,828,284</u>	<u>\$101,001,613</u>

The 2023 budgeted amounts for Statutory Programs incorporate Administrative Programs costs of \$42,231,103 (11.9% increase from the 2022 budget). Principal components of the increase are Personnel Expenses (reflecting 7.47 additional FTEs), Contractors & Consultants, and Office Costs. Administrative Programs expenses, Fixed Asset Additions, and Net Financing Activity are allocated to the Statutory Programs based on the ratio of FTEs budgeted for each Statutory Program to total Statutory Program FTEs.

C. Regional Entity Proposed 2023 Business Plans and Budgets - Overview

18 C.F.R. §39.4(b) requires that the ERO’s annual budget submission include:

the entire annual budget for statutory and non-statutory activities for each Regional Entity, with supporting materials, including . . . each Regional Entity’s complete business plan and organization chart, explaining . . . the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures

Section 39.4(b) further states the ERO’s annual budget submission “shall include the line item budgets for the activities of each Regional Entity that are delegated or assigned to each Regional Entity pursuant to §39.8.” This information is provided in the Regional Entities’ 2023 Business Plans and Budgets, **Attachments 3 through 8**. In *Order No. 672*, the Commission stated: “The ERO must determine, at a minimum, whether each Regional Entity’s proposed budget is adequate to carry out the functions delegated to it.”⁹ NERC staff worked collaboratively with the Regional Entities in developing their 2023 Business Plans and Budgets. Drafts and final proposed versions of the Regional Entities’ proposed Business Plans and Budgets were also reviewed by the FAC. **Attachment 13** is a memorandum prepared for the NERC Board describing NERC’s participation in preparation of and review of Regional Entity Business Plans and Budgets and listing criteria NERC focused on in reviewing Regional Entity Business Plans and Budgets.

The table below shows the proposed 2023 budgets for statutory and (if applicable) non-statutory functions for each Regional Entity, and its total (for all jurisdictions) proposed assessment after taking into account other Funding sources.

⁹*Rules Concerning Certification of the Electric Reliability Organization; Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards*, Order No. 672, FERC Stats. & Regs. ¶ 31,204 (2006) (*Order No. 672*), at P 229.

Regional Entity	Total Budget for Statutory Functions	Budget for Non-Statutory Functions	Statutory Funding Assessment
MRO	\$23,082,469	-----	\$20,507,276 ¹⁰
NPCC	\$19,423,595	\$ 1,007,505	\$18,140,037 ¹¹
ReliabilityFirst	\$27,975,420	-----	\$24,620,339
SERC	\$28,215,894	-----	\$26,192,877
Texas RE	\$17,733,467	-----	\$17,155,278
WECC	\$31,812,283	\$ 2,857,038	\$19,750,537 ¹²

D. Allocation of Statutory Assessments

The total ERO statutory funding requirement for 2023 net of other NERC and Regional Entity income sources, to be funded by assessments, is \$214,122,945, consisting of \$87,074,681 for funding of NERC’s programs and \$127,048,264 for funding of Regional Entity statutory activities and the WIRAB. NERC’s proposed 2023 assessment is allocated \$78,211,559 to the U.S., \$8,556,859 to Canadian provinces, and \$306,262 to Mexico. Based on the aggregate NEL of the United States for 2021 on which the allocation of assessments is based, the U.S. assessment for NERC represents approximately \$0.000019 per end-user kilowatt-hour.¹³

NERC proposes allocation of its 2023 assessment to the Regional footprints as follows:

- | | | | |
|--------------------|----------------------------|------------|----------------------------|
| • MRO | \$ 9,691,894 ¹⁴ | • SERC | \$25,388,321 |
| • NPCC | \$10,629,550 ¹⁵ | • Texas RE | \$ 7,644,045 |
| • ReliabilityFirst | \$17,132,702 | • WECC | \$16,588,169 ¹⁶ |

Appendix 2 to **Attachment 2** shows, for each LSE or designee within the footprint of each Regional Entity: (i) 2021 NEL data and development of the NEL-based factors used to allocate

¹⁰ MRO’s assessment is allocated \$18,324,279 to the U.S. and \$2,182,997 to Canadian provinces.

¹¹ NPCC’s assessment is allocated \$10,969,706 to the U.S. and \$7,170,331 to Canadian provinces.

¹² WECC’s assessment is allocated \$15,747,191 to the U.S., \$3,425,575 to Canadian provinces, and \$577,771 to Mexico. The assessment amounts do not include the WIRAB assessments.

¹³ The allocation and calculation of assessments for the 2023 budgets is based on NEL data for the second preceding calendar year, 2021, the most current annual NEL data available as of August 2022.

¹⁴ For MRO, \$8,665,041 is allocated to the U.S. and \$1,026,853 is allocated to Canadian provinces.

¹⁵ For NPCC, \$5,267,968 is allocated to the U.S. and \$5,361,582 is allocated to Canadian provinces.

¹⁶ For WECC, \$14,113,483 is allocated to the U.S., \$2,168,424 is allocated to Canadian provinces, and \$306,262 is allocated to Mexico.

the NERC and Regional Entity assessments (Appendix 2-A), and (ii) allocation of the total ERO, NERC and Regional Entity statutory assessments (Appendices 2-B, 2-C and 2-D).

NERC has allocated its statutory assessment to LSEs within each Regional footprint primarily based on NEL, with these adjustments: In accordance with NERC's *Expanded Policy on Allocation of Certain Compliance and Enforcement Costs*, the NEL-based assessments for AESO, IESO, New Brunswick, and Québec are adjusted for certain Compliance Monitoring and Enforcement Program (CMEP) costs, as shown on **Attachment 11**. The adjustments recognize entities in Ontario, Alberta, and New Brunswick expend resources to perform compliance and enforcement activities NERC or a Regional Entity would otherwise perform, and the compliance and enforcement resources NERC needs for Alberta and Québec are reduced due to the small number of entities subject to compliance and enforcement activities in those provinces. The credits, totaling \$1,585,012, are reflected in Appendix 2-C of **Attachment 2**. The total credit amount is reallocated to all other LSEs (Balancing Authorities or designees) based on NEL. The resulting adjusted NEL-based allocations to Regional footprints are shown in Appendix 2-C of **Attachment 2**.

NEL has also been used to allocate the Regional Entity assessments, with these exceptions: First, portions of NPCC's Compliance Monitoring and Enforcement and Organization Registration and Certification (CORC) Program costs have been allocated among the six U.S. and Canadian Balancing Authority Areas (BAAs) in NPCC using activity-based methodologies that reflect the nature and scope of the compliance functions and activities performed by NPCC in each Canadian province in its footprint. As the Commission has directed, NPCC CORC costs allocated to the U.S. using these methodologies are then allocated between

the New England and New York BAAs based on NEL.¹⁷ Second, WECC’s allocation of its assessment to the AESO has been reduced by \$1,148,561 representing WECC CMEP costs that are duplicative of programs of the AESO.¹⁸ The AESO credit amount was allocated to the remainder of the LSEs (Balancing Authorities or designees) in the WECC Region based on NEL.

After allocations of portions of the NERC, Regional Entity, and WIRAB funding requirements to Canadian provinces and Mexico, the total ERO statutory assessment for 2023 allocable to U.S. LSEs for which Commission approval is sought is \$191,792,236, comprised of the NERC assessment of \$78,211,559 and the aggregate Regional Entity and WIRAB assessments of \$113,580,677. The funding requirement of each Regional Entity for statutory activities is allocated 100% to that region. The WIRAB funding requirement is allocated 100% to the WECC Region. The table below shows the allocation to the Regions of the 2023 ERO statutory assessment of \$191,792,236 for the U.S. statutory activities of NERC, the Regional Entities, and WIRAB.

Regional Entity	NERC U.S. Assessment	Regional Entity U.S. Assessment	Total U.S. Assessment	Assessment per kWh (2021 NEL)
MRO	\$ 8,665,041	\$ 18,324,279	\$ 26,989,320	\$ 0.0000606
NPCC	\$ 5,267,968	\$ 10,969,706	\$ 16,237,674	\$ 0.0000600
ReliabilityFirst	\$ 17,132,702	\$ 24,620,339	\$ 41,753,041	\$ 0.0000474
SERC	\$ 25,388,321	\$ 26,192,877	\$ 51,581,198	\$ 0.0000395
Texas RE	\$ 7,644,045	\$ 17,155,278	\$ 24,799,323	\$ 0.0000631
WECC	\$ 14,113,483	\$ 15,747,191	\$ 29,860,674	\$ 0.0000412
WIRAB	\$ -	\$ 571,006	\$ 571,006	\$ 0.0000008
Total	\$ 78,211,559	\$ 113,580,677	\$ 191,792,236	\$ 0.0000477

NERC obtained from each Regional Entity a listing of LSEs or their designees in the

¹⁷ *North American Electric Reliability Corp.*, 128 FERC ¶61,025 (2009) (*July 16, 2009 Budget Compliance Order*). Allocation of NPCC CORC Program costs is further described in §V.B.2 below and at pages 45-47 of NPCC’s 2023 Business Plan and Budget, **Attachment 4**.

¹⁸ See Appendix C of WECC’s 2023 Business Plan and Budget, **Attachment 8** to this filing.

Region and a breakdown of the Region's 2021 NEL by LSE or designee, and used this data to allocate the total ERO assessment allocated to each Region among LSEs, their designees or other entities to be billed the assessments within that Region.¹⁹ The amounts of the NERC and Regional Entity assessments allocated to each LSE or designee or other entity to be billed in each Region is shown in Appendix 2-B of **Attachment 2**. NERC requests that the Commission approve the statutory assessment amounts for NERC and the Regional Entities allocated to each LSE or designee, shown in Appendix 2-B of **Attachment 2**, so that the LSEs and their designees or other entities may be billed for these assessments in accordance with 18 C.F.R. §39.4(e).²⁰

As provided for in the delegation agreement with each Regional Entity, NERC will directly invoice the approved assessments to LSEs or designees, or to the other entities to be billed, in all Regions except WECC. WECC will invoice LSEs or Balancing Authorities or their designees within the WECC footprint, collect the assessments, and remit the funds collected for the NERC, WECC and WIRAB assessments to NERC.²¹

¹⁹ For the NPCC Region, assessments are allocated on the basis of NEL in each BAA (New York, New England, Ontario, Québec, Nova Scotia and New Brunswick), and will be billed to ISO New England and the New York ISO (and similar entities in Ontario, Québec, New Brunswick and Nova Scotia), which will be responsible for billing and collecting assessments from LSEs in their respective footprints. For the Texas RE Region, assessments are allocated on the basis of NEL for the Electric Reliability Council of Texas (ERCOT), which acts as billing agent for the Region; the assessments will be billed to ERCOT, which will bill and collect assessments from LSEs in ERCOT.

²⁰ As a matter of administrative convenience and efficiency, NERC will calculate and bill the assessments to certain entities, referred to as "designees," based on NEL values that include the NEL for other LSEs served by the designee, or for which the designee is otherwise responsible for assessments. The lists of LSEs and designees for which assessments will be calculated and billed have been provided to NERC by the Regional Entities. NERC is not involved in developing the lists of LSEs or in arrangements between LSEs and designees pursuant to which a designee agrees to accept responsibility for an assessment that would otherwise be billed to the LSE and the LSE agrees to reimburse the designee for the assessment.

²¹ As approved by the Commission in the *ERO Certification Order* at P 218, for administrative convenience, billing and payment by LSEs of annual assessments less than \$100 will not be required.

IV. NERC BUSINESS PLAN AND BUDGET

A. 2023 NERC Business Plan and Budget by Program

The proposed 2023 expenditure and staffing budgets for each NERC program and department are described in the subsections below. Key overall budget assumptions are discussed at pages 5-9 of **Attachment 2**. Budgeted increases in Salaries expense for merit and market adjustments, noted in §II.B.2 above, impact the budgets for all programs. Statutory Program budgets include allocations of Expenses, Fixed Asset Additions, and Net Financing Activity that are budgeted in Administrative Programs and allocated to the Statutory Programs based on the ratio of budgeted FTEs in each Statutory Program to total budgeted Statutory Program FTEs; therefore, changes in FTEs budgeted for Statutory Programs for 2023 compared to 2022 impact the allocation of Administrative Programs costs among the Statutory Programs.

1. Reliability Standards and Power Risk Issue Strategic Management

The major activities of the Reliability Standards and PRISM Program are described at pages 15-16 of **Attachment 2**. The 2023 budget is increased 8.5% (\$807,478) from 2022, primarily due to increased Personnel expenses reflecting merit and market adjustments to Salaries expense. Budgeted staffing of 19.74 FTEs is unchanged from the 2022 budget. The budgeted Contractors & Consultants expense of \$202,739 is for support for engineering expertise and the standards balloting application.

2. Compliance Assurance, Organization Registration and Certification, and Compliance Enforcement

The major activities of Compliance Assurance and Organization Registration and Certification are described at page 18 of **Attachment 2**. The 2023 budget is increased 10.3% (\$1,307,491) from the 2022 budget, due primarily to increased staffing and merit and market adjustments to Salaries expense in Personnel expenses. Budgeted staffing is increased by 0.94

FTE to provide additional critical infrastructure protection audit support and expertise. Budgeted Contractors & Consultants expense is reduced by \$204,200 from 2022, primarily due to the expected completion of CMEP audits of Regional Entities in 2022.

The major activities of Compliance Enforcement are described at page 21 of **Attachment 2**. The 2023 budget is increased 3.7% (\$261,299) from 2022, due primarily to increased Salaries expense for merit and market adjustments. Budgeted staffing is 12.22 FTEs, the same as the 2021 and 2022 budgets. Budgeted Contractors & Consultants expense is reduced \$180,000 from the 2022 budget due to expected completion of CMEP audits of the Regional Entities in 2022.

3. Reliability Assessments and Performance Analysis (RAPA)

The major activities of RAPA are described at pages 24-25 of **Attachment 2**. The 2023 budget is increased 21.7% (\$3,231,817) from 2022, due primarily to increased Personnel expense for additional FTEs and merit and market adjustments to Salaries expense. Budgeted 2023 staffing is increased by 2.82 FTEs to 29.14 FTEs to provide increased support for probabilistic assessments and incorporation of cyber analysis into system planning, and development of new cyber design techniques. Budgeted Contractors & Consultants expense is increased by \$195,427 to provide additional support for studies and expertise for Bulk Power System security and grid transformation activities.

4. Situation Awareness

The major activities of Situation Awareness are described at page 28 of **Attachment 2**. The 2023 budget is increased 17.4% (\$892,208) from 2022, due primarily to an increase of \$513,651 in Fixed Asset Additions, mainly for replacing Situation Awareness systems that are approaching end of useful life. Budgeted staffing for 2023 remains at 7.52 FTEs.

5. Event Analysis

The major activities of Event Analysis are described at page 31 of **Attachment 2**. The

2023 budget is increased 7.6% (\$288,382), due primarily to a budgeted increase of \$102,644 in Contractors & Consultants expense to provide additional support for human performance analysis and activities. Budgeted staffing for 2023 remains at 6.58 FTEs.

6. Electricity Information Sharing and Analysis Center (E-ISAC)

The major activities of the E-ISAC are described at pages 34-35 of **Attachment 2**. Of the major activities the E-ISAC facilitates, the most significant is the CRISP, a public-private initiative that delivers cybersecurity risk information to E-ISAC member electricity asset owners and operators in the U.S., Canada, and Mexico. The 2023 budget for the E-ISAC, including CRISP, is increasing by \$5,178,736 (15.8%). The CRISP budget comprises 31.3% of the total E-ISAC budget. Budgeted staffing for the E-ISAC is increased by 1.93 FTEs (of which 1.80 FTE is for CRISP) from the 2022 budget to 45.87 FTEs (of which 40.14 FTEs are the E-ISAC staff and 5.73 FTEs are CRISP staff), to provide increased analytical capabilities, support for key industry priorities, including Operational Technology (OT) initiatives, partnerships with electric-natural gas sector stakeholders, and enhancements and expansion of CRISP. The budgeted increase in Contractors & Consultants expense of \$1,846,994 is primarily due to increases in the costs for the Pacific Northwest National Laboratory to perform the analysis for the CRISP. Additionally, there were increased support costs for the biennial GridEx that will be held in 2023. The budgeted increase in Professional Services of \$660,000 is primarily due to increased CRISP costs.

Under the CRISP master agreement, the E-ISAC budget for 2023 is funded by \$9,569,170 of Third-Party Funding (an increase of \$1,640,747 from the 2022 budget) provided by the CRISP participants. The Third-Party Funding is equal to 80.4% of the CRISP budget. As recently approved by the Commission, any underrun in the 2023 CRISP budget will be

redirected to the CRISP Operating Reserve. *North American Electric Reliability Corp.*, 180 FERC ¶61,013 (Letter Order July 8, 2022), P 7. The E-ISAC also receives funding from the Downstream Natural Gas ISAC, which covers the costs associated with the collaborative efforts between it and the E-ISAC to increase information sharing and situational awareness. Funding for this collaboration is budgeted at \$60,000 in 2023, the same amount budgeted for 2022. The E-ISAC is also budgeting \$200,000 in anticipated revenue for 2023 from a new E-ISAC Vendor Affiliate Program, which is a program the E-ISAC offers to certain industry stakeholders to collaborate and information sharing between the E-ISAC and the vendor community related to cybersecurity risks associated with supply chain software components.

7. Personnel Certification and Credential Maintenance

The Personnel Certification and Credential Maintenance group manages the System Operator Certification and Credential Maintenance programs under oversight of the NERC Personnel Certification and Governance Committee. The major activities of this group are described at page 40 of **Attachment 2**. The 2023 budget is increased 6.4% (\$118,328) from the 2022 budget. Budgeted 2023 staffing is 2.82 FTEs, the same as the 2021 and 2022 budgets. Budgeted Contractors & Consultants expense is reduced by \$55,438 from 2022 due to completion of a Credential Maintenance research project.

Personnel Certification and Credential Maintenance receives no funding from assessments; it is funded by System Operator certification testing and renewal fees (intended to recover the costs, including allocated indirect expenses, of the program), for system operator certification exams and certification renewals. The program also receives fees from continuing education providers, which offset costs associated with review of courses taken by certified operators to maintain certification.

8. Training and Education

The major activities of the Training and Education Program are described at page 43 of **Attachment 2**. The 2023 budget is increased 8.5% (\$87,589) from the 2022 budget, due primarily to merit and market increases in Salaries expense and increased Office Costs for software license and support for a learning management system platform. Budgeted 2023 staffing of 1.88 FTEs is unchanged from the 2022, 2021, 2020 and 2019 budgets.

9. Administrative Programs

The Administrative Programs departments, which support NERC's Statutory Programs, are: (i) G&A (the Chief Executive Officer, Chief Engineer, Chief Administrative Officer, their staffs, External Affairs, Board functions, and Office Rent); (ii) Legal and Regulatory (including Internal Audit and Corporate Risk Management); (iii) Business (Information) Technology; (iv) HR & Administration; and (v) Finance and Accounting. Responsibilities and functions of the Administrative Programs are described at pages 46-48 of **Attachment 2**.

The total amount budgeted for Administrative Programs for 2023 is increased by 11.9% (\$4,506,085) from 2022. This reflects increases to the budgets for Business Technology of \$6,416,242, Finance and Accounting of \$694,833, HR & Administration of \$482,505, and Legal and Regulatory of \$428,758, offset by a decrease of \$3,516,253 in G&A. The decreased budget for G&A reflects budgeted Net Financing Activity loan proceeds of \$4 million for capital software projects, which is budgeted in G&A; in addition, budgeted Office Rent is reduced by \$221,011 due to lease concessions obtained on the Atlanta office lease.

Budgeted 2023 staffing for the Administrative Programs is increased by 7.47 FTEs from 2022, to 88.55 FTEs, with increases of 3.71 FTEs in Business Technology and 0.94 FTE in each of G&A, Legal and Regulatory, HR & Administration, and Finance and Accounting.

The increased budget of \$6,416,242 for Business Technology reflects increased staffing

of 3.71 FTEs (primarily for additional cybersecurity and cloud computing expertise); increased Contractors & Consultants expense of \$1,687,104 for applications and infrastructure, security, and Project Management Office support; and increased Office Costs of \$1,051,672, primarily for software licenses to support cyber security and daily operations.

The budgeted amount for Independent Trustee expenses for 2023 (included in G&A; *see* table on page 46 of **Attachment 2**) is increased by 1.4% (\$28,500) from 2022. Budgeted expenses for Quarterly Board Meetings and Trustee Travel are increased by 10.0% (\$40,000) based on a planned return to some in-person Board meetings and related travel, post-pandemic. Budgeted Trustee compensation for 2023 is reduced by \$11,500 (0.7%) based on the results of an independent third-party study on trustee compensation performed by Meridian Compensation Partners, LLC and completed in late 2021.²² Though the study recommended increases to trustee compensation, the slight decrease from the 2022 to 2023 budget is a result of the timing of the study (received in 2021 after the 2022 Business Plan and Budget was filed with the Commission), in which increases were estimated for the 2022 budget; the compensation for the 2023 budget has been adjusted to align with the study recommendations.

B. Working Capital and Reserves

NERC's Working Capital and Operating Contingency Reserve (WCOR) Policy provides for the categories of Working Capital and Reserves maintained by NERC: Future Obligation Reserve, Working Capital, Operating Contingency Reserve (OCR), System Operator Certification Reserve, CRISP Reserves, and Assessment Stabilization Reserve (ASR). The discussion at page 13, and Table B-1, in **Attachment 2** show and explain the amounts proposed to be budgeted in each reserve for 2023 (projected balances at December 31, 2023), as follows:

²² **Attachment 12** is the report to the NERC CGHRC of the results and recommendations of the trustee compensation study performed by Meridian Compensation Partners, LLC.

Future Obligation Reserve: \$2,577,704

This reserve is funded to offset future, non-current liabilities under lease, credit, loan, or other agreements to which NERC is a party. The projected level for this reserve at December 31, 2023, is \$2,577,704, which is an increase of \$283,841 from the projected balance at December 31, 2022.

Working Capital: \$0

As in past Business Plans and Budgets, NERC is not budgeting the use of working capital funds in 2023 for cash flow needs since assessments are billed and paid quarterly throughout the year. If an unforeseen revenue deficiency were to arise, NERC maintains a \$4,000,000 line of credit with a major financial institution.

Operating Contingency Reserve: \$7,755,135

The WCOR Policy specifies that except as otherwise approved by the NERC Board, the budgeted OCR is to be between 3.5% - 7.0% of NERC's total expenses and Fixed Asset budget, excluding the budgets for the System Operator Certification Program and CRISP, which have their own reserves. The projected balance in this reserve at December 31, 2022, is \$8,755,135. NERC is proposing to use \$1,000,000 from this reserve to reduce 2023 assessments, which results in a projected balance of \$7,755,135 at December 31, 2023. This is 8.9% of the 2023 budgeted expenses, Fixed Asset costs, and Net Financing Activity, which is slightly higher than the target range.

System Operator Certification Program Reserve: \$563,009

This reserve is used solely to meet needs of the System Operator Certification Program. The projected balance for this reserve at December 31, 2023, is \$563,009, which is a decrease of \$179,488 from the projected reserve balance at December 31, 2022.

CRISP Reserves: \$2,209,158

The CRISP Reserves are comprised of the Special Projects Reserve, Operating Reserve, and Defense Fund Reserve. Each Reserve is used for a specific purpose outlined in the CRISP master agreement and used solely in connection with CRISP. The CRISP Reserves are funded entirely by the CRISP participants based on an agreed budget, and do not affect the NERC statutory assessments. The balance in the CRISP Operating Reserve at December 31, 2022, is projected to be \$1,671,337 and, currently, the same balance is projected at December 31, 2023. The final 2022 CRISP Operating Reserve balance may increase by any underrun from the CRISP Special Projects Reserve at the conclusion of the CRISP OT Pilot in 2022, which results in a \$0 balance in the CRISP Special Projects Reserve at December 31, 2022.²³ The balance in the CRISP Defense Fund Reserve at December 31, 2022, is projected to be \$537,821, and the same amount is projected at December 31, 2023.

Assessment Stabilization Reserve: \$1,521,000

NERC did not collect any Penalties during the 12 months ended June 30, 2022. The balance in the ASR at December 31, 2022, will be the current amount of \$2,521,000. NERC is proposing to release \$1,000,000 from the ASR in 2023 to reduce the 2023 assessment. Pursuant to §1107.4 of the NERC ROP, NERC requests Commission approval of an exception to NERC ROP §1107.2 to release \$1,000,000 of the Penalty

²³ See *North American Electric Reliability Corp.*, 180 FERC ¶61,013 (Letter Order July 8, 2022), P 7.

collections in the ASR to reduce its assessments for 2023.

Based on the beginning Working Capital and Reserves balances at January 1, 2022, the projected funding, expenditures, and net financing activity for 2022, the budgeted funding, expenditures, and net financing activity for 2023, and the target Working Capital and Reserves balances at December 31, 2023, Table B-1 (page 51) in **Attachment 2** shows the calculation of the resulting adjustment (decrease) of \$2,179,488 to NERC's 2023 assessment. To the extent the actual year-end 2023 Working Capital and Reserves balances are higher than the projected amounts shown on Table B-1, the excess funds will be included in the OCR, System Operator Certification Program Reserve, or CRISP Reserves, as applicable, and subject to the limitations and authorities regarding their use as set forth in the WCOR Policy and, for the CRISP Reserves, the master agreements between NERC and the CRISP participants.

C. Fixed Asset Expenditures and Financing Activity

As originally described in NERC's 2014 Business Plan and Budget (Docket No. RR13-9-000), NERC is financing certain capital expenditures over multi-year periods through a capital financing program, in order to spread the investment costs for projects over multiple years and thereby reduce the volatility of annual assessments. In July 2020, NERC closed an \$8.0 million non-revolving credit facility to fund certain capital expenditures from July 2020 to December 2021, as approved by the NERC Board and the Commission, for software application development projects and hardware equipment that benefit the ERO Enterprise. NERC now proposes to fund spending for capital software projects in 2023-2025 through a new capital borrowing facility with a five-year loan amortization. NERC's current capital line of credit is expiring in February 2023 and will be renewed prior to that expiration in support of the proposed financing of capital software projects in 2023. NERC projects borrowings of \$4.0 million in

2023, \$4.0 million in 2024, and \$2.5 million in 2025, at an average interest rate of 5.0%.²⁴ Exhibit B of **Attachment 2** shows projected year-end outstanding debt balances and annual debt service payments (principal repayment and interest) for 2022, 2023, 2024 and 2025. NERC's projected outstanding debt balance at December 31, 2022 is \$1,383,225 and at December 31, 2023 is \$4,669,301, and projected payment for debt service in 2023 is \$843,178.

As shown in Table B-12 of **Attachment 2**, the 2023 Fixed Asset Additions budget is comprised of \$5,319,000 for Computer & Software CapEx (an increase of \$4,050,250 from the 2022 budget), \$775,000 for Equipment CapEx (\$25,000 increase from the 2022 budget), and \$130,000 of Capital Lease Assets (decrease of \$1,970,000 from the 2022 budget). NERC has not budgeted for any Furniture & Fixtures CapEx or Leasehold Improvements in 2023, as compared to \$800,000 budgeted for these two categories in 2022.²⁵ As a result, total budgeted 2023 Fixed Asset Additions are \$6,224,000, an increase of \$1,305,250 from 2022.

V. REGIONAL ENTITY BUSINESS PLANS AND BUDGETS

A. Development of the Regional Entity Business Plans and Budgets

NERC management and staff worked collaboratively with the Regional Entities on development of their 2023 Business Plans and Budgets. Drafts of each Regional Entity's Business Plan and Budget were posted on the NERC website on May 25, 2022. NERC also reviewed and provided feedback on these drafts. The draft Business Plans and Budgets were also the subject of presentations and discussion at meetings of the NERC FAC. **Attachment 13** is a memorandum prepared by NERC management for the NERC Board describing NERC's participation in preparation and review of Regional Entities' 2023 Business Plans and Budgets.

²⁴ The actual interest expense will be reflected in the quarterly budget-to-actual variance reports that NERC posts on its website, reviews in open session with the NERC FAC, and files with the Commission.

²⁵ The \$800,000 amount budgeted for 2022 was for a potential relocation of NERC's Atlanta office, which will not occur as NERC negotiated a revised lease for the existing Atlanta office.

Additionally, each Regional Entity posted one or more drafts of its 2023 Business Plan and Budget on its own website for comment by its stakeholders, and/or provided other opportunities for stakeholder input, as follows:

MRO: MRO posted its draft 2023 Business Plan and Budget for comments on May 6, 2022. MRO's 2023 Business Plan and Budget was presented in multiple meetings of the MRO Board and its stakeholders. There were no written or oral challenges to the 2023 Business Plan and Budget. On June 23, 2022, MRO's Board of Directors approved a resolution that approved the 2023 reserves and 2023 budget, and affirmed that the budget is sufficient to complete MRO's delegated responsibilities.

NPCC: NPCC's draft 2023 Business Plan and Budget was presented to the NPCC FAC on April 19, 2022, and to its Board of Directors on May 4, 2022. NPCC's draft 2023 Business Plan and Budget was posted on its website for stakeholder review and comment on May 4, 2022, with a request for comments by May 18, 2022. NPCC did not receive any comments. The NPCC Board of Directors approved NPCC's 2023 Business Plan and Budget on June 29, 2022.

ReliabilityFirst: On April 28, 2022, the ReliabilityFirst Board of Directors approved the first draft of its 2023 Business Plan and Budget, after which it was posted to the ReliabilityFirst website for a 30-day industry review and comment period. ReliabilityFirst did not receive any comments. The final 2023 Business Plan and Budget was approved by the ReliabilityFirst Board on June 29, 2022.

SERC: On March 30, 2022, the draft 2023 Business Plan and Budget was presented to SERC Membership, and approved by SERC's Board of Directors. The draft Business Plan and Budget was then posted on the SERC public website for a 30-day comment period beginning April 18, 2022. No comments were received. SERC's Board of Directors approved the final 2023 Business Plan and Budget for submittal to NERC at its June 23, 2022, meeting.

Texas RE: Texas RE's 2023 Business Plan and Budget was presented in multiple meetings of the Texas RE Board and Member Representatives Committee. The draft 2023 Business Plan and Budget was posted for a 7-day comment period before being presented to the Texas RE Board of Directors for final approval. There were no written or oral challenges to the 2023 Business Plan and Budget. The Board of Directors approved Texas RE's 2023 Business Plan and Budget on May 18, 2022.

WECC: WECC's draft 2023 Business Plan and Budget was posted on its website on April 26, 2022, for a fifteen business day comment period. The WECC Board of Directors and WECC stakeholders were notified of the posting. Two set of comments were received from stakeholders during the comment period. Additionally, one set of comments was received each from the WECC Member Advisory Committee Budget Subcommittee and the WIRAB. WECC's Board of Directors approved WECC's 2022 Business Plan and Budget on June 15, 2022.

As described in **Attachment 13**, NERC's review of the draft Regional Entity Business

Plans and Budgets focused on:

1. Adequacy of the resources and activities to perform delegated functions;
2. Alignment of the Regional Entity's goals, objectives and major activities to the *ERO Enterprise Long-Term Strategy* and related focus areas;
3. Efforts to improve efficiency and control costs;
4. Quality and completeness of the financial information presented, including:
 - a. Conformance with Commission budget reporting requirements and with the ERO Enterprise common presentation format,
 - b. Separation of statutory and non-statutory activities,
 - c. Supporting detail, including explanations for significant changes from the entity's 2022 budget,
 - d. Working capital and operating reserve budgets, policies and controls, and
 - e. Compliance with any budget or audit related orders from the Commission.

Through the processes described above, in §III.A, and in **Attachment 13**, NERC determined that each Regional Entity 2023 Business Plan and Budget provides necessary and adequate resources to carry out the Regional Entity's delegated functions in 2023.

The draft Regional Entity 2023 Business Plans and Budgets, posted on the NERC website on May 25, 2022, were reviewed in a meeting of the NERC FAC on June 1, 2022. The Regional Entities submitted their final 2023 Business Plans and Budgets, as approved by their respective governing bodies, to NERC by early July 2022. NERC's review of the Business Plans and Budgets was reviewed at the FAC's meeting on July 7, 2022, and the final Regional Entity 2023 Business Plan and Budgets were submitted to the FAC for review and recommendation to the Board for approval at its meeting on August 17, 2022. The Business Plans and Budgets were approved by the Board at its August 18, 2022, meeting for submission to the Commission.

In developing their 2023 Business Plans and Budgets and proposed assessments, the Regional Entities took into account the need to maintain appropriate working capital and operating reserves. Table B-1 in each Regional Entity's 2023 Business Plan and Budget shows

the calculation of the increase or decrease to its 2023 assessment to achieve the Regional Entity's target Reserves balance at December 31, 2023. The basis for each Regional Entity's target Reserves balance is stated on its Table B-1 or elsewhere in its Business Plan and Budget.

B. Summaries of Regional Entity Business Plans and Budgets

1. MRO – Attachment 3

MRO's 2023 statutory budget is \$23,082,469, an increase of \$3,048,108 (15.2%) from its 2022 budget. The most significant areas of budget increase are the Reliability Analysis and Organization Registration program and Training, Education and Operator Certification program, reflecting budgeted staffing increases in these programs. MRO's proposed assessment for 2023 is \$20,507,276, an increase of \$2,674,862 (15.0%) from its 2022 assessment, and reflects the use of \$332,347 of Penalties collected between July 1, 2021, and June 30, 2022 (and Interest earned thereon)²⁶ and release of \$2,242,847 from MRO's ASR to reduce the assessment.

MRO is budgeting increased staffing for 2023 of 7.00 FTEs, reflecting a net increase of 7.02 FTEs in Statutory Programs and a net decrease of 0.02 FTE in Administrative Services. Total budgeted 2023 staffing is 78 FTEs (58 FTEs in Statutory Programs and 20 FTEs in Administrative Services), including 37.3 FTEs in MRO's Compliance programs. The 2023 budget for Administrative Services is \$8,725,684, an increase of \$783,414.

As described in its 2020 Business Plan and Budget, MRO established an ASR into which Penalty collections received in the 12 months ending the previous June 30 would be deposited, and from which funds would be released to reduce year-to-year fluctuations in the amount of assessments needed to fund operations. For 2023, to reduce assessments, MRO proposes to use the entire \$332,347 of Penalties collected between July 1, 2021, and June 30, 2022, and Interest

²⁶The \$332,347 amount is comprised of \$331,928 in Penalties collected during the 12 months ended June 30, 2022, and \$419 of Interest income earned on the Penalties held pending disposition.

earned thereon, and, additionally, to release \$2,242,847 from the ASR. Pursuant to §1107.4 of the NERC ROP, NERC and MRO request the Commission to approve an exception to the requirement of §1107.2 that all Penalties collected during the 12 months ended the previous June 30 be used to reduce assessments in the following year, in order to allow MRO to utilize Penalties collected prior to July 1, 2021, and held in the ASR, to reduce its 2023 assessment. MRO's projected reserves balance at December 31, 2022, is \$6,449,079 (Working Capital - \$2,083,416; 30-day cash reserve - \$1,669,530; ASR - \$2,696,133). With the 2023 budget and proposed use of Penalties and ASR to reduce the 2023 assessment, MRO projects a reserves balance at December 31, 2023, of \$3,873,886 (Working Capital - \$1,829,407; 30-day cash reserve - \$1,923,539; ASR - \$120,940).

2. NPCC – Attachment 4

NPCC's statutory budget for 2023 is \$19,423,595, an increase of \$1,958,462 (11.2%) from its 2022 budget. The largest area of budget increase is the CMEP and Organization Registration and Certification program. NPCC's 2023 assessment is \$18,140,037, an increase of \$2,227,724 (14.0%) from 2022, and reflects release of \$300,000 in Penalty funds from NPCC's ASR and use of \$52,839 in other Income to reduce the assessment. NPCC's 2023 budget reflects increased staffing of 7.00 FTEs from its 2022 budget, comprised of a 5.05 FTEs increase in Statutory Programs (including increase of 3.05 FTEs in its CMEP) and a net 1.95 FTEs increase in Administrative Services. Total budgeted staffing is 56.90 FTEs, comprised of 44.00 FTEs for Statutory Programs and 12.90 FTEs for Administrative Services. Budgeted 2023 Administrative Services expenditures are \$7,199,675, an increase of \$440,744 (6.5%).²⁷

²⁷ NPCC budgets all Office Rent, Office Costs, Professional Services, and Miscellaneous Operating Expense as Indirect Expenses, rather than in the Statutory Program budgets, and allocates them to the Statutory Programs on the basis of the proportion of direct statutory FTEs in each program.

NPCC maintains an ASR to receive Penalty collections and to release funds from the ASR as appropriate to stabilize year-to-year fluctuations in assessments. NPCC collected \$470,080 in Penalties during the 12 months ended June 30, 2022, and proposes to place the \$470,080 into the ASR (resulting in a balance of \$836,885 at December 31, 2022), and to use \$300,000 from the ASR to reduce its 2023 assessment (resulting in a projected balance of \$536,885 in the ASR at December 31, 2023). Pursuant to §1107.4 of the NERC ROP, NERC and NPCC request that the Commission approve an exception to the requirement of ROP §1107.2 that Penalties collected during the 12 months ended June 30 be used to reduce assessments in the following year, to allow NPCC to implement the proposed ASR transactions.

NPCC's projected Reserves balance at December 31, 2023, is \$5,272,647 (\$1,618,568 for Operating Reserve, \$3,117,193 for Working Capital, and \$536,885 in the ASR). The Working Capital target is 16.05% of 2023 budgeted expenditures, within NPCC's Board-approved range of 8.33% to 25.00% of budgeted expenditures.²⁸ The Operating Reserve target is 8.33% of budgeted expenditures. NPCC's projected aggregate Reserves balance at December 31, 2022, is \$6,503,366 (Operating Reserve - \$1,455,370; Working Capital - \$4,211,112; ASR - \$836,855); thus, NPCC's 2023 assessment is reduced by an aggregate \$1,230,720 (including the proposed \$300,000 release from the ASR) to reach its desired Reserves at December 31, 2023.

To determine the assessments to recover NPCC's statutory funding requirement, compliance program costs are allocated among the Independent System Operators/BAAAs within NPCC in New York, New England, Ontario, Québec, New Brunswick and Nova Scotia. NPCC's allocation methodology for Regional Entity compliance program costs applies a rolling seven-year compliance cost average to total compliance program expenses for the current budget

²⁸ 8.33% approximates 30 days, and 25% approximates 90 days, of budgeted expenditures.

year to allocate compliance program costs among U.S. and Canadian BAAs. To develop this average, for each of the seven years, costs attributed to CORC Fundamentals are allocated between BAAs in the U.S. and Canada on a NEL basis. Audits and Investigations-related costs are allocated between U.S. and Canadian BAAs, and among the Canadian provinces, using an audit-based methodology which incorporates relative costs based on categories of compliance audits reflective of their size and complexity as well as the different compliance models used in NPCC due to its international nature. Mitigation and Enforcement-related costs are allocated between U.S. and Canadian BAAs and among Canadian provinces through an enforcement activity-based methodology that uses historical data on each BAA's percentage of violations, mitigation plans and settlement agreements. The resulting seven-year average allocation percentage of total combined compliance costs attributable to each BAA is then applied to total compliance program expenses for the current budget year to allocate current budget year costs among U.S. and Canadian BAAs. The portions of the costs allocated to the New York and New England BAAs are allocated between them based on NEL (as required by PP 40-41 of the *July 16, 2009 Budget Compliance Order*). Within the Canadian portion of NPCC, the costs attributable to compliance functions performed by NPCC on behalf of provincial governments or regulatory authorities are allocated consistent with the specific Memorandum of Understanding or Agreement with each province. Appropriate adjustments to the costs to be allocated are made for Penalty payments received by NPCC from U.S. registered entities (used solely to offset costs charged to U.S. BAAs). In addition, any NPCC sub-regional reliability assessment costs that will be incurred in response to U.S.-only regulatory initiatives will be considered for allocation to U.S.-only BAAs, consistent with §1102 of the NERC ROP. The discussion and table on pages 45-47 of **Attachment 4** explains these assessment methodologies and shows the development of

the 2023 assessments by BAA within NPCC to recover NPCC's statutory funding requirement.

3. ReliabilityFirst – Attachment 5

ReliabilityFirst has a statutory budget for 2023 of \$27,975,420, an increase of \$1,755,493 (6.7%) over its 2022 budget. ReliabilityFirst's proposed assessment for 2023 is \$24,620,339, an increase of \$1,172,395 (5.0%) over 2022, and reflects application of \$4,108,420 of Penalty collections during the 12 months ended June 30, 2022 and \$100,000 of other Income to reduce the assessment. ReliabilityFirst is budgeting an overall staffing increase of 2.00 FTEs, comprised of 1.00 additional FTE in its Reliability and Risk statutory program and 1.00 net additional FTE in Administrative Services. Total budgeted staffing is 91.0 FTEs, including 54.00 FTEs in the Reliability and Risk and CMEP programs. ReliabilityFirst's total budgeted 2023 Administrative Services expenditures are \$8,659,381, an increase of \$897,235.

ReliabilityFirst's projected Working Capital and Operating Reserve balance at December 31, 2023, approved by its Board, is \$10,627,323 (\$9,627,323 for Working Capital and Working Capital Reserve (WCR) and \$1,000,000 for Operating Reserve). ReliabilityFirst's projected Working Capital, WCR and Operating Reserve balance at December 31, 2022 (not including Penalty collections held for release) is \$9,872,297 (\$8,872,297 in Working Capital and WCR, and \$1,000,000 in Operating Reserve). As a result, the requested assessment for 2023 reflects a decrease of \$695,026 (in Working Capital and WCR, to meet the Board-approved target), which, along with application of Penalties collected in the 12 months ended June 30, 2021 (\$4,108,420) and other budgeted funding sources (\$100,000), and an adjustment to reserves of \$158,313 due to transactions recorded on the Statement of Financial Position that do not impact the Statement of Activities, produces a 2023 assessment of \$24,620,339.

4. SERC – Attachment 6

SERC's 2023 statutory budget is \$28,215,894, an increase of \$1,507,634 (5.6%) from its

2022 budget. The principal area of budget increase is in SERC's CMEP and Organization Registration and Certification program. SERC's proposed 2023 assessment of \$26,192,877 is an increase of \$1,393,943 (5.6%) from 2022, and reflects application of \$1,291,337 of Penalty collections and \$196,000 of other Income to reduce the assessments.

SERC's budgeted 2023 staffing for Statutory Programs and Corporate Services is 106 FTEs, an increase of 2.0 FTEs from 2022. The budgeted staffing increase of 2.00 FTEs is for the Analytics and Information Technology Corporate Services function; no changes to staffing for SERC's Statutory Programs are budgeted. SERC's budgeted 2023 expenditures for Corporate Services are \$13,258,746, an increase of \$1,120,060, due primarily to increased Personnel expense for the budgeted additional FTEs.

SERC proposes to (i) place the \$3,226,338 of Penalties collected in the 12 months ended June 30, 2022 into the SERC ASR, and (ii) release \$1,291,338 of Penalties from its ASR to offset SERC's 2023 assessment (leaving \$4,100,000 in the ASR at December 31, 2023, for future use to stabilize assessments). Pursuant to §1107.4 of the NERC ROP, NERC and SERC request Commission approval of the uses of Penalty collections described in the preceding sentence, as exceptions to the requirement in §1107.2 of the ROP that Penalties collected during the 12 months ended June 30 be used to reduce assessments in the following budget year. SERC's target WCR at December 31, 2023, is \$1,692,960 and its projected WCR at December 31, 2022, is \$2,228,640. Therefore, in addition to releasing \$1,291,338 of Penalty collections from the ASR as described above, and \$196,000 of other Funding sources, SERC proposes to decrease its 2023 assessment by \$535,680 to reach its target WCR at December 31, 2023.

5. Texas RE – Attachment 7

Texas RE's 2023 statutory budget is \$17,733,467, an increase of \$572,854 (3.3%) from its 2022 budget, with the principal area of increase being the CMEP. Texas RE's proposed 2023

assessment is \$17,155,278, an increase of \$2,151,913 (14.3%) from 2022, and reflects application of \$576,188 of Penalty collections in the 12 months ended June 30, 2022 to reduce assessments. Texas RE's budgeted 2023 staffing is 67.00 FTEs, an increase of 1.00 FTE from the 2022 budget, with one FTE budgeted to be added to the Information Technology Administrative Services function. Budgeted 2023 staffing for the Statutory Programs is 51.25 FTEs, including 41.75 FTEs in the CMEP, while budgeted 2023 staffing for Administrative Services is 15.75 FTEs. Texas RE's budgeted 2023 Administrative Services expenditures are \$8,266,443, an increase of \$563,506, due primarily to increased Office Rent and Utilities costs for a full year in larger office facilities to which Texas RE moved in 2022.

Texas RE's projected total reserve balance at December 31, 2023 is \$1,330,000 for Operating Reserve (a reduction for 2022 and 2023 from the Board-approved policy of a \$2,000,000 Operating Reserve), which is also the projected Operating Reserve balance at December 31, 2022. Texas RE proposes to use the \$576,188 of Penalties collected in the 12 months ended June 30, 2022 and \$2,000 of other Income to reduce the proposed 2023 assessment to \$17,155,278.

6. WECC – Attachment 8

WECC's 2023 statutory budget is \$31,812,283, an increase of \$2,065,385 (6.9%) from its 2022 budget, with the principal area of increase being the Training and Outreach program (\$1,637,709 increase from the 2022 budget), as WECC plans to place increased focus and resources on strategic engagement with external stakeholders on reliability issues. WECC's proposed 2023 statutory assessment is \$19,750,537, a decrease of \$5,249,463 (21.0%) from the 2022 assessment, due primarily to the proposed application of \$11,218,646 of Penalties collected in the 12 months ended June 30, 2022 to reduce assessments (as discussed below).

WECC's budgeted staffing for 2023 is 160.0 FTEs, an increase of 7.50 FTEs from its

2022 budget. Budgeted 2023 staffing includes 119.50 FTEs (net increase of 8.95 FTEs) in Statutory Programs and 40.50 FTEs (decrease of 1.45 FTE) in Corporate Services. Budgeted 2023 staffing includes an increase from 2.00 FTEs to 8.50 FTEs in Training and Outreach, including internal transfers from other programs. WECC's budgeted 2023 Corporate Services expenditures are \$11,248,513 (\$542,642 increase from its 2022 budget).

As described in detail in the NERC 2022 Business Plan and Budget filing and WECC's 2022 Business Plan and Budget, and in the Commission's order in Docket No. RR21-9-000 (¶¶21-23 and 25),²⁹ in December 2020, WECC entered into an agreement with Peak Reliability (Peak) in connection with Peak's termination of operations as Reliability Coordinator for the Western Interconnection and Peak's corporate dissolution, to receive a donation of \$4,127,000 from Peak's remaining funds to support WECC's reliability and security mission, subject to an agreement to hold back \$300,000 of the donation for five years to pay any bills that are rendered to Peak post-dissolution. The remaining amount of the donation, \$3,827,000 will be used for projects that are focused on the reliability and security of the Western Interconnection. This amount was recorded as a non-statutory liability in WECC's 2020 financial results and is held by WECC (less the amount approved for use in 2022, described below) in a Peak Reliability Donation Reserve (Peak Reserve). The Commission approved these arrangements, including the accounting and recording treatment, in ¶25 of its Order in Docket No. RR21-9-000. In its 2022 Business Plan and Budget, WECC requested approval to include two reliability- and security-related projects as projects to be funded (in the aggregate amount of \$400,000) from the Peak Reserve: (1) creation of a system planning data management system; and (2) improvements to

²⁹ *North American Electric Reliability Corp., Order Accepting 2022 Business Plans and Budgets*, 177 FERC ¶ 61,078 (Nov. 2, 2021).

the Multi-Area Variable Resource Integration Convolution resource adequacy assessment tool or procurement of an off-the-shelf probabilistic resource adequacy tool.

For 2023, as further described in WECC's 2023 Business Plan and Budget (**Attachment 8**), WECC identified two projects to fund using the Peak Reserve: (1) the second stage of the data management system development (further development of the first 2022 project described above); and (2) acquisition of PLEXOS software, an energy management simulation platform, to provide in-depth analytics and modeling support for reliability planning activities. These projects were selected after extensive review and interaction with management, relevant committees, and other stakeholders. WECC believes the two projects are consistent with and will support WECC's reliability and security mission in the Western Interconnection. WECC proposes to use \$595,000 from the Peak Reserve in 2023 to fund these projects, comprised of \$400,000 for the data management system development and \$195,000 for the PLEXOS software. This will leave a balance of \$2,832,394 in the Peak Reserve to fund future projects. Accordingly, NERC and WECC request Commission approval for WECC to use up to \$595,000 from the Peak Reliability Donation Reserve in 2023 to fund the two projects described above.

WECC's projected Working Capital Reserve (WCR) balance at December 31, 2022, and its target WCR at December 31, 2023, are both \$10,216,376, based on a Board-approved WCR balance of one to three months of Personnel, Meeting, and Operating expenses. In the 12 months ended June 30, 2022, WECC received Penalty collections totaling \$19,918,646. WECC proposes to use \$11,218,646 of this amount in 2023 to reduce its assessment, with the remaining \$8,700,000 to be used to reduce assessments in 2024. Pursuant to §1107.4 of the NERC ROP, NERC and WECC request Commission approval of an exception to NERC ROP §1107.2 to use \$11,218,646 of the Penalty collections in the 12 months ended June 30, 2022 to reduce WECC's

2023 assessment, and to hold the remaining \$8,700,000 of the Penalty collections to be used to reduce assessments in 2024. The release of \$595,000 from the Peak Donation reserve in 2023 (as described above), the use of \$11,218,646 of Penalties collected from July 1, 2021, to June 30, 2022, and the use of \$248,100 from other funding sources, to reduce assessments, results in a proposed 2023 assessment for WECC of \$19,750,537.

WECC's allocation of its 2023 assessment to the AESO for Alberta has been reduced by \$1,148,561, representing WECC compliance costs (including allocated Indirect Costs and Fixed Asset spending) considered duplicative of the AESO's compliance and enforcement programs. The AESO credit amount is allocated to the remainder of the LSEs (Balancing Authorities or designees) in the WECC region based on NEL. Appendix C to WECC's 2023 Business Plan and Budget (**Attachment 8**) shows calculation of the adjustment to the AESO assessment.³⁰

VI. WIRAB FUNDING REQUEST

In its Order issued July 20, 2006, in Docket No. RR06-02-000, the Commission concluded that reasonable costs incurred by WIRAB for activities under §215(j) of the FPA can be funded through the ERO funding process.³¹ As specified in P 35 of the *WIRAB Order*, WIRAB submitted to NERC a proposed 2023 Business Plan and Budget for §215(j) activities (**Attachment 9**). NERC has reviewed WIRAB's submission and believes it complies with P 35 of the *WIRAB Order*.

WIRAB's 2023 budget for expenses is \$883,520, a \$35,380 (3.9%) decrease from its 2022 budget. WIRAB's budgeted staffing for 2023 is 3.00 FTEs, the same as 2022. WIRAB's budgeted 2023 Personnel Expenses are increased by 2.5% from the 2022 budget. WIRAB's

³⁰ The adjustment to the WECC assessment to the AESO is provided for in a memorandum of understanding entered into effective July 15, 2010 among NERC, WECC and the AESO.

³¹ *Order on Petition to Establish a Regional Advisory Body for the Western Interconnection*, Docket No. RR06-2-000, 116 FERC ¶61,061 (2006) (*WIRAB Order*), PP 33-37.

budget includes \$100,000 for Consultants & Contracts expense, the same amount as its 2019 through 2022 budgets, to provide technical expertise to WIRAB related to improved grid operating practices, Reliability Standards and compliance, and support WIRAB in providing technically sound advice to WECC, NERC and the Commission under FPA §215(j). WIRAB's proposed statutory assessment for 2023 is \$681,920, a decrease of \$16,780 (2.4%) from 2022. The assessment reflects a target Working Capital Reserve (WCR) at December 31, 2023 of \$583,100, as compared to a projected WCR at December 31, 2022 of \$783,700. The reduction in the target WCR plus \$1,000 of other funding results in the proposed 2023 assessment of \$681,920, which is allocated \$571,006 (83.7%) to the U.S. portion, \$98,679 (14.5%) to the Canadian portion, and \$12,234 (1.8%) to the Mexican portion of the Western Interconnection.

VII. METRICS RELATED TO NERC AND REGIONAL ENTITY BUDGETS

Consistent with NERC's February 18, 2015 *Request to Revise Certain "Metrics" Filing Components for its Annual Business Plan and Budget Filings and its Annual Actual Cost-to-Budget True-Up Filings* in Docket No. RR15-6-000, and the Commission's June 15, 2015, letter order approving NERC's request, NERC is providing the metrics information listed below in **Attachment 14** and **Attachment 15** to this filing.

Attachment 14 provides the following information relating to the Regional Entities' operations based on their 2023 Business Plans and Budgets:

1. Numbers of registered entities
2. Numbers of registered functions
3. Total NEL (GWh)
4. NEL (GWh) per registered entity
5. Total ERO Funding (sum of assessments plus Penalty sanctions collections)
6. ERO Funding per registered entity
7. ERO Funding per registered function
8. Total Budget (sum of Total Expenses plus increase/decrease in Fixed Assets)

9. Total Budget per registered entity
10. Total Budget per registered function
11. Total Statutory FTEs (FTEs are based on working 2,080 hours per year)
12. Registered entities per Statutory FTE
13. Registered functions per Statutory FTE
14. Total Compliance Budget (sum of Direct Expenses, Indirect Expenses allocated to the Compliance Program, and Capital Expenditures)
15. Compliance budget per registered entity
16. Compliance budget per registered function
17. Total Compliance FTEs
18. Registered entities per Compliance FTE
19. Registered functions per Compliance FTE

In addition, **Attachment 14** provides the following metrics and graphics based on the Regional Entities' 2023 Business Plans and Budgets:

20. Compliance Budget per Number of Registered Functions and per Number of Registered Entities
21. Number of Registered Functions per Registered Entity
22. Compliance Program Budget as a Function of Number of Registered Entities and Number of Registered Functions
23. Number of Registered Entities per Compliance Program FTE and Number of Registered Functions per Compliance Program FTE
24. Comparisons of Number of Registered Entities per Compliance program FTE and Number of Registered Functions per Compliance Program FTE for the current year (2022) and the budget year (2023)

Attachment 15 provides the following metrics on the budgeted Administrative Services costs of NERC and each Regional Entity, based on their budgets for 2022 and 2023:

1. Statutory Indirect (Administrative) Budget as a Percentage of Total Statutory Budget, for 2022 and 2023
2. Ratio of Statutory Direct Budget to Statutory Indirect Budget, for 2022 and 2023
3. Statutory Indirect FTEs as a Percentage of Total Statutory FTEs, for 2022 and 2023
4. Number of Direct Statutory FTEs per Indirect FTE, for 2022 and 2023

VIII. CONCLUSION

Based on the information in this filing, NERC requests that the Commission issue an order pursuant to 18 C.F.R. §39.4, by November 2, 2022: (1) accepting NERC's proposed 2023 Business Plan and Budget in **Attachment 2**; (2) accepting the proposed 2023 Business Plans and Budgets of the six Regional Entities for statutory activities in **Attachments 3 through 8** (including, (i) pursuant to §1107.4 of the NERC ROP, the application of Penalty collections proposed by NERC, MRO, NPCC, SERC, and WECC for assessment stabilization purposes, as described in §IV.B, V.B.1, V.B.2, V.B.4 and V.B.6 above, as exceptions to NERC ROP §1107.2); and (ii) WECC's proposed use of funds from the Peak Reliability Donation Reserve in 2023 as described in §V.B.6 above); (3) accepting the proposed budget and funding requirement of WIRAB for 2023 in **Attachment 9**; and (4) approving the proposed assessments to each load-serving entity or designee or other entities to be billed within each Region, as set forth in Appendix 2 to **Attachment 2**, to be billed to and paid by each such LSE or designee or other entity to fund the portion of NERC's 2023 Funding requirement allocated to the United States and the 2023 Funding requirement for statutory activities of each Regional Entity and WIRAB allocated to the United States.

James B. Robb
President and Chief Executive Officer
Andrew G. Sharp, Vice President and
Chief Financial Officer
North American Electric Reliability
Corporation
3353 Peachtree Road
Suite 600, North Tower
Atlanta, GA 30326

Respectfully submitted,

Nina H. Jenkins-Johnston
Assistant General Counsel
North American Electric Reliability Corporation
3353 Peachtree Road
Suite 600, North Tower
Atlanta, GA 30326
(404) 446-9650
nina.johnston@nerc.net

/s/ Owen E. MacBride
Owen E. MacBride
ArentFox Schiff LLP
233 South Wacker Drive, Suite 7100
Chicago IL 60606
(312) 258-5680
owen.macbride@afslaw.com

DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 1

SUMMARY TABLES FOR NERC AND REGIONAL ENTITY

PROPOSED 2023 BUDGETS AND ASSESSMENTS

NERC Proposed Budget by Program

NERC Program	2022 Budget for Statutory Functions*	2023 Budget for Statutory Functions
Reliability Standards and Power Risk Issue Strategic Management	\$ 9,541,634	\$ 10,349,112
Compliance Assurance and Organization Registration and Certification	12,685,223	13,992,714
Compliance Enforcement	7,014,497	7,275,796
Reliability Assessment and Performance Analysis	14,922,693	18,154,510
Situation Awareness	5,118,788	6,010,996
Event Analysis	3,819,053	4,107,435
E-ISAC (including CRISP)	32,847,405	38,026,141
Personnel Certification and Credential Maintenance	1,843,435	1,961,763
Training and Education	1,035,557	1,123,146
Total Budget	\$ 88,828,284	\$ 101,001,613

Proposed Budget for Statutory Activities of NERC, Each Regional Entity, and WIRAB

	2022 Budget for Statutory Functions*	2023 Budget for Statutory Functions
NERC	\$ 88,828,284	\$ 101,001,613
MRO	20,034,361	23,082,469
NPCC	17,465,133	19,423,594
ReliabilityFirst	26,219,927	27,975,420
SERC	26,708,260	28,215,895
Texas RE	17,160,613	17,733,467
WECC	29,746,899	31,812,283
WIRAB	918,900	883,520
Total Budget	\$ 227,082,377	\$ 250,128,261

**NERC 2022 budget includes amendment for Atlanta office lease costs (funded by reserves)*

Proposed Assessments for Statutory Activities of NERC, Each Regional Entity, and WIRAB

	Assessments for		Assessments for		Allocation to U.S.	
	Statutory	Allocation to	Statutory	Allocation to	2023 Budget v	% Over
	Functions 2022	U.S. 2022	Functions 2023	U.S. 2023	2022 Budget	(Under)
					Over (Under)	(Under)
NERC	\$ 78,387,280	\$ 70,691,258	\$ 87,074,681	\$ 78,211,559	\$ 7,520,301	10.64%
Regional Entities	\$ 121,994,971	\$ 110,019,127	\$ 126,366,343	\$ 113,009,670	\$ 2,990,544	2.72%
MRO	17,832,414	15,937,255	20,507,276	18,324,279		
NPCC	15,912,313	9,624,477	18,140,037	10,969,706		
ReliabilityFirst	23,447,945	23,447,945	24,620,339	24,620,339		
SERC	24,798,934	24,798,934	26,192,876	26,192,877		
Texas RE	15,003,365	15,003,365	17,155,278	17,155,278		
WECC	25,000,000	21,207,151	19,750,537	15,747,191		
WIRAB	\$ 698,700	\$ 586,773	\$ 681,920	\$ 571,006	\$ (15,767)	-2.69%
Total Budget	\$ 201,080,951	\$ 181,297,158	\$ 214,122,944	\$ 191,792,236	\$ 10,495,078	5.79%

DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 2

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

PROPOSED 2023 BUSINESS PLAN AND BUDGET

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2023 Business Plan and Budget

Final

August 10, 2022

RELIABILITY | RESILIENCE | SECURITY



**3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com**

Table of Contents

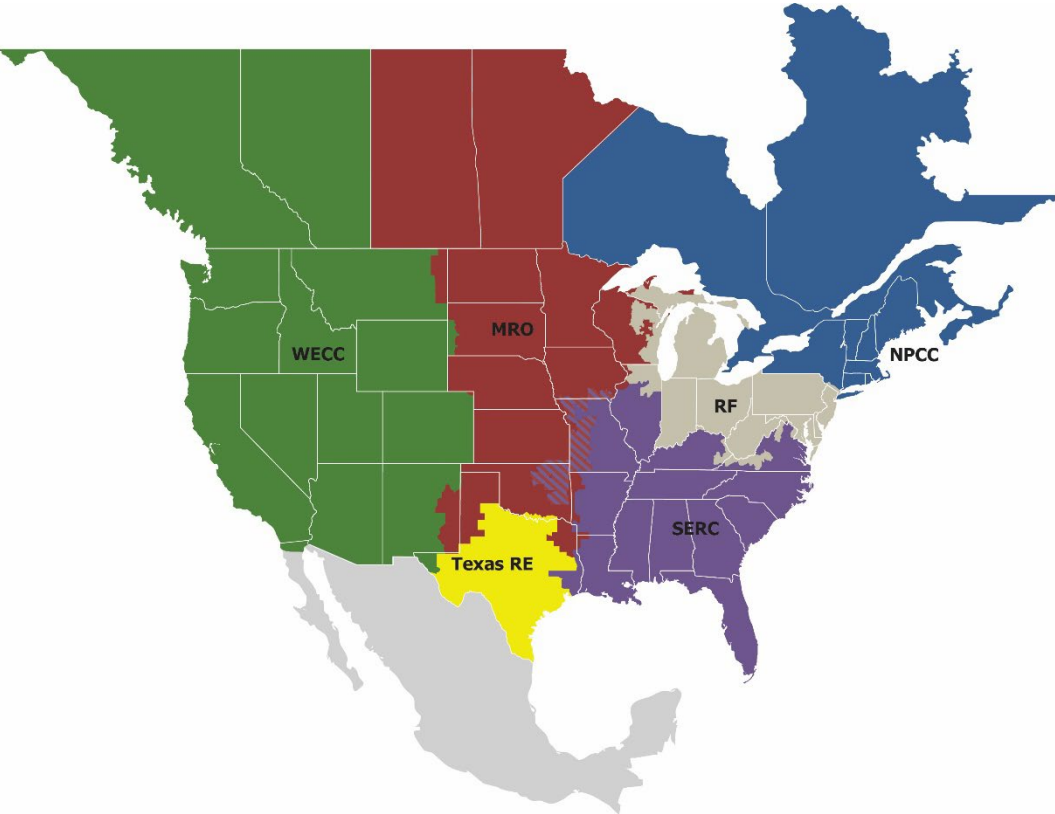
Preface	iii
About NERC.....	iv
Introduction and Executive Summary.....	1
Section A – 2023 Business Plan and Budget Program Area and Department Detail	15
Reliability Standards and Power Risk Issue Strategic Management.....	15
Compliance Assurance and Organization Registration and Certification.....	18
Reliability Assessments and Performance Analysis	24
Situation Awareness	28
Event Analysis	31
Electricity Information Sharing and Analysis Center	34
Personnel Certification and Credential Maintenance	40
Training and Education	43
Administrative Programs	46
Section B – Supplemental Financial Information	51
Table B-1 – Total Reserve Analysis	51
Table B-2 – Penalties.....	52
Table B-3 – Outside Funding.....	53
Table B-4 – Personnel	54
Table B-5 – Meetings & Travel.....	54
Table B-6 – Contractors & Consultants.....	54
Table B-7 – Rent.....	56
Table B-8 – Office Costs	56
Table B-9 – Professional Services	57
Table B-10 – Miscellaneous	57
Table B-11 – Other Non-Operating Expenses.....	57
Table B-12 – Fixed Assets.....	57
Table B-13 – 2024 and 2025 Projections	58
Section C – Non-Statutory Activity.....	60
Section D – Consolidated Statement of Activities by Program.....	61
Exhibit A – Application of NERC Section 215 Criteria	62
Exhibit B – Capital Financing	81
Appendix 1 – NERC Staff Organization Chart.....	82

Preface

Electricity is a key component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the six Regional Entities, is a highly reliable and secure North American bulk power system (BPS). Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

Reliability | Resilience | Security
Because nearly 400 million citizens in North America are counting on us

The North American BPS is divided into six Regional Entity boundaries as shown in the map and corresponding table below. The multicolored area denotes overlap as some load-serving entities participate in one Region while associated Transmission Owners/Operators participate in another.



MRO	Midwest Reliability Organization
NPCC	Northeast Power Coordinating Council
RF	ReliabilityFirst
SERC	SERC Reliability Corporation
Texas RE	Texas Reliability Entity
WECC	Western Electricity Coordinating Council

About NERC

Overview

The North American Electric Reliability Corporation (NERC) is a not-for-profit entity organized under the New Jersey Nonprofit Corporation Act. NERC's area of responsibility spans the continental U.S. and portions of Canada and Mexico. Entities under NERC's jurisdiction are the users, owners, and operators of the bulk power system (BPS)¹—a system that serves the needs of nearly 400 million people.

Electric Reliability Organization

The Federal Energy Regulatory Commission (FERC) certified and has oversight of NERC as the Electric Reliability Organization (ERO) within the United States to establish and enforce NERC Reliability Standards for the U.S. portion of the BPS, pursuant to Section 215 of the Federal Power Act (FPA). As of June 18, 2007, FERC granted NERC the legal authority to enforce Reliability Standards with all U.S. users, owners, and operators of the BPS and made compliance with those standards mandatory and enforceable. Section 215 also requires that the organization certified by FERC as the ERO seek recognition with relevant authorities in Canada and Mexico. In 2005, the U.S. Department of Energy (DOE) and Canadian federal and provincial governments agreed to bilateral principles for a consistent, continent-wide reliability regulatory framework under a non-governmental institution (the ERO) designed to function on an international basis. To date, NERC has memoranda of understandings (MOUs) with eight Canadian provinces² and the Canada Energy Regulator in furtherance of this framework. NERC works with the Mexican regulator, *Comisión Reguladora de Energía* (CRE), and the Mexican system and market operator, *CENACE*, under a MOU signed in 2017 to ensure consistency with the framework in Canada and the United States.

Membership and Governance

A 12-member Board of Trustees (Board), comprised of 11 independent trustees and NERC's president and chief executive officer serving as the management trustee, governs NERC. The Board has formed several committees to facilitate oversight of the organization in the areas of finance and audit, corporate governance and human resources, compliance, technology and security, nominations, and enterprise-wide risk.

Membership in NERC is open to any person or entity that has an interest in the reliability of the North American BPS. Membership is voluntary and affords participants the opportunity to engage in the governance of the organization, including through election to the Member Representatives Committee (MRC).³ NERC, its members, and each applicable BPS owner, operator, and user must comply with the NERC [Rules of Procedure](#) (ROP).

¹ Standards, compliance, and enforcement activities focus on the [Bulk Electric System \(BES\)](#), comprised of certain BPS facilities.

² British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, and Nova Scotia

³ The [MRC](#) comprises voting representatives elected from the 12 membership sectors. The MRC elects the independent trustees and, along with the Board, votes on amendments to the bylaws. The MRC also provides policy advice and recommendations to the Board on behalf of stakeholders with respect to annual budgets, business plans, and other matters pertinent to the purpose and operation of the organization.

Scope of Oversight

As the international, multijurisdictional ERO in North America, NERC:

- Proposes, supports the development of, monitors compliance with, and enforces mandatory Reliability Standards for the North American BES, subject to regulatory oversight and approvals from FERC in the United States and applicable authorities in Canada
- Conducts near-term and long-term reliability assessments of the North American BPS
- Certifies BPS operators as having the knowledge and skills to perform reliability responsibilities
- Maintains situational awareness of events and conditions that may threaten BPS reliability
- Coordinates efforts to improve physical and cyber security for the BPS of North America
- Conducts detailed analyses and investigations of system disturbances and events as well as measures ongoing trends to determine root causes, uncover lessons learned, and issue findings as recommendations, guidelines, and actions to mitigate and control risks to reliability
- Identifies and prioritizes risks to reliability and uses a broad toolkit to mitigate and control risks to reliability, including the potential need for new or modified Reliability Standards, improved compliance monitoring and enforcement methods, or other initiatives

Delegated Authorities

In executing its responsibility, NERC delegates certain authorities to the Regional Entities to perform aspects of the ERO functions described through delegation agreements. FERC has approved delegation agreements between NERC and the six Regional Entities. These agreements describe the authorities delegated and responsibilities assigned to the Regional Entities in the United States to address, among other things: (1) developing regional Reliability Standards; (2) monitoring compliance with and enforcement of Reliability Standards (both North American-wide and regional); (3) registering owners, operators, and users of the BES and certifying reliability entities (Reliability Coordinators [RCs], Balancing Authorities [BAs], and Transmission Operators [TOPs]); (4) assessing reliability and analyzing performance; (5) training and education; (6) event analysis and reliability improvement; and (7) situation awareness and infrastructure security. NERC expects Regional Entities whose territories and geographic footprints extend into Canadian provinces and Mexico to perform equivalent functions in those jurisdictions.

Statutory and Regulatory Background

NERC's authority as the ERO in the United States is based on FPA Section 215, as added by the Energy Policy Act of 2005,⁴ and FERC's regulations and orders pursuant to Section 215. In Canada, NERC's authorities are established by MOUs and regulations previously mentioned. In this Business Plan and Budget (BP&B), *Exhibit A – Application of NERC Section 215 Criteria* summarizes the major activities NERC proposes to undertake in 2023 and the approved FPA Section 215 criteria applicable to such activities.⁵

Funding

FPA Section 215 and FERC's regulations specify procedures for NERC's funding in the United States. NERC's annual BP&B is subject to FERC approval and, once approved, NERC's annual funding is provided primarily through assessments to load-serving entities. These assessments are allocated on a net-energy-for-load (NEL) basis. Equivalent funding mechanisms are provided in Canada, subject to the specific laws and regulations of each province. Regional Entity funding requirements are addressed separately in their respective BP&Bs, which must be reviewed and approved by NERC and FERC.

⁴ Section 215 of the FPA, 16 United States C. 824o.

⁵ North American Electric Reliability Corporation, Order on Compliance, 143 FERC ¶ 61,052 (2013).

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American BPS. Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations have been established, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work
- Collaborate to develop clear and consistent guidance across the ERO Enterprise
- Share information, knowledge, and resources across the ERO Enterprise
- Develop and share harmonized messages across ERO Enterprise communications
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise

Building upon these commitments, the ERO Enterprise is guided by the value drivers shown in the graphic below and engages in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



ERO Enterprise Strategic and Operational Planning

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regions, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the Board on December 12, 2019, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial [ERO Reliability Risk Priorities Report](#)
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability
4. Strengthen engagement across the reliability and security ecosystem in North America
5. Capture effectiveness, efficiency, and continuous improvement opportunities

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each BP&B may reference how activities support each of the strategic focus areas.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.⁶

⁶ The [2022 ERO Work Plan Priorities](#) were approved by the Board in November 2021. NERC management and the Board evaluate annual work plan priorities throughout the year.

Introduction and Executive Summary

TOTAL RESOURCES (in whole dollars)				
	2023 Budget	U.S.	Canada	Mexico
Statutory FTEs	236.88			
Non-statutory FTEs	-			
Total FTEs	236.88			
Statutory Expenses	\$ 97,568,689			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 97,568,689			
Statutory Fixed Asset Additions	\$ 6,224,000			
Non-Statutory Fixed Asset Additions	\$ -			
Total Fixed Asset Additions	\$ 6,224,000			
Statutory Funding(Use) of Reserves	\$ (1,179,488)			
Non-Statutory Funding of Reserves	\$ -			
Total Change in Working Capital	\$ (1,179,488)			
Net Proceeds from Financing Activities	\$ (2,791,076)			
Total Statutory Funding Requirement	\$ 99,822,125			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 99,822,125			
	TOTAL	US	CANADA	MEXICO
Statutory Funding Assessments	\$ 87,074,681	\$ 78,211,560	\$ 8,556,859	\$ 306,262
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL	4,557,293,470	4,019,501,865	522,250,671	15,540,934
NEL%	100.00%	88.20%	11.46%	0.34%

2023–2025 Business Plan and Budget Assumptions

2023–2025 Business Planning Overview

From compromised supply chains to several cyber breaches to cold and record heat weather-related events, there has been an alarming increase in reliability, resilience, and security risks to the bulk power system (BPS). In support of the Electric Reliability Organizations (ERO) Enterprise’s mission to assure the effective and efficient reduction of risks to the reliability and security of the grid, and with consideration to the extraordinary costs to nearly 400 million North American citizens if responsive and preventive measures are not taken to address these risks, NERC created a three-year business plan that is proactive in our approach, focusing on investments where the ERO can most influence change.

In the last quarter of 2021, NERC leadership and the Board of Trustees (Board) came together to examine industry dynamics, conduct a strengths, weaknesses, opportunities, and threats (SWOT) analysis, and align on strategic priorities and focus areas. Through the first half of 2022, NERC leadership and the Board conducted extensive outreach with industry stakeholders to share and gain feedback on the 2023–2025 areas of focus. In parallel, NERC leadership developed budget assumptions to support the three-year plan, which were shared in detail with the Board and discussed with key stakeholders, including the Member Representatives Committee (MRC) Business Plan and Budget (BP&B) Input Group, the Electricity Information Sharing and Analysis Center’s (E-ISAC’s) Member Executive Committee (MEC), and industry trades and forum representatives.

NERC’s proposed business plan for 2023–2025 does the following:

- Ensures NERC has the resources to address two critical emerging risks to BPS reliability, resilience, and security while leveraging the work of key partners:
 1. Evolving energy availability concerns as the resource mix changes and climatic conditions become more extreme
 2. Heightened cyber security risks driven by supply chain vulnerabilities occurring at an unprecedented rate
- Retools NERC’s approach to mitigating risk through a more nimble, standard setting process that honors the important role of stakeholders in Reliability Standards development
- Invests in NERC’s own infrastructure to reduce enterprise and cyber risks related to business activities and systems and create a more sustainable organization

The business plan does not:

- Duplicate the work of other partners, but rather leverages their expertise
- Anticipate any change to the regulatory framework around natural gas reliability and security
- Address new, evolving risks in technical areas NERC has not engaged in the past (e.g., 6 GHz communications)
- Staff a proprietary outreach program, but rather guides, leverages, and relies on the Regional Entities to lead relationships with key state and provincial authorities
- Assume all technical and regulatory activities “in house;” rather, NERC will continue to leverage the total reliability ecosystem, including stakeholder subject matter expert resources through the technical committees and standards development processes

The business plan’s value proposition:

- Provides the framework and plans for NERC and the industry to get ahead of key grid transformation risks by defining key performance outcomes
- Is responsive to key needs of the security role envisioned for the E-ISAC expressed by industry through the MEC and government partners, including the Department of Energy (DOE) and its Office of Cybersecurity, Energy Security, and Emergency Response (CESER)
- Leverages technology and expertise to drive more comprehensive analytics around reliability assessments (i.e., more complete assessments of energy availability) and key institutional risks (e.g., improving the cyber security posture of NERC’s own systems and applications)
- Creates the capacity for better analytics and focus to manage and improve the productivity of NERC’s back-office systems while reducing risk of human error due to current manual processes
- Continues a strong focus on driving efficiency while assuring effectiveness of ERO programs while embedding risk-informed thinking into programs and processes

The business plan is centered on four priority areas of focus:

- **Energy:** Tackle the challenge of grid transformation and climate change-driven, extreme weather
- **Security:** Move the needle by focusing on supply chain, Information Technology (IT) and Operational Technology (OT) system monitoring, cyber design, and evolution of the Critical Infrastructure Protection (CIP) Standards
- **Agility:** Tool the company to be more nimble in key areas, particularly standards development and internal operational processes, re-visit the 2013 Federal Energy Regulatory Commission (FERC) settlement agreement,⁷ and explore alternate funding mechanisms
- **Sustainability:** Invest in ERO systematic controls, eliminate single points of failure, strengthen succession planning, and ensure robust cyber security protections for all systems

Historical Budget and Assessment Overview

As reflected in the table below, NERC has managed growth of additional projects, capabilities, and responsibilities in a fiscally sensible manner. Over the 10-year period of 2013–2022, NERC’s average annual budget and assessment increase was 5.7%. During this period, NERC added the Cybersecurity Risk Information Sharing Program (CRISP), significantly expanded E-ISAC programs, improved the analytics behind routine reliability assessments, and implemented Align and the ERO Secure Evidence Locker (SEL) for the ERO Enterprise Compliance Monitoring and Enforcement Program (CMEP). This growth in budget masked multiple underlying productivity gains as programs matured, such as the reduction of personnel dedicated to enforcement processing and the elimination of NERC’s proprietary investigations team.

	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019 ⁽²⁾	2020	2021	2022 ⁽³⁾	Avg Annual
NERC Total Budget (millions)	\$54.3	\$56.4	\$66.7	\$67.2	\$69.6	\$73.1	\$79.9	\$82.7	\$82.9	\$88.8	
<i>Annual Increase %</i>		3.9%	18.3%	0.7%	3.6%	5.0%	9.3%	3.5%	0.2%	7.1%	5.7%
NERC Assessment (millions)	\$47.6	\$51.4	\$55.3	\$57.1	\$59.9	\$62.9	\$68.9	\$72.0	\$72.0	\$78.4	
<i>Annual Increase %</i>		8.0%	7.6%	3.3%	4.9%	5.0%	9.5%	4.5%	0.0%	8.9%	5.7%

⁽¹⁾ 2015 Budget increase includes addition of CRISP program (\$9 million)

⁽²⁾ Budgets in 2019 and prior years do not include net financing activity

⁽³⁾ 2022 Budget, as amended for Atlanta office transition costs

⁷ North American Electric Reliability Corporation, Order Approving Settlement Agreement, 142 FERC ¶ 61,042 (2013).

The table reveals some higher historic volatility in budget increases versus assessment increases, particularly in 2015 when NERC added CRISP. However, a large portion of the CRISP cost is funded by CRISP participants and, therefore, did not have a significant impact on assessments. The 2019 budget and assessment increases reflect a spike over historical norms primarily due to increased people and technology resources associated with the *E-ISAC Long-Term Strategic Plan* implementation. The 2021 budget and assessment had no increase, due to the temporary deferral of costs and projects to provide industry relief due to the financial uncertainty associated with the COVID-19 pandemic.

Additionally, over the past 10-years, NERC's average annual increase in full-time equivalents (FTEs) was just over 2.0%. The growth was entirely in the E-ISAC and CRISP, IT, and reliability assessments, analysis, and analytics program areas. The rest of NERC actually saw a decrease in FTEs, which is largely due to efforts to improve efficiency. Examples of these efforts include:

- **Optimization across the ERO Enterprise**
 - Align/SEL implementation to consolidate all ERO Enterprise CMEP activities onto a common, highly secure platform and dramatically increase the security of how registered entity evidence is handled
 - Creation of functional collaboration groups between the Regional Entities and NERC, using the expertise inside the ERO Enterprise
 - Leveraging ERO Enterprise technical innovation and cybersecurity collaboration, including the creation of a collaboration group of NERC and Regional Entity IT professionals charged with creating synthetic scale across the ERO Enterprise to share scarce cyber expertise, develop common tools where possible, and drive effective and timely mitigation to cyber risks
- **Leveraging industry partnerships**
 - Relied on partnerships with the Electric Power Research Institute (EPRI), Institute of Electrical and Electronics Engineers (IEEE), and the Power Systems Engineering Research Center (PSERC) to address BPS risks, such as resource availability, photovoltaic modeling, distributed energy resources (DER) and inverter-based resource interconnection standards
 - Collaborated with the North American Transmission Forum (NATF) and the North American Generator Forum (NAGF) on topics such as facility ratings, pandemic guidance, and supply chain, and with the National Association of Regulatory Utility Commissioners (NARUC) on the interconnection of inverter-based resources
 - Continued working closely with our government partners, including the DOE and Department of Homeland Security on cyber and physical security, energy analysis, and critical infrastructure interdependencies, and the ongoing work related to the current Russian invasion of Ukraine
- **Reimagining work**
 - Established round-the-clock E-ISAC Watch Operations
 - Transformed our workforce, changing where and how work is done
- **Improving processes with technology**
 - Launched new analysis platforms, including the E-ISAC Portal and tools, the Risk Registry, and the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) tool
 - Implemented back-office improvements to payroll, budgeting, performance management, and expense automation systems, and added cloud-based computing

- **Eliminating work / redeploying resources**
 - In addition to leveraging partnerships, eliminated some efforts and reallocated resources (e.g., human performance conference, standards and compliance workshop)
 - Formed a Reliability and Security Technical Committee (RSTC), which consolidated three committees and their subcommittees, reducing the number of face-to-face meetings and freeing NERC staff to focus on priority risks
 - Eliminated NERC’s Investigations department, instead relying on the expertise found in the Regional Entities
- **Facilities contracts**
 - Achieved Washington, D.C., and Atlanta facility lease savings

2023–2025 Key Budget Assumptions

With the proposed 2023–2025 business plan developed to achieve goals associated with the four areas of focus, NERC is proposing a higher than historical average budget and assessment increase over this time period to deal with a series of new and emerging risks that drive fundamental change in how the grid will need to be planned and operated (the intersection of extreme, and not necessarily rare, weather and grid transformation) and a step change in the severity of the cyber (and physical) security landscape. However, the financial plan assumes financing a portion of the capital technology investments and the use of reserves to smooth the assessment impact of the budget increases.

Technology Strategy

The Technology Strategy is a multi-year plan intended to show how the valuable NERC resources (time, talent, and dollars) will support the mission of the ERO Enterprise. The plan is flexible should the need arise to push projects out to subsequent years or should other technology resource impacting events occur (e.g., supply chain compromise), causing a need to rapidly shift attention to other areas. The plan addresses ever-emerging cyber security risks, enables agile business processes, mitigates ERO Enterprise and corporate risks, and delivers long-term benefits across the program areas. This plan aligns with the four priority areas of focus, and adheres to the following for investment justification:

- **Flexible:** Responsive to emerging issues (e.g., cyber) by shifting investments and priorities
- **Measurable:** Large investments are vetted through the IT Investment Review Policy and Procedure for justification and expected benefits
- **Business-unit driven:** Investments are mapped to the NERC program areas and support primary mission objectives
- **Aligned to key business drivers:** Each investment is linked to a key set of business drivers that align with the ERO Enterprise value drivers (see page vi above)

Priority Focus Area	Key Technology Investments
Energy	<ul style="list-style-type: none"> Enhancements to existing systems with a focus on BPS reliability, data analytics, and cyber security: Centralized Organization Registration ERO System (CORES), Generator Availability Data System (GADS), Transmission Availability Data System (TADS), Reliability Assessment Data System (RADS), The Event Analysis Management System (TEAMS), and SAFNR New capabilities and FERC mandates, such as GADS Solar
Security	<ul style="list-style-type: none"> Security reviews of legacy applications, with decisions on retirement or replacement as applications age and more secure technologies evolve Cyber security capabilities for NERC, the ERO Enterprise, the E-ISAC, and CRISP Identity Access Management (IAM) and Privileged Access Management (PAM) technology, Data Loss Prevention (DLP), and procedural controls Mobile Device Management for protection of email and other applications
Agility	<ul style="list-style-type: none"> Efficiencies in the Internal Audit and Corporate Risk Management areas using currently licensed software, extending the reach of current platform investments Expansion of specialized infrastructure, including collaboration technologies (e.g., Microsoft Teams, WebEx, audio/visual (A/V) equipment) to extend and support ERO Enterprise collaboration and strategic workforce development
Sustainability	<ul style="list-style-type: none"> Enhancing disaster recovery capability to mitigate ransomware attacks and payments Expansion and modernization to cloud-based human resources and finance systems to ensure adherence to best practices, support internal audit controls, and further the benefits of the NERC 2.0 Connected Workforce model Modernization and support of core IT infrastructure to keep abreast of evolving security features and reduce support costs that come with aging systems Support of the CMEP with continued evolution of Align, ERO SEL, CORES, and NERC Membership systems and applications Expansion of existing core service agreements and desktop infrastructure (e.g., Microsoft service agreements, laptops, cell phones, etc.) to support the increase in NERC staff, contractors, and expansion of secure remote work capabilities

The incremental technology investments referenced above span across NERC’s Statutory Program and Administrative Program departments (including IT itself) and are intended to support and further the activities necessary for the four areas of focus. The associated expenses are reflected in several cost categories of NERC’s budget, primarily capitalized software (fixed assets), software licenses and support (budgeted in Office Costs), and contractors and consultants. The resulting total NERC business technology spend, exclusive of FTEs, is expected to increase from approximately \$14M in 2022 to \$25M in 2025. This projected level of spend was developed “bottom up” but also aligns with spending benchmarks obtained from Gartner Group for companies of NERC’s size with comparable activities.

People Strategy

NERC is a knowledge-based organization. As the challenges to the reliability and security of the BPS evolve at the same time as the competition for talent increases, NERC's ability to retain, engage, and attract top talent is critical. In support of the 2023–2025 business plan, the following high-level workforce planning process was conducted:

- Identified the skills needed to support the four areas of focus
- Considered existing staff skillsets and succession planning
- Identified gaps between current and needed skills, as well as where there were single threaded positions, and how to further optimize current resources
- Created a plan to fill these gaps using the following strategies:
 - Build – Develop current staff in the time frames needed
 - Borrow – Use contractors and consultants
 - Buy – Identify future FTE requests

The resulting proposed People Strategy consists of increases to merit salary, health insurance, and other benefits over the next three years for existing employees, and anticipates hiring 37 additional employees (34.8 FTEs, which incorporates a 6.0% vacancy rate) to support the four areas of focus, primarily in Security, along with Energy and Sustainability.

Focus Area	2023	2024	2025	TOTAL
Energy	3	4	1	8
Security	7	6	6	19
Agility	0	1	1	2
Sustainability	4	1	3	8
TOTAL	14	12	11	37
FTEs with 6% vacancy rate	13.2	11.3	10.3	34.8

NERC's employee base consists primarily of professional skilled labor, with a relatively high concentration of cyber security and IT employees. NERC is scheduled to perform a market compensation study for all staff positions before the 2023 merit review cycle. However, for the 2023 budget and 2024 and 2025 projections, NERC is currently assuming an annual weighted average merit adjustment increase in compensation of 4.0% for the general workforce population, with higher increases for cyber and IT resources, resulting in a 5.5–6.0% annual average assumption. In addition to recent higher inflation rates, this is driven by current indications of market supply and demand for cyber and IT talent. Having the ability to provide these higher than historical merit and market-driven compensation increases is vital to attracting and retaining top talent. Medical and dental premium cost estimates are based on market data provided by the company's benefits consultant. No other changes to retirement or other benefit plans have been assumed.

The total projected three-year increase in personnel costs will be approximately \$17.4M over the 2022 budget of \$52.0M. Approximately \$8.1M of this increase is attributed to the new FTEs proposed to be added in 2023–2025 and \$9.3M is the projected increase for the current workforce. A breakdown of 2023 personnel expenses is provided in *Table B4 – Personnel*.

Office Facilities and Rent

NERC will realize lower annual office rent expenses of approximately \$300k per year in 2023–2025 compared to previous rent projections due to receiving lease concessions related to the Atlanta office, which will be applied to budgeted rent (funded by assessments) for the remaining term of the Atlanta office lease, which ends in October 2025. Some other facility-related costs are projected to increase slightly during the three-year time period, which will partially offset some of the rent savings. A breakdown of 2023 rent expenses is provided in *Table B7 – Rent*.

The 2025 projection assumes continued development of capital software projects under the Technology Strategy, as well as lease financed and out-of-pocket expenditures for a potential new Atlanta office space after the current lease expires. The 2025 projection assumes the acquisition of up to \$2.0M of A/V equipment (financed through a new lease, with payments starting in 2026), \$800k in new furniture, \$600k in network and wireless infrastructure, and \$200k for legal and professional services.

Meetings and Travel

Meetings and travel expenses were reduced significantly (\$1.1M) in the 2021 budget from the 2020 budget in response to the COVID-19 pandemic. The 2022 budget was increased by \$400k (18.5%) over 2021 and the 2023 budget reflects an additional increase of \$537k over the 2022 budget, to a total of \$3.1M. The 2023 budget assumes two in-person meetings for the Board and RSTC and two hybrid meetings. In-person meetings have also been planned for the annual ERO Enterprise Leadership Conference and the Reliability Issues Steering Committee’s (RISC’s) Reliability Leadership Summit in 2023. While virtual attendance at meetings will be encouraged, NERC program areas have performed detailed travel projections by employee and event and included an assumed growth in FTEs to inform the requested budget increase in 2023. A breakdown of 2023 meeting and travel expenses is provided in *Table B5 – Meetings & Travel*.

Current projections in 2024 and 2025 show a more moderate increase in meetings and travel of \$100k and \$154k, respectively. With these projections, the 2025 travel budget would still be slightly below the pre-pandemic budget level; however, the unit cost of travel is increasing significantly from pre-pandemic levels, which means a net reduction in travel events but a higher unit cost per event.

Contractors and Consultants

Contractor and consultant expenses are projected to increase \$4.5M (32.6%) over the three-year period. Of this total amount, the costs related to the CRISP contract with the Pacific Northwest National Laboratory (PNNL) are estimated to increase by \$1.9M (33.1%). These PNNL costs are funded completely by CRISP participants and do not impact assessments. IT contractor and consultant costs are projected to increase \$1.7M (96.0%) over the three-year period, primarily to support the Technology Strategy. E-ISAC contractor and consultant costs, excluding CRISP, are projected to increase by \$914k (42.2%) primarily due to GridEx support expenses (2025 is a GridEx year, 2022 is an off year) and other anticipated contractor and consultants work including increased physical and OT security analysis projects. A breakdown of 2023 contractor and consultant expenses is provided in *Exhibit B – Contractor and Consultant Costs*.

Fixed Asset (Capital) Budget and Capital Financing

NERC’s fixed asset budget includes IT equipment and servers, including leased equipment (capital lease assets), and capital software. The fixed assets budget is projected to increase \$5.7M (116.7%) over the three-year period, primarily due to the capital software projects related to the Technology Strategy, as well as lease financed and out-of-pocket expenditures for a potential new Atlanta office space in 2025 (discussed above). A breakdown of 2023 fixed asset expenditures is provided in *Table B-12 – Fixed Assets*.

NERC’s capital financing program was established to fund certain ERO Enterprise software projects to spread these investment costs over multiple years and reduce the volatility of annual assessments. Due to the increased spending on capital software projects in 2023–2025, a portion of these projects are proposed to be financed with a 60-month loan amortization to level the assessment percentage increase over the next three years. Borrowing proceeds and related debt service (principal and interest) are included in the 2023–2025 budget and projections. The table below shows the assumed loan borrowing related to the Technology Strategy in 2023–2025.

Year	Capital Software Investment \$	Loan Financing Amount
2023	\$5.3M	\$4.0M
2024	\$6.2M	\$4.0M
2025	\$6.3M	\$2.5M

Further information on NERC’s capital financing program can be found in *Exhibit B – Capital Financing*.

2023–2025 Reserve Funding Assumptions

With this three-year financial plan, the annual increase from 2022 to 2023 represents the largest, single-year percentage increase of the three years. The use of \$2.0M in reserve funding, comprised of \$1.0M from the Assessment Stabilization Reserve (ASR)⁸ and \$1.0M from the Operating Contingency Reserve (OCR), is proposed in 2023 to reduce the assessment increase. A use of \$500k of OCR is assumed in 2025 to help fund any one-time out-of-pocket equipment or furnishing costs related to a potential Atlanta office relocation. Using this reserve funding strategy, along with capital financing above, annual assessment increases are projected to stay between 11.1% and 11.6% during the three-year period.

2023–2025 Financial Summary

The table below reflects the preliminary estimates of the three-year budget and assessment amounts, with annual dollar and percentage increase amounts, and recommended reserve usage in 2023 and 2025. For more detailed information, see *Table B-13 – 2024 and 2025 Projections*.

\$ millions

	2022 ⁽¹⁾	2023	2024	2025	Notes
Annual Total Budget	\$88.8	\$101.0	\$110.1	\$122.6	
<i>\$ annual increase</i>	\$5.9	\$12.2	\$9.1	\$12.5	
<i>% annual increase</i>	7.2%	13.7%	9.0%	11.4%	Annual avg. 2023-2025 11.4%
Annual Total Assessment	\$78.4	\$87.1	\$97.2	\$108.0	
<i>\$ annual increase</i>	\$6.4	\$8.7	\$10.1	\$10.8	
<i>% annual increase</i>	8.9%	11.1%	11.6%	11.1%	Annual avg. 2023-2025 11.3%
Recommended Reserve Usage		\$2.0		\$0.5	

⁽¹⁾ 2022 budget includes amendment for Atlanta office lease costs (funded by reserves)

⁸ NERC Rules of Procedure (ROP) Section 1107.2 specifies that penalties received from July 1 through the following June 30 will offset U.S. assessments in the subsequent budget period. In 2015, the Board and FERC approved the creation of the ASR, which is funded by penalties received, and was established to narrow the gap between annual budget and assessment percentage changes that result from year-to-year variations in penalty collections. The actual amount of the contribution, as well as releases from the fund to reduce assessments, are determined as part of NERC’s BP&B process and must be approved by the Board and FERC each year.

2023 Business Plan and Budget Summary

Budget Reporting Format and Presentation

NERC and the Regional Entities' budgets are comprised of both operating and fixed asset addition (fixed asset, or capital) costs as well as net financing activity, if applicable. Operating costs generally include personnel, contractor support, consulting, meetings, travel, office space, software licensing, communications, and other customary services to support office operations. Fixed assets primarily reflect investments in equipment and software to support operations, including investments in applications and infrastructure to facilitate improved business processes and efficiency. These operating and fixed asset costs, as well as corresponding funding and financing activity, are shown on a Statement of Activities and Fixed Asset Expenditures report (SOA report) in this BP&B document, which is provided at both the total entity and departmental levels. These reports include funding, expenses, and financing activity for the current budget year and prior budget year to show year-over-year changes.

Overview of 2023 Budget and Funding Requirements

NERC's 2023 expense and fixed asset budget, including financing activity, is approximately \$101.0M, which is an increase of approximately \$12.2M (13.7%) from the 2022 budget. Total expenses are increasing approximately \$12.6M (14.8%) over 2022. The total fixed asset budget is approximately \$6.2M, an increase of \$1.3M (26.5%) from 2022. The fixed assets budget includes the acquisition of \$130k in capital lease assets (primarily for laptop replacements), offset by corresponding lease proceeds reflected in financing activity. As discussed in the capital financing assumptions above, NERC is also proposing to finance \$4.0M of capital software expenditures in 2023, which is also reflected by corresponding loan proceeds in financing activity. Approximately \$11.9M (11.8%) of NERC's 2023 budget is related to CRISP, with 80.4% of the CRISP budget funded by participating utilities and the remainder funded through assessments. See *Section A – Electricity Information Sharing and Analysis Center* for more discussion on E-ISAC and CRISP funding.

NERC's proposed 2023 assessment is approximately \$87.1M, which is an increase of approximately \$8.7M (11.1%) from the 2022 assessment. Factors contributing to the difference between the proposed 2023 budget and assessment include assumptions regarding other funding sources, such as third-party funding for CRISP and fees collected to fund the System Operator Certification and Credential Maintenance program. As discussed in the 2023–2025 reserve assumptions above, the proposed assessment reflects a proposed release of \$2.0M from reserves to offset 2023 assessments, comprised of \$1.0M from the ASR and \$1.0M from the OCR. The composition of ASR and OCR is considerate of the fact that the ASR consists of prior U.S. penalty dollars and, therefore, the release of those funds only benefits U.S. load-serving entities (LSE). The allocation of the assessment among U.S. and Canadian entities will also be impacted by the final determination of credits for certain costs for Canadian entities pursuant to *NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs*, which was included in NERC's filing to the FERC requesting acceptance of the NERC 2009 BP&B.⁹

2023 Program Budget and FTE Comparisons

The following table shows a 2023 versus 2022 total budget comparison by program area. The amounts reflect all direct and indirect departmental costs, including fixed asset expenditures. Costs incurred for Administrative Programs (overhead) are considered indirect and are allocated to the statutory departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs.

⁹ *North American Electric Reliability Corp.*, Docket No. RR08-6-000, Attachment 16 (filed August 22, 2008)

2023 versus 2022 Total Budget by Program

Total Budget	2022 Budget	2023 Budget	Increase (Decrease)	
Reliability Standards	\$ 9,541,634	\$ 10,349,112	\$ 807,478	8.5%
CMEP	19,699,720	21,268,510	1,568,790	8.0%
RAPA	14,922,693	18,154,510	3,231,817	21.7%
Event Analysis	3,819,053	4,107,435	288,382	7.6%
Situation Awareness	5,118,788	6,010,996	892,208	17.4%
Personnel Certification	1,843,435	1,961,763	118,328	6.4%
Training and Education	1,035,557	1,123,146	87,589	8.5%
NERC Budget, excluding E-ISAC	\$ 55,980,879	\$ 62,975,472	\$ 6,994,593	12.5%
E-ISAC (non-CRISP)	\$ 23,862,079	\$ 26,118,401	\$ 2,256,322	9.5%
E-ISAC (CRISP)	8,985,326	11,907,740	2,922,414	32.5%
Total E-ISAC Budget	\$ 32,847,405	\$ 38,026,141	\$ 5,178,736	15.8%
Total Budget	\$ 88,828,284	\$ 101,001,613	\$ 12,173,329	13.7%

The budgets for all program areas are increasing primarily due to one or a combination of the following: (1) assumptions related to the People Strategy discussed above, particularly incremental FTEs (see table below), which, for some programs, may also result in higher allocations of indirect costs from the Administrative Programs, and (2) capital software projects related to the Technology Strategy discussed above, of which a significant portion are budgeted in the IT area and allocated as indirect costs to the statutory program areas. E-ISAC is also increasing due to additional contractor and consultants costs, primarily for GridEx (2023 is a GridEx year, 2022 is an off year) and increased physical and OT security analysis projects. The increase for CRISP is mainly attributable to increase costs for the contract with PNNL, which is completely participant funded, and market pressures on liability insurance. Further information is available in *Section A – 2023 Business Plan and Budget Program Area and Department Detail*.

The following table presents a 2023 versus 2022 comparison of budgeted FTEs by department, reflecting 2023 additions, reallocations, and attrition assumptions. The number of FTEs represents the number of employees employed full time during the year, plus any employees employed part time or during a portion of the year, converted to a full-time basis. Also see *Appendix 1 – NERC Staff Organization Chart*.

2023 versus 2022 FTEs by Department

FTEs	2022 Budget	2023 Budget	Increase (Decrease)
Reliability Standards	19.74	19.74	-
CMEP	33.84	34.78	0.94
RAPA	26.32	29.14	2.82
Event Analysis	6.58	6.58	-
Situation Awareness	7.52	7.52	-
Personnel Certification	2.82	2.82	-
Training and Education	1.88	1.88	-
Administrative Programs	81.08	88.55	7.47
NERC FTEs, excluding E-ISAC	179.78	191.01	11.23
E-ISAC (non-CRISP)	40.01	40.14	0.13
E-ISAC (CRISP)	3.94	5.73	1.80
Total E-ISAC FTEs	43.95	45.87	1.93
Total FTEs	223.72	236.88	13.16

To support the priority areas of focus, in 2023 NERC is adding 14 new positions (see the People Strategy discussion above), or 13.2 FTEs. The table above reflects these positions as follows:

- CMEP – The increase of 0.94 FTEs is for increased CIP audit support and expertise
- RAPA – The increase of 2.82 FTEs is for support for probabilistic assessments and incorporation of cyber analysis into system planning with the development of new cyber design techniques
- E-ISAC and CRISP – The increase of 1.93 FTEs is for increased analytical capabilities and leveraging of threat intelligence, support for OT initiatives and natural gas partnerships, and CRISP enhancement and expansion
- Administrative Programs – The 7.47 increase in FTEs is for increased support in the areas of cyber security, cloud computing, internal controls, procurement, and communication

2023 Reserves

At the end of 2023, NERC is projecting a total reserve budget of \$14.6M across all categories of reserves. This is an increase of \$5.9M (68.3%) from the total reserve amounts budgeted for the end of 2022 in NERC's [2022 Budget Amendment](#). This increase is primarily due to reserves not being used for an Atlanta office relocation, and the creation of a CRISP operating reserve. The reserve categories are as follows:

- **Future Obligation Reserve** – Includes funding that has been received to satisfy future obligations under lease, credit, loan, or other agreements to which the company is a party. This reserve is budgeted to be \$2.6M at the end of 2023.
- **System Operator Certification Reserve** – Includes surplus funding from fees collected for the System Operator Certification and Credential Maintenance program that are above incurred expenses and shall be used solely for the program needs. The 2023 System Operator Certification Reserve is budgeted to be \$563k at the end of 2023 and is comprised primarily of existing funds.
- **CRISP Reserves** – Represents funds dedicated to support CRISP. These reserves are established pursuant to a CRISP budget agreed to and funded entirely by utilities participating in CRISP. These reserves have no impact on assessments and are segregated from other reserves pursuant to the terms of the CRISP agreements. CRISP reserves are budgeted to be \$2.2M at the end of 2023.¹⁰
- **OCR** – Includes both general working capital funds resulting from day-to-day operations¹¹ and additional funds for contingencies that were not anticipated. NERC's current policy requires an OCR target of 3.5–7.0% of the company's total expense and fixed asset budget (less CRISP and System Operator Certification budgets), except as otherwise approved by the Board. This percentage is calculated against NERC's total budget for operating and fixed asset expenditures, less those costs related to CRISP and System Operator Certification, each of which has a separate reserve category. NERC is recommending to release \$1.0M of funds from the OCR to offset 2023 assessments, and the OCR is budgeted to be \$7.8M at the end of 2023. This is 8.9% of budgeted operating and fixed asset costs, which is slightly higher than the target maximum range.
- **ASR** – To date, this reserve has been funded entirely by previously received penalties from U.S. entities. NERC did not collect any penalties during the 12 months ending June 30, 2022, and is not proposing to deposit any funds into the ASR. NERC management is recommending to release \$1.0M of funds from the ASR to offset 2023 assessments, and the ASR is projected to have a balance of \$1.5M at the end of 2023.

See *Table B-1 – Total Reserves Analysis* for an analysis of projected reserve activity for 2022 and 2023 for all reserve categories.

The following SOA report compares the NERC 2022 budget, 2022 year-end projection, and 2023 budget.

¹⁰ CRISP reserves historically were limited to the CRISP Defense Fund Reserve, which is intended to fund any expenses related to investigation and defense in connection with a claim pertaining to the CRISP agreement between NERC and participating utilities. In an Order issued July 8, 2022, the Commission approved NERC's request for approval to (1) annually redirect underruns of the prior year's CRISP budget to the CRISP Operating Reserve, and (2) redirect underruns from CRISP OT pilot budgeted funds to the CRISP Special Projects Reserve. North American Electric Reliability Corp., 180 FERC ¶ 61,013 (Letter Order July 8, 2022).

¹¹ As in past BP&Bs, NERC is not budgeting the use of working capital funds in 2023 for cash flow needs since assessments are billed and paid quarterly throughout the year. If an unforeseen revenue deficiency were to arise, NERC maintains a \$4M line of credit with a major financial institution. As further described above, NERC is recommending a planned release of \$1.0M of contingency funds from the OCR to offset 2023 assessments. The "Change in Working Capital" referenced on the financial tables in this document reflects this release of \$1.0M from the OCR as well as the projected net changes for the System Operator and CRISP reserves, which result from the funding model for those programs. See Table B-1 for details.

Introduction and Executive Summary

Statement of Activities and Fixed Asset Additions 2022 Budget & Projection and 2023 Budget						
STATUTORY						
	2022	2022	Variance		Variance	% Inc
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	2023 Budget	2023 Budget v 2022 Budget Over(Under)	2023 Over
						2022
Funding						
NERC Funding						
NERC Assessments	\$ 78,387,280	\$ 78,387,280	\$ -	\$ 87,074,681	\$ 8,687,400	
Penalties Released*	-	-	-	1,000,000	1,000,000	
Total NERC Funding	\$ 78,387,280	\$ 78,387,282	\$ -	\$ 88,074,681	\$ 9,687,400	12.4%
Third-Party Funding (CRISP)	\$ 7,928,423	\$ 8,538,106	\$ 609,683	\$ 9,569,170	\$ 1,640,747	
Testing, Renewal, & Continuing Ed Fees	1,756,723	1,732,452	(24,271)	1,781,775	25,052	
Services & Software	60,000	60,000	-	60,000	-	
Miscellaneous	60,000	60,000	-	260,000	200,000	
Interest & Investment Income	76,500	30,000	(46,500)	76,500	-	
Total Funding (A)	\$ 88,268,926	\$ 88,807,840	\$ 538,914	\$ 99,822,125	\$ 11,553,199	13.1%
Expenses						
Personnel Expenses						
Salaries	\$ 39,557,528	\$ 39,684,470	\$ 126,943	\$ 44,250,356	\$ 4,692,828	
Payroll Taxes	2,310,836	2,277,286	(33,550)	2,513,603	202,767	
Benefits	6,038,487	5,924,211	(114,276)	6,624,553	586,066	
Retirement Costs	4,059,585	3,950,861	(108,724)	4,629,894	570,309	
Total Personnel Expenses	\$ 51,966,435	\$ 51,836,828	\$ (129,607)	\$ 58,018,406	\$ 6,051,971	11.6%
Meeting & Travel Expenses						
Meetings & Conference Calls	\$ 1,132,550	\$ 964,150	\$ (168,400)	\$ 1,291,650	\$ 159,100	
Travel	1,475,500	1,210,400	(265,100)	1,853,900	378,400	
Total Meeting & Travel Expenses	\$ 2,608,050	\$ 2,174,550	\$ (433,500)	\$ 3,145,550	\$ 537,500	20.6%
Operating Expenses, excluding Depreciation						
Contractors & Consultants	\$ 13,674,800	\$ 14,963,161	\$ 1,288,361	\$ 17,149,110	\$ 3,474,310	
Office Rent	3,243,277	3,191,370	(51,907)	3,022,266	(221,011)	
Office Costs	10,749,222	10,962,139	212,917	12,479,724	1,730,502	
Professional Services	2,488,100	2,918,961	430,861	3,290,596	802,496	
Miscellaneous	144,650	145,148	498	208,783	64,133	
Total Operating Expenses, excluding Depreciation	\$ 30,300,049	\$ 32,180,780	\$ 1,880,731	\$ 36,150,479	\$ 5,850,430	19.3%
Total Direct Expenses	\$ 84,874,534	\$ 86,192,158	\$ 1,317,624	\$ 97,314,435	\$ 12,439,901	14.7%
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Non-Operating Expenses	\$ 135,000	\$ 117,428	\$ (17,572)	\$ 254,254	\$ 119,254	88.3%
Total Expenses (B)	\$ 85,009,534	\$ 86,309,586	\$ 1,300,052	\$ 97,568,689	\$ 12,559,155	14.8%
Change in Net Assets (=A-B)	\$ 3,259,392	\$ 2,498,254	\$ (761,138)	\$ 2,253,436	\$ (1,005,956)	
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 4,918,750	\$ 4,169,750	\$ (749,000)	\$ 6,224,000	\$ 1,305,250	26.5%
Financing Activity						
Loan or Financing Lease - Borrowing (-)	(2,100,000)	(2,100,000)	-	(4,130,000)	(2,030,000)	
Loan or Financing Lease - Principal Payments (+)	1,000,000	925,068	(74,930)	1,338,924	338,924	
Net Financing Activity (D)	\$ (1,100,000)	\$ (1,174,932)	\$ (74,932)	\$ (2,791,076)	\$ (1,691,076)	153.7%
Total Budget (=B+C+D)	\$ 88,828,284	\$ 89,304,404	\$ 476,120	\$ 101,001,613	\$ 12,173,329	13.7%
Change in Working Capital (=A-B-C-D)	\$ (559,358)	\$ (496,564)	\$ 62,794	\$ (1,179,488)	\$ (620,130)	
FTEs	223.72	217.48	(6.24)	236.88	13.16	5.9%

*Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve to offset U.S. assessments as approved by the NERC Board and FERC. Actual penalties invoiced in the current reporting year are shown as an increase to the Assessment Stabilization Reserve on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Reliability Standards and Power Risk Issue Strategic Management

Reliability Standards and Power Risk Issue Strategic Management (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	19.74	19.74	0.00
Personnel Expenses	3,926,928	4,206,355	279,427
Direct Expenses	\$ 4,321,038	\$ 4,689,003	\$ 367,965
Indirect Expenses	4,916,148	5,590,166	674,018
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	508,567	496,464	(12,103)
Financing Activity	(204,119)	(426,521)	(222,402)
Total Budget	\$ 9,541,634	\$ 10,349,112	\$ 807,478

Purpose and Scope

Reliability Standards

The Reliability Standards program carries out the Electric Reliability Organization’s (ERO’s) statutory responsibility to develop, adopt, obtain approval of, and modify mandatory NERC Reliability Standards (both continent-wide and regional) to assure the Bulk Electric System (BES) is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the bulk power system (BPS). The purpose of the Reliability Standards department is to deliver high-quality risk-based Reliability Standards, facilitate continent-wide industry engagement, and support regulatory filings. The group focuses on a risk-based approach to its projects, including ensuring that Reliability Standards are clear, timely, consider costs, effective in mitigating material risks, and do not unnecessarily burden industry with administrative requirements and/or detract from reliability or security. More information on the [Reliability Standards](#) program is available on the NERC website.

Power Risk Issue Strategic Management

The overarching purpose of the Power Risk Issue Strategic Management (PRISM) group is to leverage in-house expertise on Reliability Standards and standards development to implement cross-cutting efforts among NERC functions and the standing and technical committees. This group develops, supports, and prioritizes the ERO Risk Registry, and gauges responses to address reliability risks and work toward monitoring risk mitigation. This group also provides in-house training on Reliability Standards to effectuate a consistent view of their meaning, purpose, and relationship with the various work products of the committees and subcommittees. The PRISM group also conducts statistical analysis around the results of standards to identify potential weaknesses, redundancies, and overall necessity.

2023–2025 Areas of Focus

Key areas of focus for the Reliability Standards program include:

- Developing a more nimble standard setting process that honors the important role of stakeholders in Reliability Standards development

- Addressing cyber security risks by continuing to enhance cyber security Reliability Standards
- Integrating and updating standards to address new risks such as inverters, distributed energy resources (DER), energy management, and fuel management
- Addressing Federal Energy Regulatory Commission (FERC) directives, orders, or special reports

Key areas of focus for PRISM include:

- Analyzing data on the BPS to review generator data for trends, particularly to identify patterns for inverter-based resources that could affect system performance and reliability
- Continuing the efforts of the Energy Reliability Assessment Task Force (ERATF) to address additional items that could impact energy constrained resources.
- Supporting the Reliability Issues Steering Committee (RISC) to implement a new risk prioritization method, hold the Leadership Summits, and release the ERO Reliability Risk Priorities reports
- Revising and enhancing the ERO Risk Registry
- Maintaining technical support for Reliability Standards by advising on new and existing projects
- Owning the Reliability Risk Framework and any necessary updates

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors & Consultants budget includes support for the Standard Balloting System (SBS) application and engineering expertise.

2023 Technology Requirements

The Fixed Assets Additions budget includes funds to enhance PRISM’s tool for tracking and ensuring complete visibility to identified risks and related work plan efforts.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of each department’s budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Costs for Reliability Standards and PRISM is due the overall increase in costs for the Administrative Programs, particularly in IT due to the Technology Strategy discussed in the *Introduction and Executive Summary*.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) that is budgeted in the General and Administrative area for anticipated financing of capital software projects in 2023 as discussed in the *Introduction and Executive Summary*.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection, and 2023 Budget					
Reliability Standards and Power Risk Issue Strategic Management					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection	Budget	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 9,530,739	\$ 9,530,739	\$ -	\$ 10,338,520	\$ 807,781
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 9,530,739	\$ 9,530,739	\$ -	\$ 10,338,520	\$ 807,781
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	10,895	3,673	(7,222)	10,592	(303)
Total Funding (A)	\$ 9,541,634	\$ 9,534,412	\$ (7,222)	\$ 10,349,112	\$ 807,478
Expenses					
Personnel Expenses					
Salaries	\$ 2,951,243	\$ 3,001,995	\$ 50,752	\$ 3,144,776	\$ 193,534
Payroll Taxes	183,584	178,827	(4,757)	200,354	16,770
Benefits	467,848	460,509	(7,339)	509,360	41,512
Retirement Costs	324,253	318,210	(6,043)	351,865	27,612
Total Personnel Expenses	\$ 3,926,928	\$ 3,959,541	\$ 32,613	\$ 4,206,355	\$ 279,427
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 65,000	\$ 52,000	\$ (13,000)	\$ 75,000	\$ 10,000
Travel	115,000	92,000	(23,000)	150,000	35,000
Total Meetings & Travel Expenses	\$ 180,000	\$ 144,000	\$ (36,000)	\$ 225,000	\$ 45,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 158,960	\$ 158,960	\$ -	\$ 202,739	\$ 43,779
Office Rent	-	-	-	-	-
Office Costs	52,850	58,890	6,040	52,209	(641)
Professional Services	-	-	-	-	-
Miscellaneous	2,300	2,300	-	2,700	400
Total Operating Expenses, excluding Depreciation	\$ 214,110	\$ 220,150	\$ 6,040	\$ 257,648	\$ 43,538
Total Direct Expenses	\$ 4,321,038	\$ 4,323,691	\$ 2,653	\$ 4,689,003	\$ 367,965
Indirect Expenses	\$ 4,916,148	\$ 5,051,436	\$ 135,289	\$ 5,590,166	\$ 674,018
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 9,237,186	\$ 9,375,127	\$ 137,942	\$ 10,279,169	\$ 1,041,983
Change in Net Assets (=A-B)	\$ 304,448	\$ 159,285	\$ (145,164)	\$ 69,943	\$ (234,505)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 508,567	\$ 400,667	\$ (107,900)	\$ 496,464	\$ (12,103)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (290,610)	\$ (292,661)	\$ (2,051)	\$ (549,620)	\$ (259,010)
Loan or Financing Lease - Principal Payments (+)	86,491	74,559	(11,932)	123,099	36,608
Net Financing Activity (D)	\$ (204,119)	\$ (218,102)	\$ (13,983)	\$ (426,521)	\$ (222,402)
Total Budget (=B+C+D)	\$ 9,541,634	\$ 9,557,692	\$ 16,058	\$ 10,349,112	\$ 807,478
Change in Working Capital (=A-B-C-D)	\$ -	\$ (23,280)	\$ (23,280)	\$ -	\$ -
FTEs	19.74	19.37	(0.37)	19.74	0.00

Compliance Assurance and Organization Registration and Certification

Compliance Assurance and Organization Registration and Certification (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	21.62	22.56	0.94
Direct Expenses	\$ 6,492,428	\$ 6,932,394	\$ 439,966
Indirect Expenses	5,384,352	6,388,761	1,004,409
Other Non-Operating Expenses	27,500	16,627	(10,873)
Fixed Asset Additions	817,002	935,423	118,421
Financing Activity	(36,058)	(280,490)	(244,432)
Total Budget	\$ 12,685,223	\$ 13,992,714	\$ 1,307,491

Purpose and Scope

Compliance Assurance

NERC's Compliance Assurance group works collaboratively with the Regional Entities to ensure effective implementation of risk-based compliance monitoring under the Compliance Monitoring and Enforcement Program (CMEP) across the ERO Enterprise. This program ensures that Regional Entities monitor registered entities for compliance according to their own facts and circumstances, including the entity's inherent risks, evaluation of controls to mitigate inherent risks, and other factors, such as risk elements and entity performance. The risk-based compliance monitoring approach also allows for the appropriate allocation of resources to issues that pose a higher level of risk to the reliability of the bulk power system (BPS). More information on the [Compliance Assurance](#) program is available on the NERC website.

Organization Registration and Organization Certification

Organization Registration (Registration) identifies and registers BPS users, owners, and operators that are responsible for performing specified reliability functions to which requirements of mandatory Reliability Standards are applicable. Organization Certification (Certification) ensures that an applicant to be a Reliability Coordinator (RC), Balancing Authority (BA), or Transmission Operator (TOP) has the tools, processes, training, and procedures to demonstrate its ability to meet the requirements of all the Reliability Standards applicable to the functions for which it is applying, thereby demonstrating the ability to become certified and then operational. The decision to certify changes to an already operating and certified RC, BA, or TOP is a collaborative decision between the affected Regional Entities and NERC. More information on the [Organization Registration and Certification](#) program is available on the NERC website.

2023–2025 Areas of Focus

Key areas of focus for the Compliance Assurance, Registration, and Certification programs include:

- Develop and implement a plan to address facility ratings and demonstrate the importance of implementing strong internal controls
- Evaluate supply chain effectiveness and provide and analyze quarterly metrics on compliance data to inform emerging risks and Registration activities
- Enhance outreach to stakeholder/policy organizations and leverage the work of others
- Work to ensure successful roll-out of Align and the ERO Secure Evidence Locker (SEL); ensure meaningful oversight activities; and continue efforts to streamline risk-based CMEP activities

2023 Resource Requirements

The increase of 0.94 full-time equivalents (FTEs) from the 2022 budget to the 2023 budget is for increased critical infrastructure protection (CIP) audit support and expertise. The Contractors & Consultants budget includes an annual security standard certification for the ERO SEL,¹² support for the Bulk Electric System (BES) notification and exception system tool, and process documentation support.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support primarily for Align and the ERO SEL, as well as a tool to manage Coordinated Functional Registration and Joint Registration Organizations. The Fixed Assets Additions budget includes expenditures for enhancements to Align, the ERO SEL, and the Centralized Registration ERO System (CORES). The Fixed Asset Additions budget also includes a share of costs for Organization Registration related to efforts to re-platform data management applications to create better integration of collection efforts and analysis for the ERO Enterprise.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the increase in FTEs explained above and merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The decrease in Contractors & Consultants expenses is due to the expected completion of Regional Entity CMEP audits by the end of 2022 (support was budgeted in 2022 and will no longer be needed in 2023).

Office Costs

The increase in Office Costs is primarily related to the software licenses and support expenses discussed in the Technology Requirements above.

Indirect Costs

Costs incurred for the Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Costs for Compliance Assurance and Registration and Certification is due to (1) the increase in FTEs discussed above and (2) the overall increase in costs for the Administrative Programs, particularly in IT due to the Technology Strategy discussed in the *Introduction and Executive Summary*.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the enhancements to Registration systems discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) that is budgeted in the General and Administrative area for anticipated financing of capital software projects in 2023 as discussed in the *Introduction and Executive Summary*.

¹² Any budgeted expenditures for Align or the ERO SEL are split evenly between the Compliance Assurance and Compliance Enforcement program area budgets.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Compliance Assurance and Organization Registration and Certification					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 12,673,290	\$ 12,673,290	\$ -	\$ 13,980,609	\$ 1,307,319
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 12,673,290	\$ 12,673,290	\$ -	\$ 13,980,609	\$ 1,307,319
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	11,933	4,096	(7,837)	12,105	172
Total Funding (A)	\$ 12,685,223	\$ 12,677,386	\$ (7,837)	\$ 13,992,714	\$ 1,307,491
Expenses					
Personnel Expenses					
Salaries	\$ 3,759,888	\$ 3,874,821	\$ 114,933	\$ 4,179,061	\$ 419,172
Payroll Taxes	224,943	215,730	(9,214)	245,841	20,897
Benefits	761,083	712,682	(48,401)	787,967	26,884
Retirement Costs	416,398	402,390	(14,008)	467,379	50,982
Total Personnel Expenses	\$ 5,162,312	\$ 5,205,622	\$ 43,311	\$ 5,680,248	\$ 517,936
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 82,000	\$ 65,600	\$ (16,400)	\$ 92,000	\$ 10,000
Travel	251,000	200,800	(50,200)	270,000	19,000
Total Meetings & Travel Expenses	\$ 333,000	\$ 266,400	\$ (66,600)	\$ 362,000	\$ 29,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 345,000	\$ 345,000	\$ -	\$ 140,800	\$ (204,200)
Office Rent	-	-	-	-	-
Office Costs	648,866	652,366	3,500	746,196	97,330
Professional Services	-	-	-	-	-
Miscellaneous	3,250	3,250	-	3,150	(100)
Total Operating Expenses, excluding Depreciation	\$ 997,116	\$ 1,000,616	\$ 3,500	\$ 890,146	\$ (106,970)
Total Direct Expenses	\$ 6,492,428	\$ 6,472,638	\$ (19,789)	\$ 6,932,394	\$ 439,966
Indirect Expenses	\$ 5,384,352	\$ 5,632,992	\$ 248,640	\$ 6,388,761	\$ 1,004,409
Other Non-Operating Expenses	\$ 27,500	\$ 22,288	\$ (5,212)	\$ 16,627	\$ (10,873)
Total Expenses (B)	\$ 11,904,280	\$ 12,127,918	\$ 223,639	\$ 13,337,782	\$ 1,433,502
Change in Net Assets (=A-B)	\$ 780,943	\$ 549,467	\$ (231,476)	\$ 654,933	\$ (126,011)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 817,002	\$ 844,295	\$ 27,293	\$ 935,423	\$ 118,421
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (318,287)	\$ (326,355)	\$ (8,068)	\$ (628,137)	\$ (309,850)
Loan or Financing Lease - Principal Payments (+)	282,228	278,177	(4,051)	347,646	65,418
Net Financing Activity (D)	\$ (36,058)	\$ (48,178)	\$ (12,120)	\$ (280,490)	\$ (244,432)
Total Budget (=B+C+D)	\$ 12,685,223	\$ 12,924,035	\$ 238,812	\$ 13,992,714	\$ 1,307,491
Change in Working Capital (=A-B-C-D)	\$ -	\$ (246,650)	\$ (246,650)	\$ -	\$ -
FTEs	21.62	21.60	(0.02)	22.56	0.94

Compliance Enforcement

Compliance Enforcement (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	12.22	12.22	0.00
Direct Expenses	\$ 3,317,700	\$ 3,323,092	\$ 5,392
Indirect Expenses	3,043,329	3,460,579	417,249
Other Non-Operating Expenses	27,500	16,627	(10,873)
Fixed Asset Additions	564,827	532,573	(32,254)
Financing Activity	61,141	(57,075)	(118,216)
Total Budget	\$ 7,014,497	\$ 7,275,796	\$ 261,299

Purpose and Scope

The Compliance Enforcement program is responsible for overseeing enforcement processes, the application of penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliance with Reliability Standards. The Compliance Enforcement group works collaboratively with the Regional Entities to ensure consistent and effective implementation of the risk-based Compliance Monitoring and Enforcement Program (CMEP). The group focuses on ensuring that the ERO Enterprise dedicates resources to the matters that pose the greatest risk to the reliability of the bulk power system (BPS). More information on the [Compliance Enforcement](#) program is available on the NERC website.

2023–2025 Areas of Focus

Key areas of focus for the Compliance Enforcement programs include:

- Continue efforts to align risk determinations and using a risk-based approach to processing noncompliance.
- Evaluate supply chain effectiveness and provide and analyze quarterly metrics on enforcement data to inform emerging risks
- Enhance outreach to stakeholder/policy organizations and leverage the work of others
- Work to ensure successful roll-out of Align and the ERO Secure Evidence Locker (SEL); ensure meaningful oversight activities; and continue efforts to streamline risk-based CMEP activities

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors & Consultants budget includes the annual security standard certification for the ERO SEL¹³ and staff training facilitation.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support primarily for Align and the ERO SEL. The Fixed Assets Additions budget includes expenditures for enhancements to Align and the ERO SEL.

¹³ Any budgeted expenditures for Align or the ERO SEL are split evenly between the Compliance Assurance and Compliance Enforcement program area budgets.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The decrease in Contractors & Consultants expenses is due to the expected completion of Regional Entity CMEP audits by the end of 2022 (support was budgeted in 2022 and will no longer be needed in 2023).

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Costs for Compliance Enforcement is due to the overall increase in costs for the Administrative Programs, particularly in IT due to the Technology Strategy discussed in the *Introduction and Executive Summary*.

Fixed Asset Additions

The decrease in Fixed Asset Additions is due to the allocation of fixed asset expenditures from the Administrative Programs.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) that is budgeted in the General and Administrative area for anticipated financing of capital software projects in 2023 as discussed in the *Introduction and Executive Summary*.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Compliance Enforcement					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection	Budget	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 7,007,753	\$ 7,007,753	\$ -	\$ 7,269,239	\$ 261,487
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 7,007,753	\$ 7,007,753	\$ -	\$ 7,269,239	\$ 261,487
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	6,744	2,190	(4,554)	6,557	(188)
Total Funding (A)	\$ 7,014,497	\$ 7,009,943	\$ (4,554)	\$ 7,275,796	\$ 261,299
Expenses					
Personnel Expenses					
Salaries	\$ 1,838,076	\$ 1,724,953	\$ (113,123)	\$ 1,950,093	\$ 112,017
Payroll Taxes	122,697	107,701	(14,996)	126,000	3,303
Benefits	210,112	193,484	(16,628)	230,201	20,089
Retirement Costs	204,099	185,032	(19,067)	216,063	11,964
Total Personnel Expenses	\$ 2,374,984	\$ 2,211,170	\$ (163,814)	\$ 2,522,357	\$ 147,373
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 7,000	\$ 5,600	\$ (1,400)	\$ 6,500	\$ (500)
Travel	30,000	24,000	(6,000)	54,000	24,000
Total Meetings & Travel Expenses	\$ 37,000	\$ 29,600	\$ (7,400)	\$ 60,500	\$ 23,500
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 249,000	\$ 249,000	\$ -	\$ 69,000	\$ (180,000)
Office Rent	-	-	-	-	-
Office Costs	639,816	639,816	-	654,435	14,619
Professional Services	15,000	15,000	-	15,000	-
Miscellaneous	1,900	1,900	-	1,800	(100)
Total Operating Expenses, excluding Depreciation	\$ 905,716	\$ 905,716	\$ -	\$ 740,235	\$ (165,481)
Total Direct Expenses	\$ 3,317,700	\$ 3,146,486	\$ (171,214)	\$ 3,323,092	\$ 5,392
Indirect Expenses	\$ 3,043,329	\$ 3,012,086	\$ (31,243)	\$ 3,460,579	\$ 417,249
Other Non-Operating Expenses	\$ 27,500	\$ 22,288	\$ (5,210)	\$ 16,627	\$ (10,873)
Total Expenses (B)	\$ 6,388,529	\$ 6,180,860	\$ (207,669)	\$ 6,800,298	\$ 411,769
Change in Net Assets (=A-B)	\$ 625,968	\$ 829,083	\$ 203,115	\$ 475,498	\$ (150,470)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 564,827	\$ 626,411	\$ 61,584	\$ 532,573	\$ (32,254)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (179,901)	\$ (174,509)	\$ 5,392	\$ (340,241)	\$ (160,340)
Loan or Financing Lease - Principal Payments (+)	241,042	239,492	(1,550)	283,166	42,124
Net Financing Activity (D)	\$ 61,141	\$ 64,983	\$ 3,842	\$ (57,075)	\$ (118,216)
Total Budget (=B+C+D)	\$ 7,014,497	\$ 6,872,254	\$ (142,243)	\$ 7,275,796	\$ 261,299
Change in Working Capital (=A-B-C-D)	\$ -	\$ 137,689	\$ 137,689	\$ -	\$ -
FTEs	12.22	11.55	(0.67)	12.22	0.00

Reliability Assessments and Performance Analysis

The Reliability Assessments and Performance Analysis (RAPA) program identifies, prioritizes, and enables activities to reduce known and emerging risks to the bulk power system (BPS). Four primary groups at NERC are focused on this program: (1) Reliability Assessments and Technical Committee; (2) Performance Analysis; (3) Advanced System Analytics and Modeling; and (4) BPS Security and Grid Transformation.

Reliability Assessments and Performance Analysis (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	26.32	29.14	2.82
Direct Expenses	\$ 7,486,899	\$ 8,870,659	\$ 1,383,760
Indirect Expenses	6,554,863	8,252,149	1,697,286
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	1,153,089	1,661,328	508,239
Financing Activity	(272,158)	(629,626)	(357,468)
Total Budget	\$ 14,922,693	\$ 18,154,510	\$ 3,231,817

Purpose and Scope

Reliability Assessments and Technical Committee

The Reliability Assessments and Technical Committee group includes Reliability Assessment staff as well as the NERC staff secretaries of the Reliability and Security Technical Committee (RSTC). Reliability Assessment staff carry out the ERO's statutory responsibility to conduct assessments of the overall reliability and adequacy of BPS and associated emerging reliability risks that could impact the short, mid, and long-term planning horizons, as well as other reliability issues requiring in-depth analysis. Reliability Assessment activities directly address the risk priorities established by the Reliability Issues Steering Committee (RISC), and the group relies on its own engineering and analysis expertise as well as Regional Entity and stakeholder resources. The RSTC and its subgroups provide the oversight, guidance, and leadership essential to enhancing BPS reliability by addressing areas of strategic focus efficiently and comprehensively, and ensuring technical accuracy. More information on the [Reliability Assessment](#) program and the [RSTC](#) is available on the NERC website.

Performance Analysis

The Performance Analysis group monitors the performance of and identifies risks to BPS reliability through analyzing industry data and measuring historic trends. Analysis performed includes identifying potential risks related to system, equipment, entity, and organizational performance that may indicate a need to develop (1) improvements to reporting applications, and (2) new data collection or analysis tools, or to create, revise, or retire reporting areas. Performance Analysis staff leads the ERO, technical committee, and stakeholder process to publish the *State of Reliability* (SOR) report examining the year-over-year performance indicators of the grid. The program also develops the business requirements for all new reliability information data systems, specifically those required by NERC Rules of Procedure Section 1600 Data Requests. More information on the [Performance Analysis](#) program is available on the NERC website.

Advanced System Analytics and Modeling

Advanced System Analytics and Modeling (ASAM) staff provide technical leadership and support in the areas of resource and demand balancing and system analysis and modeling, including technical support for the NERC balancing (BAL) and modeling (MOD) Reliability Standards. ASAM staff also provide support

for the development and improvement of long-term, sustainable interconnection-based power flow, dynamic, and load models that exhibit the accuracy and fidelity necessary to reflect actual Bulk Electric System (BES) reliability performance and dynamic conditions. ASAM further provides advanced statistical analysis functions to support: (1) the SOR report and reliability assessments; (2) the Frequency Response Annual Analysis (FRAA) report to the Federal Energy Regulatory Commission (FERC); (3) analytical review of Reliability Standard effectiveness; and (4) various reports on an emergent basis.

BPS Security and Grid Transformation

The BPS Security and Grid Transformation department is responsible for driving key reliability and security initiatives working with internal and external stakeholders. Primary areas of focus include better integrating security concepts with conventional engineering activities as well as enabling new technologies in a reliable and secure manner. The group is responsible for key ERO work priorities, including inverter-based resource and distributed energy resource (DER) initiatives across the ERO Enterprise, and promoting concepts of cyber planning and grid transformation issues. The group coordinates a significant number of NERC's technical stakeholder groups under the RSTC, supports the standards development process on engineering and security-related topics, provides technical expertise across the ERO Enterprise, and coordinates with the Electricity Information Sharing and Analysis Center (E-ISAC) on cross-departmental topics related to security risks.

The groups described above work collaboratively with NERC stakeholders, particularly through the RSTC, to create a reliability strategy that is relevant, timely, and effective to address the most important reliability risks. Further, these groups work closely with other organizations to collaborate, coordinate, and leverage expertise, including but not limited to the Department of Energy (DOE), Electric Power Research Institute (EPRI), Institute of Electrical and Electronics Engineers (IEEE), Institute of Nuclear Power Operations (INPO), North American Transmission Forum (NATF), North American Generator Forum (NAGF), Carnegie Mellon Industry Center (CEIC), Power Systems Energy Research Center (PSERC), Interstate Natural Gas Association of America (INGAA), Natural Gas Supply Association (NGSA), Canadian Electricity Association (CEA), and International Council on Large Electric Systems (CIGRÉ).

2023–2025 Areas of Focus

Key areas of focus for RAPA include:

- Ensuring the reliable and secure integration of BPS-connected inverter-based resources and DER, including the analysis of grid disturbances, development of technical guidance and educational materials, and collaborating with industry to ensure the Reliability Standards adequately address emerging risks in this area
- Increasing understanding of changing resource mix impacts on BPS reliability by collecting plant, event, connected energy storage, and performance data for photovoltaic and wind generation, combined with enhanced design data and event reporting for conventional generation
- Enhancing reliability assessments to include assessments of energy availability and expanded probabilistic methods that can identify risks of energy shortfall for all assessment areas in long-term and seasonal time horizons
- Leveraging RAPA processes, tools, and products to improve BES resilience for wide-spread long-term extreme temperature events

2023 Resource Requirements

The increase of 2.82 full-time equivalents (FTEs) from the 2022 budget to the 2023 budget is related to increased support for probabilistic assessments and incorporation of cyber analysis into system planning and development of new cyber design techniques. The Contractors & Consultants budget includes support

for (1) related applications and databases; (2) analyses for energy risk and emerging technology; (3) the electromagnetic pulse (EMP) taskforce and geomagnetic disturbance (GMD) research; and (4) studies and expertise related to grid transformation and security integration.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for various analytical tools and data collection and management systems, including the Generating Availability Data System (GADS), the Transmission Availability Data System (TADS), and Demand Response Availability Data System (DADS). The Fixed Assets Additions budget includes expenditures for enhancements to GADS, TADS, and the Reliability Assessment Data System (RADS), and development of data collection applications to include solar reporting as well as integrating energy storage with the solar and wind facilities. The Fixed Assets Additions budget also includes a share of costs related to efforts to re-platform data management applications to create better integration of collection efforts and analysis for the ERO Enterprise.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the increase in FTEs explained above and merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The increase for Contractors & Consultants expenses is due to additional support for studies and expertise for BPS Security and Grid Transformation activities.

Office Costs

The increase for Office Costs is primarily related to the software licenses and support expenses discussed in the Technology Requirements above, including support for new data collection systems and annual escalation for existing software agreements.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase for the RAPA program is due to (1) the increase in FTEs discussed above and (2) the overall increase in costs for the Administrative Programs, particularly in IT due to the Technology Strategy discussed in the *Introduction and Executive Summary*.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the enhancements for RAPA database systems discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) that is budgeted in the General and Administrative area for anticipated financing of capital software projects in 2023 as discussed in the *Introduction and Executive Summary*.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Reliability Assessments and Performance Analysis					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection	Budget	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 14,848,167	\$ 14,848,167	\$ -	\$ 18,078,875	\$ 3,230,708
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 14,848,167	\$ 14,848,167	\$ -	\$ 18,078,875	\$ 3,230,708
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	60,000	60,000	-	60,000	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	14,527	4,697	(9,830)	15,636	1,109
Total Funding (A)	\$ 14,922,693	\$ 14,912,864	\$ (9,829)	\$ 18,154,510	\$ 3,231,817
Expenses					
Personnel Expenses					
Salaries	\$ 4,377,751	\$ 4,314,335	\$ (63,416)	\$ 5,162,514	\$ 784,764
Payroll Taxes	272,752	258,715	(14,038)	307,570	34,818
Benefits	637,359	607,479	(29,880)	747,809	110,450
Retirement Costs	485,536	450,786	(34,750)	566,745	81,209
Total Personnel Expenses	\$ 5,773,397	\$ 5,631,314	\$ (142,083)	\$ 6,784,638	\$ 1,011,241
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 180,000	\$ 144,000	\$ (36,000)	\$ 219,750	\$ 39,750
Travel	207,000	165,600	(41,400)	244,400	37,400
Total Meetings & Travel Expenses	\$ 387,000	\$ 309,600	\$ (77,400)	\$ 464,150	\$ 77,150
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 681,227	\$ 778,547	\$ 97,320	\$ 876,654	\$ 195,427
Office Rent	-	-	-	-	-
Office Costs	640,675	644,675	4,000	740,217	99,542
Professional Services	-	-	-	-	-
Miscellaneous	4,600	4,600	-	5,000	400
Total Operating Expenses, excluding Depreciation	\$ 1,326,502	\$ 1,427,822	\$ 101,320	\$ 1,621,871	\$ 295,369
Total Direct Expenses	\$ 7,486,899	\$ 7,368,736	\$ (118,162)	\$ 8,870,659	\$ 1,383,760
Indirect Expenses	\$ 6,554,863	\$ 6,459,686	\$ (95,177)	\$ 8,252,149	\$ 1,697,286
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 14,041,762	\$ 13,828,422	\$ (213,340)	\$ 17,122,809	\$ 3,081,046
Change in Net Assets (=A-B)	\$ 880,931	\$ 1,084,441	\$ 203,510	\$ 1,031,702	\$ 150,771
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 1,153,089	\$ 763,366	\$ (389,723)	\$ 1,661,328	\$ 508,239
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (387,479)	\$ (374,250)	\$ 13,229	\$ (811,343)	\$ (423,864)
Loan or Financing Lease - Principal Payments (+)	115,321	95,345	(19,977)	181,717	66,396
Net Financing Activity (D)	\$ (272,158)	\$ (278,905)	\$ (6,747)	\$ (629,626)	\$ (357,468)
Total Budget (=B+C+D)	\$ 14,922,693	\$ 14,312,883	\$ (609,810)	\$ 18,154,510	\$ 3,231,817
Change in Working Capital (=A-B-C-D)	\$ -	\$ 599,981	\$ 599,981	\$ -	\$ -
FTEs	26.32	24.77	(1.55)	29.14	2.82

Situation Awareness

Situation Awareness (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	7.52	7.52	0.00
Direct Expenses	\$ 3,022,490	\$ 3,229,002	\$ 206,512
Indirect Expenses	1,872,818	2,129,587	256,769
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	301,240	814,891	513,651
Financing Activity	(77,759)	(162,484)	(84,725)
Total Budget	\$ 5,118,788	\$ 6,010,996	\$ 892,208

Purpose and Scope

NERC and the Regional Entities monitor bulk power system (BPS) conditions, significant occurrences, emerging risks, and threats across the 17 Reliability Coordinator regions in North America to maintain an understanding of conditions and situations that could impact reliable operation. NERC's BPS Awareness (BPSA) group also supports the development and publication of NERC Alerts and awareness products and facilitates information sharing among industry, the Regional Entities, and the government during crisis situations and major system disturbances. The process for understanding the potential threats or vulnerabilities to BPS reliability starts with understanding occurrences and events in the context in which they occur, and registered entities robustly share information and collaborate with the ERO to maintain and improve overall reliability. More information on the [BPSA](#) program is available on the NERC website.

2023–2025 Areas of Focus

Key areas of focus for BPSA include:

- Enhancing situation awareness tools to increase agility and efficiency, as well as visibility and understanding of the reliability or availability of natural gas and its interdependency with electrical generation
- Collaborating across the ERO Enterprise and with stakeholders to mitigate emerging and known risk by using all available tools, including the NERC Alerts process to issue Advisory (Level 1) Alerts on significant and emerging reliability and security-related topics as needed, and to facilitate the tracking of actions specified in Recommendation (Level 2) and Essential Action (Level 3) Alerts
- Continue engaging with industry, the Electricity Information Sharing and Analysis Center (E-ISAC), government partners, and the ERO Enterprise on emerging risks to BPS reliability
- Engaging situation awareness subject-matter experts in support of the work of Reliability Standards, the E-ISAC, and the Reliability and Security Technical Committee (RSTC) to advance the security posture of the industry

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors & Consultants budget includes support for a data historian application.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for various BPSA systems and tools related to wide-area view situation awareness, conditions monitoring, resource adequacy, inadvertent interchange, frequency monitoring, Reliability Coordinator information sharing, alerting, and data collection and analysis. The Fixed Assets Additions budget includes expenditures for replacements of Situation Awareness systems that are nearing end-of-life.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the merit and market adjustments discussed in the *Introduction and Executive Summary*.

Office Costs

The increase for Office Costs is primarily related to the software licenses and support expenses discussed in the Technology Requirements above, including support for new systems and annual escalation for existing software agreements.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase for the BPSA program is due to the overall increase in costs for the Administrative Programs, particularly in IT due to the Technology Strategy discussed in the *Introduction and Executive Summary*.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the replacement of systems discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) that is budgeted in the General and Administrative area for anticipated financing of capital software projects in 2023 as discussed in the *Introduction and Executive Summary*.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Situation Awareness					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection	Budget	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 5,114,638	\$ 5,114,638	\$ -	\$ 6,006,961	\$ 892,323
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 5,114,638	\$ 5,114,638	\$ -	\$ 6,006,961	\$ 892,323
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	4,150	1,468	(2,683)	4,035	(115)
Total Funding (A)	\$ 5,118,788	\$ 5,116,106	\$ (2,683)	\$ 6,010,996	\$ 892,208
Expenses					
Personnel Expenses					
Salaries	\$ 1,227,161	\$ 1,260,568	\$ 33,407	\$ 1,282,278	\$ 55,117
Payroll Taxes	76,087	80,209	4,122	77,182	1,095
Benefits	258,757	255,940	(2,817)	271,648	12,891
Retirement Costs	134,973	136,423	1,450	139,292	4,320
Total Personnel Expenses	\$ 1,696,978	\$ 1,733,140	\$ 36,162	\$ 1,770,400	\$ 73,422
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 70,000	\$ 68,000	\$ (2,000)	\$ 70,000	\$ -
Travel	22,000	17,600	(4,400)	16,000	(6,000)
Total Meetings & Travel Expenses	\$ 92,000	\$ 85,600	\$ (6,400)	\$ 86,000	\$ (6,000)
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 15,000	\$ 15,000	\$ -	\$ 23,000	\$ 8,000
Office Rent	-	-	-	-	-
Office Costs	1,217,412	1,218,412	1,000	1,348,302	130,890
Professional Services	-	-	-	-	-
Miscellaneous	1,100	1,100	-	1,300	200
Total Operating Expenses, excluding Depreciation	\$ 1,233,512	\$ 1,234,512	\$ 1,000	\$ 1,372,602	\$ 139,090
Total Direct Expenses	\$ 3,022,490	\$ 3,053,252	\$ 30,762	\$ 3,229,002	\$ 206,512
Indirect Expenses	\$ 1,872,818	\$ 2,018,489	\$ 145,671	\$ 2,129,587	\$ 256,769
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 4,895,308	\$ 5,071,741	\$ 176,433	\$ 5,358,589	\$ 463,281
Change in Net Assets (=A-B)	\$ 223,480	\$ 44,365	\$ (179,115)	\$ 652,407	\$ 428,927
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 301,240	\$ 267,601	\$ (33,639)	\$ 814,891	\$ 513,651
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (110,708)	\$ (116,944)	\$ (6,236)	\$ (209,379)	\$ (98,671)
Loan or Financing Lease - Principal Payments (+)	32,949	29,793	(3,156)	46,895	13,946
Net Financing Activity (D)	\$ (77,759)	\$ (87,151)	\$ (9,392)	\$ (162,484)	\$ (84,725)
Total Budget (=B+C+D)	\$ 5,118,788	\$ 5,252,190	\$ 133,402	\$ 6,010,996	\$ 892,208
Change in Working Capital (=A-B-C-D)	\$ -	\$ (136,085)	\$ (136,085)	\$ -	\$ -
FTEs	7.52	7.74	0.22	7.52	0.00

Event Analysis

Event Analysis (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	6.58	6.58	0.00
Direct Expenses	\$ 2,018,854	\$ 2,130,315	\$ 111,461
Indirect Expenses	1,638,716	1,863,389	224,673
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	229,522	255,905	26,382
Financing Activity	(68,040)	(142,174)	(74,134)
Total Budget	\$ 3,819,053	\$ 4,107,435	\$ 288,382

Purpose and Scope

The Event Analysis program informs assessments of the reliability and adequacy of the Bulk Electric System (BES) through analysis of real-time operating events on the system. This includes identifying potential issues of concern related to system, equipment, entity, human error, and organizational performance that may indicate a need to (1) develop remediation and/or risk reduction strategies and action plans, (2) revise, retire, or consider new Reliability Standards, and (3) shape aggregate reliability assurance planning. The Event Analysis group analyzes reportable events to identify and understand lessons learned, sequence of events, root and contributing causes, risks to reliability, and potential mitigating actions. The group keeps the industry well informed of system events, emerging trends, event precursors, risk analysis, lessons learned, and recommended corrective and expected mitigation activities through various verbal and written communications/reports and cross-functional collaboration efforts. More information on the [Event Analysis](#) program is available on the NERC website.

2023–2025 Areas of Focus

Key areas of focus for Event Analysis include:

- Enhancing event processing in support of developing a coherent system performance picture within the Rules of Procedure Section 800 system performance monitoring and reporting program
- Enhancing program data collection, organization, and manipulation capabilities
- Tuning alignment activities of cross-functional project collaboration through data analysis and disturbance reporting flexibility and agility
- Reinforcing fundamental practices and advocacy of enhanced reliability practices through joint reliability partnership activities with stakeholders and the ERO Enterprise

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors & Consultants budget includes support for The Event Analysis Management System (TEAMS), human performance activities, and potential augmentation for event analysis review.

2023 Technology Requirements

The Fixed Assets Additions budget includes expenditures for TEAMS enhancements and a share of costs related to efforts to re-platform data management applications to create better integration of collection efforts and analysis for the ERO Enterprise.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the merit and market adjustments discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The increase in Contractors & Consultants expenses is due to additional support for human performance activities.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase for the Event Analysis program is due to the overall increase in costs for the Administrative Programs, particularly in IT due to the Technology Strategy discussed in the *Introduction and Executive Summary*.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the enhancements for TEAMS and database platforms discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) that is budgeted in the General and Administrative area for anticipated financing of capital software projects in 2023 as discussed in the *Introduction and Executive Summary*.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Event Analysis					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 3,815,421	\$ 3,815,421	\$ -	\$ 4,103,904	\$ 288,483
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 3,815,421	\$ 3,815,421	\$ -	\$ 4,103,904	\$ 288,483
Third-Party Funding					
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	3,632	1,286	(2,346)	3,531	(101)
Total Funding (A)	\$ 3,819,053	\$ 3,816,707	\$ (2,346)	\$ 4,107,435	\$ 288,382
Expenses					
Personnel Expenses					
Salaries	\$ 1,297,758	\$ 1,311,270	\$ 13,512	\$ 1,336,089	\$ 38,331
Payroll Taxes	73,630	77,975	4,345	72,312	(1,317)
Benefits	205,684	190,721	(14,963)	193,518	(12,167)
Retirement Costs	145,524	141,706	(3,818)	144,644	(880)
Total Personnel Expenses	\$ 1,722,596	\$ 1,721,672	\$ (924)	\$ 1,746,563	\$ 23,967
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 35,000	\$ 20,000	\$ (15,000)	\$ 25,000	\$ (10,000)
Travel	91,000	72,800	(18,200)	91,000	-
Total Meetings & Travel Expenses	\$ 126,000	\$ 92,800	\$ (33,200)	\$ 116,000	\$ (10,000)
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 118,158	\$ 118,158	\$ -	\$ 220,802	\$ 102,644
Office Rent	-	-	-	-	-
Office Costs	50,500	50,500	-	45,750	(4,750)
Professional Services	-	-	-	-	-
Miscellaneous	1,600	1,600	-	1,200	(400)
Total Operating Expenses, excluding Depreciation	\$ 170,258	\$ 170,258	\$ -	\$ 267,752	\$ 97,494
Total Direct Expenses	\$ 2,018,854	\$ 1,984,730	\$ (34,124)	\$ 2,130,315	\$ 111,461
Indirect Expenses	\$ 1,638,716	\$ 1,768,134	\$ 129,418	\$ 1,863,389	\$ 224,673
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 3,657,570	\$ 3,752,863	\$ 95,294	\$ 3,993,704	\$ 336,134
Change in Net Assets (=A-B)	\$ 161,483	\$ 63,843	\$ (97,640)	\$ 113,731	\$ (47,752)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 229,522	\$ 200,244	\$ (29,278)	\$ 255,905	\$ 26,382
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (96,870)	\$ (102,439)	\$ (5,569)	\$ (183,207)	\$ (86,337)
Loan or Financing Lease - Principal Payments (+)	28,830	26,098	(2,733)	41,033	12,203
Net Financing Activity (D)	\$ (68,040)	\$ (76,341)	\$ (8,302)	\$ (142,174)	\$ (74,134)
Total Budget (=B+C+D)	\$ 3,819,053	\$ 3,876,766	\$ 57,713	\$ 4,107,435	\$ 288,382
Change in Working Capital (=A-B-C-D)	\$ -	\$ (60,059)	\$ (60,059)	\$ -	\$ -
FTEs	6.58	6.78	0.20	6.58	0.00

Electricity Information Sharing and Analysis Center

E-ISAC (including CRISP) (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	43.95	45.87	1.93
Direct Expenses	\$ 21,134,114	\$ 24,658,079	\$ 3,523,964
Indirect Expenses	10,944,281	12,990,480	2,046,200
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	1,223,416	1,368,735	145,319
Financing Activity	(454,407)	(991,153)	(536,746)
Total Budget	\$ 32,847,405	\$ 38,026,141	\$ 5,178,736

Purpose and Scope

The Electricity Information Sharing and Analysis Center (E-ISAC) provides its members and partners with resources to prepare for and reduce cyber and physical security threats to the North American electricity industry. The E-ISAC offers products and services that give timely, relevant, and actionable situational awareness and analysis to asset owners and operators as well as cross-sector and government partners. In 2017, the E-ISAC developed a long-term strategic plan to better define its mission and focus its resources. The central underpinning of the plan is for the E-ISAC to focus on providing timely and actionable information to industry regarding cyber and physical security threats and mitigation strategies. The strategic plan also recognizes the critical interdependencies between the E-ISAC, industry, U.S. and Canadian government agencies, and other stakeholders. In 2020, the strategic plan was validated in terms of the primary focus areas. More information on [E-ISAC](#) is available on the NERC website.

The E-ISAC also oversees the Cybersecurity Risk Information Sharing Program (CRISP), a unique public-private initiative among the E-ISAC, the North American electric utility industry, the Department of Energy (DOE), and the U.S. Intelligence Community that delivers real-time, relevant, and actionable cyber security risk information to all E-ISAC member electricity asset owners and operators, including those from Canada and Mexico. Using passive information sharing devices (ISDs) on participant networks outside boundary firewalls, participant data is collected and then matched against known threat signatures—classified and unclassified—to identify potential threats and provide participants with recommended mitigation steps. The Pacific Northwest National Laboratory (PNNL), is the primary subcontractor to NERC for the deployment of the required technology, supporting infrastructure, analysis, and technical capabilities for CRISP. PNNL is a U.S. DOE National Laboratory, operated by Battelle with oversight by the DOE.

E-ISAC and CRISP Funding and Indirect Cost Allocation Structure

Of the total 2023 E-ISAC budget, including CRISP, approximately 74% is funded by assessments and 25% is funded by CRISP participants for CRISP costs. Just under 1% of the budget is funded by “other funding.” This includes interest income (\$23k), funding from the Downstream Natural Gas ISAC (\$60k),¹⁴ and anticipated revenue from a new Vendor Affiliate Program (\$200k). The Vendor Affiliate Program is launching in 2022 with incremental implementation over three years. With the increasing complexities and risk in reliance on supply chain software components, this fee-for-service program provides opportunities for collaboration and information sharing between the E-ISAC and the vendor

¹⁴ The funding from the Downstream Natural Gas ISAC equates to approximately half of a full-time equivalent (FTE), which covers the services the E-ISAC provides to the natural gas sector. Expenditures in this area are carefully monitored and fees will be adjusted as required.

community. Participating vendors collaborate with electricity sector stakeholders in a trusted environment, providing timely and actionable information, helping to maintain situational awareness as events unfold, and offering post-event analysis and subject matter expertise on an ongoing basis. Sales and business development activities are strictly prohibited.

The E-ISAC and CRISP budgets are allocated indirect costs (i.e., the budgets of the Administrative Programs, or overhead) in the same manner as all other NERC statutory programs, which is based on the ratio of a statutory department's FTEs to total budgeted statutory FTEs. There are no specific indirect costs that E-ISAC or CRISP incur that other statutory departments do not.

The CRISP budget specifically includes two major categories of expense: (1) costs funded fully by CRISP participants, which include the contract with PNNL, an annual security review, and any programs agreed to be funded exclusively by CRISP participants; and (2) operational and administrative program costs, which are funded 50% by participants and 50% by NERC assessments. These operational and administrative expenses include dedicated personnel for CRISP program management and administration, as well as time allocated from E-ISAC staff for data analysis. The total costs paid by participants, which make up just over 80% of the CRISP budget (the majority of which is for the PNNL contract), are shown on the "Third-Party Funding" line of the "CRISP Only" Statement of Activities and Fixed Asset Additions report below. Funding for the remaining 50% of CRISP operational and administrative costs (less additional funding from interest and investment income) is shown on the "NERC Assessments" line. While the entire electricity sector benefits from CRISP, not just CRISP participants, appropriate levels of assessment-based funding and overhead allocation to the CRISP program will be re-evaluated for the 2024 BP&B cycle.

2023–2025 Areas of Focus

Key areas of focus for E-ISAC include:

- Reviewing and curating intelligence applicable to the electricity sector
- Conducting threat hunts for malicious software on Information Technology (IT) and Operational Technology (OT) sensor platforms
- Expanding CRISP participation and technology modernization
- Expanding membership and strategic relationships, including further collaboration with the natural gas sector, enhanced membership engagement, and establishing the vendor affiliate program

2023 Resource Requirements

The increase of 1.93 FTEs from the 2022 budget to the 2023 budget is for increased analytical capabilities and leveraging of threat intelligence, support for key industry priorities, including OT and natural gas partnerships, and CRISP enhancement and expansion. The Contractors & Consultants budget includes expenses for security consulting, technology support, strategic partnerships, GridEx support, and Watch Officer contractors. This budget also includes the CRISP contract with PNNL, annual security review, and OT program support; these expenses make up \$7.0M of the total Contractors & Consultants budget and are funded fully by CRISP participants.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for data analysis and cyber and intelligence tools, GridEx activities, critical broadcast capability, customer relationship management (CRM) technology, the E-ISAC Portal, and various software needs to support CRISP. The Fixed Asset Additions budget also includes expenditures for enhancements to the E-ISAC Portal and the implementation of automated information sharing.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the increase in FTEs explained above and merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The increase in Contractors & Consultants expenses is primarily related to the CRISP contract with PNNL, which includes increased operational and insurance costs, additional security consulting, and support for the GridEx VII event in 2023.

Office Costs

The increase in Office Costs is primarily related to annual escalation assumptions for software licenses and support expenses discussed in the Technology Requirements above.

Professional Services

The increase in Professional Services is due to market pressures for liability insurance required for CRISP.

Indirect Costs

As discussed above, costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase for Indirect Costs in E-ISAC is due to (1) the increase in FTEs discussed above and (2) the overall increase in costs for the Administrative Programs, particularly in IT due to the Technology Strategy discussed in the *Introduction and Executive Summary*.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the system enhancements and technology initiatives discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) that is budgeted in the General and Administrative area for anticipated financing of capital software projects in 2023 as discussed in the *Introduction and Executive Summary*.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
E-ISAC (including CRISP)					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 25,135,900	\$ 25,135,900	\$ -	\$ 28,174,435	\$ 3,038,535
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 25,135,900	\$ 25,135,900	\$ -	\$ 28,174,435	\$ 3,038,535
Third-Party Funding	\$ 7,928,423	\$ 8,538,106	\$ 609,683	\$ 9,569,170	\$ 1,640,747
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	60,000	60,000	-	260,000	200,000
Interest & Investment Income	23,082	10,224	(12,858)	22,537	(545)
Total Funding (A)	\$ 33,147,405	\$ 33,744,230	\$ 596,826	\$ 38,026,141	\$ 4,878,736
Expenses					
Personnel Expenses					
Salaries	\$ 8,011,321	\$ 7,785,014	\$ (226,306)	\$ 8,634,606	\$ 623,285
Payroll Taxes	480,111	475,076	(5,035)	503,699	23,588
Benefits	1,069,032	1,035,261	(33,771)	1,168,786	99,754
Retirement Costs	869,944	822,882	(47,063)	930,186	60,242
Total Personnel Expenses	\$ 10,430,408	\$ 10,118,233	\$ (312,175)	\$ 11,237,278	\$ 806,869
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 102,000	\$ 91,600	\$ (10,400)	\$ 140,000	\$ 38,000
Travel	222,000	177,600	(44,400)	246,000	24,000
Total Meetings & Travel Expenses	\$ 324,000	\$ 269,200	\$ (54,800)	\$ 386,000	\$ 62,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 8,325,861	\$ 9,118,706	\$ 792,845	\$ 10,172,855	\$ 1,846,994
Office Rent	-	-	-	-	-
Office Costs	1,854,095	1,895,595	41,500	2,002,096	148,001
Professional Services	190,000	515,037	325,037	850,000	660,000
Miscellaneous	9,750	9,750	-	9,850	100
Total Operating Expenses, excluding Depreciation	\$ 10,379,706	\$ 11,539,088	\$ 1,159,382	\$ 13,034,801	\$ 2,655,095
Total Direct Expenses	\$ 21,134,114	\$ 21,926,521	\$ 792,407	\$ 24,658,079	\$ 3,523,964
Indirect Expenses	\$ 10,944,281	\$ 11,041,708	\$ 97,427	\$ 12,990,480	\$ 2,046,200
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 32,078,395	\$ 32,968,229	\$ 889,834	\$ 37,648,559	\$ 5,570,164
Change in Net Assets (=A-B)	\$ 1,069,009	\$ 776,001	\$ (293,009)	\$ 377,582	\$ (691,428)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 1,223,416	\$ 967,051	\$ (256,365)	\$ 1,368,735	\$ 145,319
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (646,952)	\$ (639,715)	\$ 7,237	\$ (1,277,212)	\$ (630,259)
Loan or Financing Lease - Principal Payments (+)	192,545	162,975	(29,570)	286,058	93,513
Net Financing Activity (D)	\$ (454,407)	\$ (476,740)	\$ (22,333)	\$ (991,153)	\$ (536,746)
Total Budget (=B+C+D)	\$ 32,847,405	\$ 33,458,540	\$ 611,136	\$ 38,026,141	\$ 5,178,736
Change in Working Capital (=A-B-C-D)	\$ 300,000	\$ 285,690	\$ (14,310)	\$ -	\$ (300,000)
FTEs	43.95	42.34	(1.61)	45.87	1.93

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
E-ISAC Only					
	2022	2022	Variance		Variance
	Budget	Projection	2022 Projection	2023	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)	Budget	Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 23,779,997	\$ 23,779,997	\$ -	\$ 25,836,864	\$ 2,056,867
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 23,779,997	\$ 23,779,997	\$ -	\$ 25,836,864	\$ 2,056,867
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Miscellaneous	60,000	60,000	-	260,000	200,000
Interest & Investment Income	22,082	7,224	(14,858)	21,537	(545)
Total Funding (A)	\$ 23,862,079	\$ 23,847,221	\$ (14,857)	\$ 26,118,401	\$ 2,256,322
Expenses					
Personnel Expenses					
Salaries	\$ 7,160,834	\$ 6,956,183	\$ (204,651)	\$ 7,593,979	\$ 433,144
Payroll Taxes	439,258	435,016	(4,242)	442,675	3,417
Benefits	933,864	907,003	(26,861)	979,020	45,156
Retirement Costs	800,898	758,140	(42,757)	820,843	19,945
Total Personnel Expenses	\$ 9,334,855	\$ 9,056,343	\$ (278,512)	\$ 9,836,516	\$ 501,661
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 90,000	\$ 82,000	\$ (8,000)	\$ 95,000	\$ 5,000
Travel	200,000	160,000	(40,000)	210,000	10,000
Total Meetings & Travel Expenses	\$ 290,000	\$ 242,000	\$ (48,000)	\$ 305,000	\$ 15,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 2,171,041	\$ 2,171,041	\$ -	\$ 2,827,834	\$ 656,793
Office Rent	-	-	-	-	-
Office Costs	1,384,704	1,414,704	30,000	1,454,296	69,592
Professional Services	-	-	-	-	-
Miscellaneous	9,200	9,200	-	9,200	-
Total Operating Expenses, excluding Depreciation	\$ 3,564,945	\$ 3,594,945	\$ 30,000	\$ 4,291,330	\$ 726,385
Total Direct Expenses	\$ 13,189,800	\$ 12,893,288	\$ (296,512)	\$ 14,432,846	\$ 1,243,046
Indirect Expenses	\$ 9,963,978	\$ 9,935,972	\$ (28,005)	\$ 11,366,670	\$ 1,402,693
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 23,153,777	\$ 22,829,261	\$ (324,517)	\$ 25,799,517	\$ 2,645,739
Change in Net Assets (=A-B)	\$ 708,301	\$ 1,017,960	\$ 309,659	\$ 318,884	\$ (389,417)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 1,122,006	\$ 879,347	\$ (242,659)	\$ 1,186,143	\$ 64,137
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (589,003)	\$ (575,653)	\$ 13,350	\$ (1,117,560)	\$ (528,557)
Loan or Financing Lease - Principal Payments (+)	175,299	146,654	(28,644)	250,301	75,002
Net Financing Activity (D)	\$ (413,705)	\$ (428,999)	\$ (15,294)	\$ (867,259)	\$ (453,554)
Total Budget (=B+C+D)	\$ 23,862,079	\$ 23,279,609	\$ (582,469)	\$ 26,118,401	\$ 2,256,322
Change in Working Capital (=A-B-C-D)	\$ -	\$ 567,612	\$ 567,612	\$ -	\$ -
FTEs	40.01	38.10	(1.91)	40.14	0.13

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
CRISP Only					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection	Budget	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 1,355,903	\$ 1,355,903	\$ -	\$ 2,337,571	\$ 981,668
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 1,355,903	\$ 1,355,903	\$ -	\$ 2,337,571	\$ 981,668
Third-Party Funding	\$ 7,928,423	\$ 8,538,106	\$ 609,683	\$ 9,569,170	\$ 1,640,747
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	1,000	3,000	2,000	1,000	-
Total Funding (A)	\$ 9,285,326	\$ 9,897,009	\$ 611,683	\$ 11,907,740	\$ 2,622,414
Expenses					
Personnel Expenses					
Salaries	\$ 850,486	\$ 828,831	\$ (21,655)	\$ 1,040,627	\$ 190,141
Payroll Taxes	40,853	40,060	(793)	61,024	20,171
Benefits	135,168	128,258	(6,910)	189,766	54,598
Retirement Costs	69,046	64,741	(4,305)	109,344	40,297
Total Personnel Expenses	\$ 1,095,553	\$ 1,061,890	\$ (33,663)	\$ 1,400,761	\$ 305,208
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 12,000	\$ 9,600	\$ (2,400)	\$ 45,000	\$ 33,000
Travel	22,000	17,600	(4,400)	36,000	14,000
Total Meetings & Travel Expenses	\$ 34,000	\$ 27,200	\$ (6,800)	\$ 81,000	\$ 47,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 6,154,820	\$ 6,947,665	\$ 792,845	\$ 7,345,021	\$ 1,190,201
Office Rent	-	-	-	-	-
Office Costs	469,391	480,891	11,500	547,800	78,409
Professional Services	190,000	515,037	325,037	850,000	660,000
Miscellaneous	550	550	-	650	100
Total Operating Expenses, excluding Depreciation	\$ 6,814,761	\$ 7,944,143	\$ 1,129,382	\$ 8,743,471	\$ 1,928,710
Total Direct Expenses	\$ 7,944,314	\$ 9,033,233	\$ 1,088,919	\$ 10,225,232	\$ 2,280,918
Indirect Expenses	\$ 980,303	\$ 1,105,736	\$ 125,432	\$ 1,623,810	\$ 643,507
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 8,924,618	\$ 10,138,969	\$ 1,214,351	\$ 11,849,042	\$ 2,924,425
Change in Net Assets (=A-B)	\$ 360,708	\$ (241,960)	\$ (602,668)	\$ 58,698	\$ (302,011)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 101,411	\$ 87,704	\$ (13,707)	\$ 182,592	\$ 81,181
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (57,949)	\$ (64,062)	\$ (6,113)	\$ (159,651)	\$ (101,703)
Loan or Financing Lease - Principal Payments (+)	17,247	16,321	(926)	35,757	18,511
Net Financing Activity (D)	\$ (40,702)	\$ (47,741)	\$ (7,039)	\$ (123,894)	\$ (83,192)
Total Budget (=B+C+D)	\$ 8,985,326	\$ 10,178,931	\$ 1,193,605	\$ 11,907,740	\$ 2,922,414
Change in Working Capital (=A-B-C-D)	\$ 300,000	\$ (281,922)	\$ (581,922)	\$ -	\$ (300,000)
FTEs	3.94	4.24	0.30	5.73	1.80

Personnel Certification and Credential Maintenance

Personnel Certification and Credential Maintenance (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	2.82	2.82	-
Direct Expenses	\$ 1,097,635	\$ 1,108,890	\$ 11,255
Indirect Expenses	702,307	798,595	96,288
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	72,652	115,209	42,557
Financing Activity	(29,160)	(60,932)	(31,772)
Total Budget	\$ 1,843,435	\$ 1,961,763	\$ 118,328

Purpose and Scope

The Personnel Certification and Credential Maintenance group oversees the System Operator Certification and Credential Maintenance programs that promote reliability of the North American bulk power system (BPS) by ensuring that system operators maintain their required credentials to work in system control centers across North America. NERC’s system operator certification exam tests specific knowledge of job skills and Reliability Standards and also prepares operators to handle the BPS during normal and emergency operations. Certification is maintained by completing NERC-approved Credential Maintenance Program courses and activities.

The Personnel Certification Governance Committee (PCGC) is a NERC standing committee that provides oversight to implement and maintain the integrity and independence of the NERC System Operator Certification Program. The Credential Maintenance Working Group (CMWG) reports to the PCGC and is responsible for developing and maintaining the Credential Maintenance Program under the general guidelines set by the PCGC. The PCGC’s Exam Working Group (EWG), which consists of subject matter experts from all regions of North America, is responsible for doing an extensive job analysis survey of certified operators across the industry, which provides the basis for the exams. NERC contracts with psychometric consultants who assist a working group of certified system operators in the development and maintenance of each exam.

The System Operator Certification and Credential Maintenance programs are completely self-funded through exam and continuing education provider fees, and the PCGC oversees the programs’ budgets. More information on the [System Operator Certification and Credential Maintenance Program](#) is available on the NERC website.

2023–2025 Areas of Focus

Key areas of focus for Personnel Certification and Credential Maintenance include:

- Evaluating the results of the credential maintenance research project that was completed in 2022
- Seeking industry input on improvement opportunities for the Personnel Certification and Credential Maintenance Program and development and implementing any changes
- Annual analysis of *System Operator Certification Program Manual* Appendix A topics (recognized operator training topics) and credential maintenance requirements

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors & Consultants budget includes support for exam testing and development, credential maintenance audit and review services, and the System Operator Certification Continuing Education Database (SOCCED).

2023 Technology Requirements

The majority of the Office Costs budget is related to software license and support for SOCCED. The Fixed Assets budget includes expenditures for SOCCED enhancements.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is due to the PCGC's planned return to the pre-pandemic number of in-person meetings.

Contractors & Consultants

The decrease in Contractors & Consultants expenses is due to the completion of a credential maintenance research project in 2022.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase for the Personnel Certification and Credential Maintenance program is due to the overall increase in costs for the Administrative Programs, particularly in IT due to the Technology Strategy discussed in the *Introduction and Executive Summary*.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the enhancements for SOCCED discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) that is budgeted in the General and Administrative area for anticipated financing of capital software projects in 2023 as discussed in the *Introduction and Executive Summary*.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Personnel Certification and Credential Maintenance					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	1,756,723	1,732,452	(24,271)	1,781,775	25,052
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	500	2,000	1,500	500	-
Total Funding (A)	\$ 1,757,223	\$ 1,734,452	\$ (22,771)	\$ 1,782,275	\$ 25,052
Expenses					
Personnel Expenses					
Salaries	\$ 318,852	\$ 334,906	\$ 16,054	\$ 340,141	\$ 21,289
Payroll Taxes	23,835	23,742	(93)	24,946	1,111
Benefits	43,222	42,477	(745)	43,337	115
Retirement Costs	35,638	37,444	1,806	38,117	2,479
Total Personnel Expenses	\$ 421,547	\$ 438,570	\$ 17,022	\$ 446,540	\$ 24,993
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 32,000	\$ 25,600	\$ (6,400)	\$ 68,000	\$ 36,000
Travel	14,000	11,200	(2,800)	18,000	4,000
Total Meetings & Travel Expenses	\$ 46,000	\$ 36,800	\$ (9,200)	\$ 86,000	\$ 40,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 463,188	\$ 463,188	\$ -	\$ 407,750	\$ (55,438)
Office Rent	-	-	-	-	-
Office Costs	166,600	184,565	17,965	168,300	1,700
Professional Services	-	-	-	-	-
Miscellaneous	300	300	-	300	-
Total Operating Expenses, excluding Depreciation	\$ 630,088	\$ 648,053	\$ 17,965	\$ 576,350	\$ (53,738)
Total Direct Expenses	\$ 1,097,635	\$ 1,123,423	\$ 25,787	\$ 1,108,890	\$ 11,255
Indirect Expenses	\$ 702,307	\$ 756,281	\$ 53,975	\$ 798,595	\$ 96,288
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,799,942	\$ 1,879,704	\$ 79,762	\$ 1,907,485	\$ 107,543
Change in Net Assets (=A-B)	\$ (42,719)	\$ (145,252)	\$ (102,533)	\$ (125,210)	\$ (82,491)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 72,652	\$ 59,986	\$ (12,666)	\$ 115,209	\$ 42,557
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (41,516)	\$ (43,816)	\$ (2,300)	\$ (78,517)	\$ (37,001)
Loan or Financing Lease - Principal Payments (+)	12,356	11,163	(1,193)	17,586	5,230
Net Financing Activity (D)	\$ (29,160)	\$ (32,653)	\$ (3,494)	\$ (60,932)	\$ (31,772)
Total Budget (=B+C+D)	\$ 1,843,435	\$ 1,907,037	\$ 63,602	\$ 1,961,763	\$ 118,328
Change in Working Capital (=A-B-C-D)	\$ (86,212)	\$ (172,585)	\$ (86,373)	\$ (179,488)	\$ (93,276)
FTEs	2.82	2.90	0.08	2.82	0.00

Training and Education

Training and Education (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	1.88	1.88	-
Direct Expenses	\$ 538,358	\$ 587,898	\$ 49,540
Indirect Expenses	468,205	532,397	64,192
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	48,435	43,473	(4,962)
Financing Activity	(19,440)	(40,621)	(21,181)
Total Budget	\$ 1,035,557	\$ 1,123,146	\$ 87,589

Purpose and Scope

Section 901 of the NERC Rules of Procedure acknowledges the need to acquire and sustain informed, knowledgeable, and skilled personnel in order to assure the reliable operation of the North American bulk power system (BPS). The Training and Education group facilitates the learning and development of NERC¹⁵ and ERO Enterprise staff as well as BPS industry participants. The program oversees and coordinates learning activities and resources that support the acquisition and increase of knowledge and skills among stakeholders. Learners are typically engaged through learning events and products and resources, such as custom-made and off-the-shelf interactive self-paced e-learning modules, video-based learning, and in-person and live-webinar instructor-led training.

2023–2025 Areas of Focus

Key areas of focus for Training and Education include support related to:

- Leadership development, new hire orientation, and confidential information training
- Events, including GridEx and the annual ERO Enterprise Compliance Monitoring and Enforcement Program (CMEP) Staff Workshop
- Training materials for the Align CMEP tool

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors & Consultants budget includes support for various training initiatives, including those that specifically support learning for and growth of the ERO Enterprise.

2023 Technology Requirements

The majority of the Office Costs budget is related to software license and support for the content and platform for a learning management system platform.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the merit and market adjustments discussed in the *Introduction and Executive Summary*.

¹⁵ NERC's Human Resources budget includes funding for general NERC employee training and development.

Office Costs

The increase for Office Costs is related to cost increases for the software discussed in the Technology Requirements above.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of each department’s budgeted FTEs to total budgeted statutory FTEs. The increase for the Training and Education program is due to the overall increase in costs for the Administrative Programs, particularly in IT due to the Technology Strategy discussed in the *Introduction and Executive Summary*.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) that is budgeted in the General and Administrative area for anticipated financing of capital software projects in 2023 as discussed in the *Introduction and Executive Summary*.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Training and Education					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 1,034,520	\$ 1,034,520	\$ -	\$ 1,122,138	\$ 87,618
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 1,034,520	\$ 1,034,520	\$ -	\$ 1,122,138	\$ 87,618
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	1,038	368	(670)	1,009	(29)
Total Funding (A)	\$ 1,035,557	\$ 1,034,888	\$ (669)	\$ 1,123,146	\$ 87,589
Expenses					
Personnel Expenses					
Salaries	\$ 234,880	\$ 245,896	\$ 11,016	\$ 249,925	\$ 15,045
Payroll Taxes	18,880	14,151	(4,729)	20,183	1,303
Benefits	49,040	48,010	(1,030)	48,836	(204)
Retirement Costs	26,357	27,637	1,280	31,154	4,797
Total Personnel Expenses	\$ 329,158	\$ 335,694	\$ 6,537	\$ 350,098	\$ 20,940
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 2,000	\$ 1,600	\$ (400)	\$ 2,000	\$ -
Travel	3,500	2,800	(700)	3,500	-
Total Meetings & Travel Expenses	\$ 5,500	\$ 4,400	\$ (1,100)	\$ 5,500	\$ -
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 100,000	\$ 100,000	\$ -	\$ 90,000	\$ (10,000)
Office Rent	-	-	-	-	-
Office Costs	103,000	103,000	-	141,600	38,600
Professional Services	-	-	-	-	-
Miscellaneous	700	700	-	700	-
Total Operating Expenses, excluding Depreciation	\$ 203,700	\$ 203,700	\$ -	\$ 232,300	\$ 28,600
Total Direct Expenses	\$ 538,358	\$ 543,794	\$ 5,436	\$ 587,898	\$ 49,540
Indirect Expenses	\$ 468,205	\$ 505,926	\$ 37,722	\$ 532,397	\$ 64,192
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,006,562	\$ 1,049,720	\$ 43,158	\$ 1,120,295	\$ 113,733
Change in Net Assets (=A-B)	\$ 28,995	\$ (14,832)	\$ (43,827)	\$ 2,852	\$ (26,143)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 48,435	\$ 40,129	\$ (8,306)	\$ 43,473	\$ (4,962)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (27,677)	\$ (29,311)	\$ (1,634)	\$ (52,345)	\$ (24,668)
Loan or Financing Lease - Principal Payments (+)	8,237	7,467	(770)	11,724	3,486
Net Financing Activity (D)	\$ (19,440)	\$ (21,844)	\$ (2,404)	\$ (40,621)	\$ (21,181)
Total Budget (=B+C+D)	\$ 1,035,557	\$ 1,068,006	\$ 32,448	\$ 1,123,146	\$ 87,589
Change in Working Capital (=A-B-C-D)	\$ -	\$ (33,118)	\$ (33,118)	\$ -	\$ -
FTEs	1.88	1.94	0.06	1.88	0.00

Administrative Programs

Administrative Programs (in whole dollars)						
	Direct Expenses, Fixed Assets, & Net Financing Activity			FTEs		
	2022 Budget	2023 Budget	Increase (Decrease)	2022 Budget	2023 Budget	Increase (Decrease)
General & Administrative	\$ 12,536,346	\$ 9,020,093	\$ (3,516,253)	18.80	19.74	0.94
Legal and Regulatory	5,123,376	5,552,134	428,758	15.98	16.92	0.94
Information Technology	14,026,598	20,442,840	6,416,242	27.50	31.21	3.71
Human Resources & Administration	3,852,313	4,334,818	482,505	11.28	12.22	0.94
Finance and Accounting	2,186,385	2,881,218	694,833	7.52	8.46	0.94
Total Administrative Programs	\$ 37,725,018	\$ 42,231,103	\$ 4,506,085	81.08	88.55	7.47

Scope and Functional Description

NERC's Administrative Programs area includes the budget for all business and administrative functions of the organization, including (1) General and Administrative; (2) Legal and Regulatory; (3) Business (Information) Technology; (4) Human Resources and Administration; (5) Finance and Accounting; and (6) other general administrative expenses necessary to support program area activities. The costs of the Administrative Programs functions are allocated to the statutory programs as indirect expenses.

General and Administrative

The General and Administrative (G&A) area is responsible for the administration and general management of the organization. Expenses allocated in this area include Office Rent as well as personnel and related costs for (1) the Chief Executive Officer (CEO), the Chief Engineer, the Chief Administrative Officer (CAO), and their support staff; (2) External Affairs staff, and (3) Board of Trustees (Board) costs. The \$3.5M decrease in the G&A budget is attributed to the capital financing assumptions discussed in the *Introduction and Executive Summary*, including loan proceeds of \$4.0M, which is budgeted in G&A and allocated to the statutory program areas as indirect costs.

External Affairs

The External Affairs group includes staff who are focused on three areas: (1) addressing policy matters that arise in legislative arenas and managing regulatory outreach; (2) managing all external and internal communications that support NERC initiatives, including editing and design of assessments/documents, media coordination and messaging, the public NERC website, social media, and other outreach, such as newsletters, as well as facilitating consistent messaging internally and across the ERO Enterprise; and (3) serving as the liaison with government entities and industry stakeholders in Mexico and Canada.

Board Costs

The following table details the Board costs included in the total G&A expenses.

Board of Trustee Expenses	2022 Budget	2023 Budget	Increase (Decrease)	
Meeting and Travel Expenses				
Quarterly Board Meetings	\$ 240,000	\$ 240,000	\$ -	0.0%
Trustee Travel	160,000	200,000	40,000	25.0%
Total	\$ 400,000	\$ 440,000	\$ 40,000	10.0%
Professional Services				
Independent Trustee Fees	\$ 1,580,000	\$ 1,568,500	\$ (11,500)	-0.7%
Trustee Search Fees	-	-	-	-
Total	\$ 1,580,000	\$ 1,568,500	\$ (11,500)	-0.7%
Total	\$ 1,980,000	\$ 2,008,500	\$ 28,500	1.4%

The increase for Meeting and Travel expenses is due to the planned return to some in-person Board meetings and related travel, which is discussed in the *Introduction and Executive Summary*. The slight decrease for independent trustee fees is due to adjusting the anticipated trustee compensation in 2023, which is based on the independent study on trustee compensation completed at the end of 2021.

Legal and Regulatory

The Legal and Regulatory department supports the NERC program areas and is responsible for providing a wide range of legal support to the NERC management team regarding antitrust, corporate, commercial, insurance, contract, employment, real estate, copyright, tax, legislation, and other legal matters. The department also addresses legal and regulatory matters that arise in connection with NERC's role as the Electric Reliability Organization and the delegation agreements with the Regional Entities. Additionally, the Legal and Regulatory department includes the Internal Audit and Corporate Risk Management functions, explained further below.

Internal Audit

The Internal Audit group performs independent, objective activities (i.e., audits and assessments) designed to add value and improve NERC and Regional Entity operations. The activities ensure that (1) risks are appropriately identified, managed, and monitored across NERC and the ERO Enterprise; (2) internal control systems are adequately promoted and are effectively functioning; and (3) significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board are reported. Internal Audit specifically engages with NERC's Compliance and Certification Committee (CCC) to collaborate on monitoring of the ERO Enterprise as contemplated by Sections 406, 506, and Appendix 4A of the NERC Rules of Procedure.

Corporate Risk Management

The Corporate Risk Management (CRM) area focuses on ERO Enterprise corporate financial, operational, legal, regulatory, and compliance risks. NERC's current enterprise risk management (ERM) process is conducted annually, based on the Committee of Sponsoring Organization of the Treadway Commission (COSO) framework. The results of the ERM process serve as a roadmap in developing the company's corporate risk, compliance, and ethics framework. The CRM group also works with the Regional Entities to enhance the ERO Enterprise-wide corporate risk identification and risk mitigation efforts, resulting in more streamlined and coordinated reports and harmonized assessment of ERO Enterprise risks and processes.

Business Technology

NERC's Business (Information) Technology department provides the technology and management needed for the organization to maintain daily operations and meet ERO statutory obligations, including applications and infrastructure leveraged by the ERO Enterprise and registered entities. The Business Technology department includes a Project Management Office (PMO) that provides project management skills and leadership for major ERO Enterprise and NERC business technology projects. NERC's Business Technology department focuses on five key areas: cyber security, NERC infrastructure support, the Electricity Information Sharing and Analysis Center (E-ISAC), ERO Enterprise application and infrastructure support, and ERO Enterprise new functionality. Business Technology manages NERC's overall Technology Strategy, which is discussed in more detail in the *Introduction and Executive Summary*.

Human Resources and Administration

The Human Resources (HR) and Administration functions primarily include payroll, benefits and retirement plan administration, employee relations, performance and compensation management, training and development, facilities management, and meeting planning and coordination. The HR group manages NERC's overall People Strategy, which is designed to create an employee experience that meets the expectations of an evolving workforce and attracts, retains, and engages top talent by supporting a

more sustainable, diverse, post-pandemic organization. This three-phased plan is intended to transform the HR practices to be more strategic to ensure NERC has the talent to meet its goals as outlined in its four areas of focus. A critical component to NERC’s People Strategy is workforce planning, which is discussed in more detail in the *Introduction and Executive Summary*.

Finance and Accounting

NERC’s Finance and Accounting department manages all finance and accounting functions, including accounts payable and receivable, assessment and Cybersecurity Information Sharing Program (CRISP) billing, travel and expense reporting, budget management, financial reporting, corporate insurance program management, coordination of the annual external financial statement audit and Form 990, and property, sales, and use tax returns. This area also holds primary responsibility for the development of the annual business plan and budget and associated stakeholder outreach efforts. NERC Finance and Accounting manages systems, policies, procedures, and controls governing day-to-day practices, including procurement, expense reimbursement, and back office systems and procedures.

2023–2025 Areas of Focus

Key areas of focus for the Administrative Programs include:

- Continuing to enhance state outreach and engagement, including further developed outreach for ERO Enterprise assessments and reports, and expanding collaboration efforts with the National Association of Regulatory Utility Commissioners (NARUC) and government partners
- Maturing internal assurance programs, including internal audit, risk management, and contingency planning
- Enhancing cyber security to focus on prevention, detection, and mitigation and designing technology solutions for today’s security and environment, supported by Information Technology (IT) policies, processes, and procedures that align with standard cyber frameworks and internal assurance programs
- Supporting adaptable and sustainable technology, including technical roadmaps that accelerate adoption of cloud computing and quality assurance programs that improve disaster recovery, testing capability, and solution performance and security
- Increasing automation and controls across the HR and Finance and Accounting areas, and providing meaningful data to track metrics and measure efficiency

2023 Resource Requirements

The 7.47 increase in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget is for additional roles in External Affairs, Legal and Regulatory, Business Technology, and Finance and Accounting related to supporting the security and sustainability of the organization, particularly in the areas of cyber security, cloud computing, internal controls, procurement, and communications. The Contractors & Consultants budget includes various support and consulting needs across the Administrative Programs, with the largest investments related to the Technology and People Strategies discussed in the *Introduction and Executive Summary*. This includes support for application and infrastructure, cyber security, and PMO in the Business Technology department, and HR functional services, such as executive coaching, leadership training, and payroll processing. Additional contractor and consultant expenses in the Administrative Programs include support for Internal Audit, existing Finance and Accounting and HR systems, as well as discovery activities for a more integrated, cloud-based Finance and Accounting and HR system.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for the Administrative Programs, especially in Business Technology for the software required to support cyber security and overall daily operations. The Fixed Assets Additions budget includes funding for capital software projects in the Business Technology department that benefit company operations, including infrastructure investments in operational sustainability, enhancements for cyber security and data loss prevention systems, and upgrades to Microsoft SharePoint and collaboration tools, as well as technology equipment and server upgrades, including lease-financed technology equipment. The Fixed Assets Additions budget for the Administrative Programs also includes funds for enhancements to existing Finance and Accounting and HR systems.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the increase in FTEs explained above and merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Office Rent

The decrease in Office Rent is due to lease concessions related to the Atlanta office, which are being applied to budgeted rent for the remaining term of the lease that ends in October 2025.

Office Costs

The increase in Office Costs is primarily related to the Business Technology software licenses and support expenses discussed in the Technology Requirements above, including those related to the overall Technology Strategy and annual escalation for existing software agreements.

Professional Services

The increase in Professional Services is primarily due to increased insurance costs reflecting market pressures on liability insurance.

Fixed Asset Additions

Fixed Asset Additions expenditures budgeted for the Administrative Programs are allocated to the statutory program areas as indirect costs. Though there is a significant increase in capital software projects in the Administrative Programs in 2023 related to the Technology Requirements discussed above, there is a decrease in these expenditures from 2022 to 2023. This is due to one-time purchases budgeted in 2022 for (1) audio/visual equipment funded by a lease program (which is budgeted in Fixed Assets Additions and directly offset by lease proceeds reflected in Net Financing Activity) and (2) office furniture and leasehold improvement expenditures (which were planned to be funded by reserves).¹⁶

Net Financing Activity

The change in Net Financing Activity is due to the capital financing assumptions discussed in the *Introduction and Executive Summary*, including loan proceeds of \$4.0M, which is budgeted in G&A and allocated to the statutory program areas as indirect costs.

¹⁶ These expenditures were for a new Atlanta office lease in 2022 that did not materialize.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Administrative Programs					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ (773,146)	\$ (773,146)	\$ -	\$ (1,000,000)	\$ (226,854)
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ (773,146)	\$ (773,146)	\$ -	\$ (1,000,000)	\$ (226,854)
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	-	-	-	-	-
Total Funding (A)	\$ (773,146)	\$ (773,146)	\$ -	\$ (1,000,000)	\$ (226,854)
Expense					
Personnel Expenses					
Salaries	\$ 15,540,598	\$ 15,755,712	\$ 215,114	\$ 17,970,873	\$ 2,430,275
Payroll Taxes	834,316	845,160	10,844	935,516	101,200
Benefits	2,336,350	2,377,648	41,298	2,623,091	286,741
Retirement Costs	1,416,863	1,428,353	11,489	1,744,448	327,584
Total Personnel Expenses	\$ 20,128,127	\$ 20,406,872	\$ 278,745	\$ 23,273,928	\$ 3,145,801
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 557,550	\$ 490,150	\$ (67,400)	\$ 593,400	\$ 35,850
Travel	520,000	446,000	(74,000)	761,000	241,000
Total Meetings & Travel Expenses	\$ 1,077,550	\$ 936,150	\$ (141,400)	\$ 1,354,400	\$ 276,850
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 3,218,406	\$ 3,616,602	\$ 398,196	\$ 4,945,510	\$ 1,727,104
Office Rent	3,243,277	3,191,370	(51,907)	3,022,266	(221,011)
Office Costs	5,375,408	5,514,320	138,912	6,580,619	1,205,211
Professional Services	2,283,100	2,388,924	105,824	2,425,596	142,496
Miscellaneous	119,150	119,649	499	182,783	63,633
Total Operating Expenses, excluding Depreciation	\$ 14,239,341	\$ 14,830,865	\$ 591,524	\$ 17,156,774	\$ 2,917,433
Total Direct Expenses					
	\$ 35,445,018	\$ 36,173,887	\$ 728,869	\$ 41,785,102	\$ 6,340,084
Indirect Expenses					
	\$ (35,525,018)	\$ (36,246,739)	\$ (721,721)	\$ (42,006,102)	\$ (6,481,084)
Other Non-Operating Expenses					
	\$ 80,000	\$ 72,852	\$ (7,148)	\$ 221,000	\$ 141,000
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A-B)	\$ (773,146)	\$ (773,146)	\$ -	\$ (1,000,000)	\$ (226,854)
Fixed Asset Additions, excluding Right of Use Assets (C)					
	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ -	\$ -	\$ -	\$ -
Loan or Financing Lease - Principal Payments (+)	-	-	-	-	-
Net Financing Activity (D)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget (=B+C+D)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Working Capital (=A-B-C-D)	\$ (773,146)	\$ (773,146)	\$ -	\$ (1,000,000)	\$ (226,854)
FTEs	81.08	78.49	(2.59)	88.55	7.47

Section B – Supplemental Financial Information

Breakdown by Statement of Activity Sections

The following detailed schedules support the consolidated Statement of Activities.

Table B-1 – Total Reserves Analysis

Total Reserves Analysis								
Statutory								
	Total Reserves	Future Obligation Reserve ¹	Operating Contingency Reserve ²	System Operator Certification Reserve	CRISP Special Projects Reserve ³	CRISP Operating Reserve ³	CRISP Defense Fund Reserve ⁴	Assessment Stabilization Reserve
Beginning Reserves - 1/1/2022	\$ 16,101,643	\$ 1,381,843	\$ 8,728,678	\$ 915,083	\$ 445,316	\$ 1,596,902	\$ 512,821	\$ 2,521,000
Generation(use) of reserves from 2022 projections								
Projected 2022 operating results, including debt service and financing	\$ 42,348	\$ 708,893	\$ 90,710	\$ (86,374)	\$ (445,316)	\$ (225,565)	-	\$ -
Budgeted addition(use) of reserves	(530,094)	(679,629)	(64,253)	(86,212)	-	300,000	-	-
Other addition(use) of reserves	907,756	882,756	-	-	-	-	25,000	-
Projected Reserves - 12/31/2022	\$ 16,521,653	\$ 2,293,863	\$ 8,755,135	\$ 742,497	\$ -	\$ 1,671,337	\$ 537,821	\$ 2,521,000
Projected Reserves - 12/31/2023	\$ 14,626,006	\$ 2,577,704	\$ 7,755,135	\$ 563,009	\$ -	\$ 1,671,337	\$ 537,821	\$ 1,521,000
Addition(use) of reserves	(895,647)	283,841	(1,000,000)	(179,488)	-	-	-	-
Less: Assessment Stabilization Reserve Release - Penalties	(1,000,000)	-	-	-	-	-	-	(1,000,000)
Total Adjustments to Reserves	\$ (1,895,647)	\$ 283,841	\$ (1,000,000)	\$ (179,488)	\$ -	\$ -	\$ -	\$ (1,000,000)
Assessment Reconciliation								
2023 Expenses, Capital Expenditures, & Net Financing	\$ 101,001,613							
Less: Assessment Stabilization Reserve Release - Penalties	(1,000,000)							
Addition(use) of reserves	(1,179,488)							
Less: Other Funding Sources	(11,747,445)							
2023 NERC Assessment	\$ 87,074,681							

¹As explained in the discussion of reserves in the *Introduction and Executive Summary*, the Future Obligations Reserve offsets future, non-current liabilities.

²Except as otherwise approved by the Board, after review by the FAC, the amount of the Operating Contingency Reserve shall be between three and one half (3.5%) percent and seven (7%) percent of the company's total expense, fixed asset, and net financing budget minus the sum of the System Operator Certification and CRISP budgets, each of which have separate reserves.

³In an Order issued July 8, 2022, the Commission approved NERC's request for approval (1) to annually redirect underruns of the prior year's CRISP budget to the CRISP Operating Reserve, and (2) to redirect underruns from CRISP Operational Technology pilot budgeted funds to the CRISP Special Projects Reserve. North American Electric Reliability Corp., 180 FERC ¶ 61,013 (Letter Order July 8, 2022).

⁴The CRISP Defense Fund Reserve is intended to fund any expenses related to investigation and defense in connection with a claim pertaining to the CRISP agreement between NERC and participating utilities.

See the 2023 Reserves discussion in the *Introduction and Executive Summary* for further details on the reserve categories and factors impacting reserve balances in 2023.

Table B-2 – Penalties

Penalty Sanctions and Allocation Method

NERC Rules of Procedure (ROP) Section 1107.2 specifies that penalty monies received by NERC during the 12 months ended June 30 are to be used in the subsequent budget year to offset assessments. In 2015, the Board of Trustees (Board) approved an updated *Working Capital and Operating Reserves Policy* that was approved by the Federal Energy Regulatory Commission (FERC). This updated policy allows NERC, with Board and FERC approval pursuant to ROP Section 1107.4, to place penalty funds into an Assessment Stabilization Reserve (ASR) for use in future years to offset assessments. Penalty sanctions released from the ASR are allocated to the following statutory programs to reduce assessments: (1) Reliability Standards and Power Risk Issues Strategic Management, (2) Compliance Assurance and Organization Registration and Certification, (3) Compliance Enforcement, (4) Reliability Assessment and Performance Analysis (RAPA), (5) Situation Awareness, (6) Event Analysis, (7) the Electricity Information Sharing and Analysis Center (E-ISAC), including the Cybersecurity Risk Information Sharing Program (CRISP), and (8) Training and Education. Penalty sanctions are allocated based on the number of full-time equivalents (FTEs) in the program divided by the aggregate total FTEs in the programs receiving the allocation.

NERC did not collect any penalties during the period July 1, 2021 to June 30, 2022 and is not requesting to deposit any funds into the ASR. The 2023 assessment includes a proposed release of \$1.0M from this reserve. The balance held in the ASR will be used for assessment offsets to stabilize and reduce assessments in future years.

Penalty Sanctions	Date Received	Amount Received
Penalties received between 7/1/2021 and 6/30/2022		
	N/A	\$ -
		<u>\$ -</u>
Penalties received prior to 6/30/2021, held in the assessment stabilization reserve		\$ 2,521,000
Total penalties available on 1/1/2023 to offset assessments		<u>\$ 2,521,000</u>
Adjustments		
Total penalties released to offset assessments in the 2023 Budget		\$ (1,000,000)
Total penalties held in Assessment Stabilization Reserve 12/31/2023		<u>\$ 1,521,000</u>

Table B-3 – Outside Funding

Outside Funding Breakdown By Program (Excludes Any Penalty/Reserve Releases)	2022 Budget	2023 Budget	Increase (Decrease)
Reliability Standards and PRISM			
Interest & Investment Income Allocation	\$ 10,895	\$ 10,592	\$ (303)
Total	\$ 10,895	\$ 10,592	\$ (303)
Compliance Assurance, Certification, and Registration			
Interest & Investment Income Allocation	\$ 11,933	\$ 12,105	\$ 172
Total	\$ 11,933	\$ 12,105	\$ 172
Compliance Enforcement			
Interest & Investment Income Allocation	\$ 6,744	\$ 6,557	\$ (188)
Total	\$ 6,744	\$ 6,557	\$ (188)
Reliability Assessment and Performance Analysis			
Services and Software	\$ 60,000	\$ 60,000	\$ -
Interest & Investment Income Allocation	14,527	15,636	1,109
Total	\$ 74,527	\$ 75,636	\$ 1,109
Personnel Certification and Credential Maintenance			
Testing Fees	\$ 496,600	\$ 526,500	\$ 29,900
Certificate Renewals	825,000	764,000	(61,000)
Continuing Education Fees	435,123	491,275	(4,875)
Interest & Investment Income Allocation	500	500	-
Total	\$ 1,757,223	\$ 1,782,275	\$ (35,975)
Training and Education			
Interest & Investment Income Allocation	\$ 1,038	\$ 1,009	\$ (29)
Total	\$ 1,038	\$ 1,009	\$ (29)
Event Analysis			
Interest & Investment Income Allocation	\$ 3,632	\$ 3,531	\$ (101)
Total	\$ 3,632	\$ 3,531	\$ (101)
Situation Awareness			
Interest & Investment Income Allocation	\$ 4,150	\$ 4,035	\$ (115)
Total	\$ 4,150	\$ 4,035	\$ (115)
E-ISAC			
Third Party Funding (CRISP)	\$ 7,628,423	\$ 9,569,170	\$ 1,940,747
Miscellaneous Funding	60,000	260,000	200,000
Interest & Investment Income Allocation	23,082	22,537	(545)
Total	\$ 7,711,505	\$ 9,851,706	\$ 2,140,202
Grand Total	\$ 9,581,646	\$ 11,747,445	\$ 2,104,772

Testing Fees and Certificate Renewals – The \$30k increase in testing fees and \$61k decrease in certificate renewals reflects the estimate of the numbers of tests and renewals in 2023.

Third Party Funding (CRISP) – The \$1.2M increase is related to increased operational costs and market pressures on insurance for the contract with the Pacific Northwest National Laboratory (PNNL).

Miscellaneous Funding – The \$200K increase for miscellaneous funding in E-ISAC is related to anticipated revenue from a new Vendor Affiliate Program. See *Section A – Electricity Information Sharing and Analysis Center* for more discussion on E-ISAC and CRISP funding.

Table B-4 – Personnel

Personnel	2022 Budget	2023 Budget	Increase (Decrease)	
Salaries	\$ 39,557,528	\$ 44,250,356	\$ 4,692,828	11.9%
Payroll Taxes	2,310,836	2,513,603	202,767	8.8%
Benefits	6,038,487	6,624,553	586,066	9.7%
Retirement	4,059,585	4,629,894	570,309	14.0%
Total	\$ 51,966,435	\$ 58,018,406	\$ 6,051,971	11.6%
FTEs	223.72	236.88	13.16	5.9%
Cost per FTE				
Salaries	\$ 176,817	\$ 186,805	\$ 9,988	5.6%
Payroll Taxes	10,329	10,611	282	2.7%
Benefits	26,991	27,966	975	3.6%
Retirement	18,146	19,545	1,399	7.7%
Total	\$ 232,283	\$ 244,927	\$ 12,644	5.4%

The increase in overall Personnel costs is primarily related to the increase of 13.2 FTEs and salary and benefit increase assumptions. See the People Strategy and 2023 Program Budget and FTE Comparisons sections in the *Introduction and Executive Summary* for more details.

Table B-5 – Meetings & Travel

Meetings & Travel	2022 Budget	2023 Budget	Increase (Decrease)	
Meetings & Conference Calls	\$ 1,132,550	\$ 1,291,650	\$ 159,100	14.0%
Travel	1,475,500	1,853,900	378,400	25.6%
Total	\$ 2,608,050	\$ 3,145,550	\$ 537,500	20.6%

Meetings & Travel expenses are increasing as NERC continues to return to some in-person meetings and related travel (following a reduction in these budget areas in 2021 and 2022 related to the pandemic), while continuing to leverage efficiencies of virtual meeting formats. See the Meetings and Travel discussion in the *Introduction and Executive Summary* for more details.

Table B-6 – Contractors and Consultants

For discussion on the changes below, see the Resource Requirements sections of each program area in *Section A – 2022 Business Plan and Budget Program Area and Department Detail*.

Section B – Supplemental Financial Information

Consultants & Contracts	2022 Budget	2023 Budget	Increase(Decrease)
Reliability Standards			
Standards and PRISM Application Support	\$ 108,960	\$ 90,739	\$ (18,221)
Engineering and Standards Support	50,000	112,000	62,000
Total	\$ 158,960	\$ 202,739	\$ 43,779
CMEP			
Compliance Assurance Process Documentation Support	\$ 75,000	\$ 50,000	\$ (25,000)
Evidence Locker Annual Certification	100,000	100,000	-
Regional Entity CMEP Audit Support	360,000	-	(360,000)
BES Exception Process Application Support	40,000	40,800	800
Workshop Facilitation	19,000	19,000	-
Total	\$ 594,000	\$ 209,800	\$ (384,200)
RAPA			
RAPA Application Support	\$ 261,227	\$ 301,654	\$ 40,427
BPS Security and Grid Transformation Support	-	200,000	200,000
Emerging Technology and Energy Risk Analysis	200,000	250,000	50,000
Probabilistic Analysis	50,000	55,000	5,000
Research Partnerships and Projects	150,000	50,000	(100,000)
Workshop Facilitation	20,000	20,000	-
Total	\$ 681,227	\$ 876,654	\$ 195,427
Event Analysis			
Event Analysis Application Support	\$ 88,157	\$ 90,802	2,645
Human Performance Activity Support	-	100,000	100,000
Event Analysis Review Support	30,000	30,000	-
Total	\$ 118,157	\$ 220,802	\$ 102,645
Situation Awareness			
Situation Awareness Application Support	\$ 15,000	\$ 23,000	\$ 8,000
Total	\$ 15,000	\$ 23,000	\$ 8,000
E-ISAC			
Security and Other Consulting	\$ 87,950	\$ 413,198	\$ 325,248
GridEx and Other Events	278,000	626,000	348,000
Technology Support	491,843	447,991	(43,852)
Operations	913,248	940,645	27,397
Partnerships	400,000	400,000	-
CRISP PNNL and Other Participant Paid	6,043,520	6,982,599	939,079
CRISP Support	111,300	362,422	251,122
Total	\$ 8,325,861	\$ 10,172,855	\$ 1,846,994
Personnel Certification and Credential Maintenance			
System Operator Testing Expenses and Examination Development	\$ 96,188	\$ 110,750	\$ 14,562
Special Project and Other Support	140,000	100,000	(40,000)
Continuing Education Audit and Review Services	100,000	120,000	20,000
SOCCEC Database Support	125,000	75,000	(50,000)
Translation Services	2,000	2,000	-
Total	\$ 463,188	\$ 407,750	\$ (55,438)
Training and Education			
ERO Enterprise and Industry Learning and Development Support	\$ 100,000	\$ 90,000	\$ (10,000)
Total	\$ 100,000	\$ 90,000	\$ (10,000)
General and Administrative			
Communications Support	\$ 20,000	\$ 20,000	\$ -
Executive Support	100,000	100,000	-
Total	\$ 120,000	\$ 120,000	\$ -
Information Technology			
Applications & Infrastructure, Security, and Ongoing Operations Support	\$ 1,733,406	\$ 3,420,510	\$ 1,687,104
Total	\$ 1,733,406	\$ 3,420,510	\$ 1,687,104
Human Resources			
Training and Development	\$ 565,000	\$ 440,000	\$ (125,000)
HR Consulting Services	305,000	410,000	105,000
Total	\$ 870,000	\$ 850,000	\$ (20,000)
Finance and Accounting			
Finance and Accounting Support	\$ 185,000	\$ 350,000	\$ 165,000
Total	\$ 185,000	\$ 350,000	\$ 165,000
Legal & Regulatory			
Internal Audit and Corporate Risk Management Support	\$ 300,000	\$ 195,000	\$ (105,000)
Workshop Facilitation	10,000	10,000	-
Total	\$ 310,000	\$ 205,000	\$ (105,000)
Total Consultants & Contracts	\$ 13,674,799	\$ 17,149,110	\$ 3,474,311

Table B-7 – Rent

Office Rent	2022 Budget	2023 Budget	Increase (Decrease)	
Office Rent	\$ 3,119,677	\$ 2,872,266	\$ (247,411)	-7.9%
Maintenance	123,600	150,000	26,400	21.4%
Total	\$ 3,243,277	\$ 3,022,266	\$ (221,011)	-6.8%

As discussed in the *Introduction and Executive Summary*, the decrease in Office Rent is due to lease concessions negotiated for the Atlanta office, which are spread over the remaining term (ending in October 2025), offset by a projected increase for maintenance costs for the Atlanta and Washington, D.C. offices.

Table B-8 – Office Costs

Office Costs	2022 Budget	2023 Budget	Increase (Decrease)	
Telephone	\$ 333,838	\$ 385,000	\$ 51,162	15.3%
Internet	325,783	359,249	33,466	10.3%
Office Supplies	131,350	129,850	(1,500)	-1.1%
Computer Supplies	156,450	196,450	40,000	25.6%
Software License and Support	8,582,357	10,035,952	1,453,595	16.9%
Subscription and Publications	443,894	440,923	(2,971)	-0.7%
Dues	157,850	170,700	12,850	8.1%
Postage	10,500	10,500	-	0.0%
Express Shipping	34,700	75,200	40,500	116.7%
Copying	39,500	39,900	400	1.0%
Audio/Visual and Hardware Lease	280,000	365,000	85,000	30.4%
Equipment Repair/Service Contracts	130,000	144,000	14,000	10.8%
Bank Charges	28,000	30,000	2,000	7.1%
Merchant Card Fees	95,000	97,000	2,000	2.1%
Total	\$ 10,749,222	\$ 12,479,724	\$ 1,730,502	16.1%

Software License and Support includes non-capital software license and support costs, as well as expenses for infrastructure management software, data center co-location, offsite data backup, and network and security monitoring. The \$1.4M increase in this area is related to (1) annual escalation estimates for software licenses for tools used by the Statutory and Administrative Programs, particularly for Information Technology (IT) and (2) new software products to support the Technology Strategy discussed in the *Introduction and Executive Summary*.

The \$41k increase for Express Shipping is due to NERC's shift to a substantially remote workforce following the pandemic. The \$85k increase for Audio/Visual (A/V) and Hardware Lease is due to support costs for a new A/V equipment lease for NERC's new Washington, D.C. office, which is being designed to support collaborative meeting spaces. The remaining changes to Office Costs items are to bring these budgets closer to recent actual costs.

Table B-9 – Professional Services

Professional Services	2022 Budget	2023 Budget	Increase (Decrease)	
Independent Trustee Fees	\$ 1,580,000	\$ 1,568,496	\$ (11,504)	-0.7%
Trustee Search Fees	-	-	-	0.0%
Outside Legal	430,000	495,000	65,000	15.1%
Government Relations	20,000	20,000	-	0.0%
Accounting and Auditing Fees	160,000	145,000	(15,000)	-9.4%
Insurance Commercial	284,000	1,040,000	756,000	266.2%
Outside Services	14,100	22,100	8,000	56.7%
Total	\$ 2,488,100	\$ 3,290,596	\$ 802,496	32.3%

As discussed on in the Administrative Programs section, the slight decrease for independent trustee fees is due to adjusting the anticipated trustee compensation in 2023, based on the independent study on trustee compensation completed at the end of 2021.

The increase for Outside Legal is to bring the budgets closer to recent actual costs. The \$756k increase for Insurance Commercial is to bring the CRISP liability insurance and NERC property and liability insurance budgets closer to projected estimates based on market pressures in this area.

Table B-10 – Miscellaneous

Miscellaneous Expenses	2022 Budget	2023 Budget	Increase (Decrease)	
Miscellaneous Expense	\$ 10,250	\$ 10,250	\$ -	0.0%
Employee Rewards and Recognition	21,400	52,617	31,217	145.9%
Employee Engagement	85,000	117,917	32,917	38.7%
Sponsorships	28,000	28,000	-	0.0%
Total	\$ 144,650	\$ 208,783	\$ 64,133	44.3%

In support of the People Strategy discussed in the *Introduction and Executive Summary*, the increase of \$31k for Employee Rewards and Recognition is for an employee referral program and the \$33k increase for Employee Engagement is primarily to further develop NERC's internal communications program.

Table B-11 – Other Non-Operating Expenses

Other Non-Operating Expenses	2022 Budget	2023 Budget	Increase (Decrease)	
Property and Other Tax Expense	\$ 60,000	\$ 100,000	\$ 40,000	66.7%
Interest Expense	75,000	154,254	79,254	105.7%
Total	\$ 135,000	\$ 254,254	\$ 119,254	88.3%

The increase of \$40k for Property and Other Tax Expense is to bring this budget closer to recent actual costs. The \$79k for Interest Expense is related to the capital financing assumptions discussed in the *Introduction and Executive Summary*.

Table B-12 – Fixed Assets

Fixed Asset Additions	2022 Budget	2023 Budget	Increase (Decrease)	
Computer & Software CapEx	\$ 1,268,750	\$ 5,319,000	4,050,250	319.2%
Furniture & Fixtures CapEx	400,000	-	(400,000)	-100.0%
Equipment CapEx	750,000	775,000	25,000	3.3%
Capital Lease Assets	2,100,000	130,000	(1,970,000)	-93.8%
Leasehold Improvements	400,000	-	(400,000)	-100.0%
Total	\$ 4,918,750	\$ 6,224,000	\$ 1,305,250	26.5%

The increase in Computer and Software CapEx is for capital software projects that are part of the Technology Strategy discussed in the *Introduction and Executive Summary* and in the Technology Requirements sections of each program area in *Section A – 2022 Business Plan and Budget Program Area and Department Detail*. Also as mentioned in the *Introduction and Executive Summary*, NERC is projecting to finance \$4.0M of the expenditures for these capital software projects in 2023. The loan borrowing and 2023 loan principal payments are reflected in the Net Financing Activity section of NERC's Statement of Activity and Fixed Asset Additions reports (also see *Exhibit B – Capital Financing* for further details).

The decrease of approximately \$2.0M in Capital Lease Assets is related to the budgeted acquisition of A/V equipment in 2022 that is being funded by a lease. The \$130k budgeted for Capital Lease Assets in 2023 is for a refresh of lease-financed laptops. These capital asset expenditures are directly offset by lease financing borrowing which, along with related lease principal payments, are reflected in the Net Financing Activity section of NERC's Statement of Activity and Fixed Asset Additions reports.

The \$400k decreases for Furniture & Fixtures CapEx and Leasehold Improvements are related to one-time out-of-pocket costs included in the 2022 budget for an Atlanta Office relocation (to be funded by reserves) that did not materialize.

Table B-13 – 2024 and 2025 Projections

For further details on the 2024 and 2025 projections below, see the 2023–2025 Business Plan and Budget Assumptions section of the *Introduction and Executive Summary*.

Section B – Supplemental Financial Information

Statement of Activities and Fixed Asset Additions 2023 Budget & Projected 2024 and 2025 Budgets							
	2023	2024	\$ Change	% Change	2025	\$ Change	% Change
	Budget	Projection	24 vs 23	24 vs 23	Projection	25 vs 24	25 vs 24
Funding							
ERO Funding							
NERC Assessments	\$ 87,074,681	\$ 97,207,953	\$ 10,133,272	11.6%	\$ 108,037,108	\$ 10,829,155	11.1%
Penalties Released	1,000,000	-	(1,000,000)	-100.0%	-	-	-
Total NERC Funding	\$ 88,074,681	\$ 97,207,953	\$ 9,133,272	10.4%	\$ 108,037,108	\$ 10,829,155	11.1%
Third-Party Funding							
Testing Fees	\$ 1,781,775	\$ 1,785,825	\$ 4,050	0.2%	\$ 1,845,825	\$ 60,000	3.4%
Services & Software	60,000	60,000	-	0.0%	60,000	-	0.0%
Miscellaneous	260,000	360,000	100,000	38.5%	460,000	100,000	27.8%
Interest & Investment Income	76,500	161,500	85,000	111.1%	211,500	50,000	31.0%
Total Funding (A)	\$ 99,822,125	\$ 109,971,409	\$ 10,149,284	10.2%	\$ 121,908,728	\$ 11,937,319	10.9%
Expenses							
Personnel Expenses							
Salaries	\$ 44,250,356	\$ 48,521,164	\$ 4,270,808	9.7%	\$ 52,989,318	\$ 4,468,154	9.2%
Payroll Taxes	2,513,603	2,667,526	153,924	6.1%	2,817,431	149,904	5.6%
Benefits	6,624,553	7,297,239	672,686	10.2%	8,005,511	708,272	9.7%
Retirement Costs	4,629,894	5,062,748	432,854	9.3%	5,529,340	466,592	9.2%
Total Personnel Expenses	\$ 58,018,406	\$ 63,548,677	\$ 5,530,271	9.5%	\$ 69,341,599	\$ 5,792,922	9.1%
Meetings & Travel Expenses							
Meetings & Conference Calls	\$ 1,291,650	\$ 1,279,300	\$ (12,350)	-1.0%	\$ 1,383,450	\$ 104,150	8.1%
Travel	1,853,900	1,966,900	113,000	6.1%	2,017,300	50,400	2.6%
Total Meetings and Travel Expenses	\$ 3,145,550	\$ 3,246,200	\$ 100,650	3.2%	\$ 3,400,750	\$ 154,550	4.8%
Operating Expenses, excluding Depreciation							
Contractors and Consultants	\$ 17,149,110	\$ 16,857,698	\$ (291,412)	-1.7%	\$ 18,132,871	\$ 1,275,173	7.6%
Office Rent	3,022,266	3,182,937	160,671	5.3%	3,318,414	135,477	4.3%
Office Costs	12,479,724	13,544,216	1,064,492	8.5%	14,579,740	1,035,524	7.6%
Professional Services	3,290,596	3,749,600	459,004	13.9%	4,258,604	509,004	13.6%
Miscellaneous	208,783	211,850	3,067	1.5%	212,850	1,000	0.5%
Total Operating Expenses, excluding Depreciation	\$ 36,150,479	\$ 37,546,301	\$ 1,395,822	3.9%	\$ 40,502,479	\$ 2,956,178	7.9%
Total Direct Expenses	\$ 97,314,435	\$ 104,341,178	\$ 7,026,743	7.2%	\$ 113,244,828	\$ 8,903,650	8.5%
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ 254,254	\$ 410,506	\$ 156,252	61.5%	\$ 494,352	\$ 83,846	20.4%
Total Expenses (B)	\$ 97,568,689	\$ 104,751,684	\$ 7,182,995	7.4%	\$ 113,739,180	\$ 8,987,496	8.6%
Change in Net Assets (=A-B)	\$ 2,253,436	\$ 5,219,725	\$ 2,966,289	131.6%	\$ 8,169,547	\$ 2,949,822	56.5%
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 6,224,000	\$ 7,409,500	\$ 1,185,500	19.0%	\$ 10,657,752	\$ 3,248,252	43.8%
Financing Activity							
Loan or Financing Lease - Borrowing (-)	(4,130,000)	(4,140,000)	(10,000)	0.2%	(4,650,000)	(510,000)	12.3%
Loan or Financing Lease - Principal Payments (+)	1,338,924	2,119,656	780,732	58.3%	2,846,796	727,140	34.3%
Net Financing Activity (D)	\$ (2,791,076)	\$ (2,020,344)	\$ 770,732	-27.6%	\$ (1,803,204)	\$ 217,140	-10.7%
Total Budget (=B+C+D)	\$ 101,001,613	\$ 110,140,840	\$ 9,139,227	9.0%	\$ 122,593,728	\$ 12,452,888	11.3%
Change in Working Capital (=A-B-C-D)	\$ (1,179,488)	\$ (169,431)	\$ 1,010,057	-85.6%	\$ (685,001)	\$ (515,570)	304.3%
FTEs	236.88	248.16	11.28	4.8%	258.50	10.34	4.2%

Section C – Non-Statutory Activity

NERC has no non-statutory activities.

Section D – Consolidated Statement of Activities by Program

Statement of Activities, Fixed Asset Additions, Financing Activity, and Change in Working Capital by Program 2023 Budget	Statutory Activities														
	Statutory Total	Reliability Standards and Power Risk Issue Strategic Management	Compliance Assurance, Registration, and Certification	Event Analysis	Compliance Enforcement	Personnel Certification and Credential Maintenance	Training and Education	Reliability Assessments and Performance Analysis	Situation Awareness	E-ISAC (Including CRSP)	General and Administrative (Includes Executive and External Affairs)	Legal and Regulatory	Information Technology	Human Resources and Administration	Accounting and Finance
Funding															
ERO Funding															
NERC Assessments	\$ 87,074,681	\$ 10,189,372	\$ 13,810,155	\$ 4,054,188	\$ 7,176,910	\$ -	\$ 1,107,933	\$ 17,958,136	\$ 5,950,143	\$ 27,827,844	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -
Penalties Released	1,000,000	149,148	170,455	49,716	92,330	-	14,205	120,739	56,818	346,591	-	-	-	-	-
Total NERC Funding	\$ 88,074,681	\$ 10,338,520	\$ 13,980,609	\$ 4,103,904	\$ 7,269,239	\$ -	\$ 1,122,138	\$ 18,078,875	\$ 6,006,961	\$ 28,174,435	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -
Third-Party Funding	\$ 9,569,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,569,170	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	1,781,775	-	-	-	-	1,781,775	-	-	-	-	-	-	-	-	-
Services & Software	60,000	-	-	-	-	-	60,000	-	-	-	-	-	-	-	-
Miscellaneous	260,000	-	-	-	-	-	-	-	-	260,000	-	-	-	-	-
Interest & Investment Income	76,500	10,592	12,105	3,531	6,557	500	1,009	15,636	4,035	22,537	-	-	-	-	-
Total Funding (A)	\$ 99,822,125	\$ 10,349,112	\$ 13,992,714	\$ 4,107,435	\$ 7,275,796	\$ 1,782,275	\$ 1,123,146	\$ 18,154,510	\$ 6,010,996	\$ 38,026,141	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -
Expenses															
Personnel Expenses															
Salaries	\$ 44,250,356	\$ 3,144,776	\$ 4,179,061	\$ 1,336,089	\$ 1,950,093	\$ 340,141	\$ 249,925	\$ 5,162,514	\$ 1,282,278	\$ 8,634,606	\$ 4,952,529	\$ 3,616,183	\$ 5,823,349	\$ 2,176,229	\$ 1,402,583
Payroll Taxes	2,513,603	200,354	245,841	72,312	126,000	24,946	20,183	307,570	77,182	503,699	224,404	182,382	332,659	114,249	81,832
Benefits	6,634,553	509,360	787,967	193,518	230,201	43,337	48,836	747,809	271,648	1,168,786	580,325	514,412	906,267	393,049	239,038
Retirement Costs	4,629,894	351,865	467,379	144,644	216,063	38,117	31,154	566,745	139,292	930,186	404,156	377,618	625,439	189,060	148,174
Total Personnel Expenses	\$ 58,018,406	\$ 4,206,355	\$ 5,680,248	\$ 1,746,563	\$ 2,522,357	\$ 446,540	\$ 350,098	\$ 6,784,638	\$ 1,770,400	\$ 11,237,278	\$ 6,161,414	\$ 4,690,595	\$ 7,687,714	\$ 2,872,588	\$ 1,861,618
Meeting and Travel Expenses															
Meetings & Conference Calls	\$ 1,291,650	\$ 75,000	\$ 92,000	\$ 25,000	\$ 6,500	\$ 68,000	\$ 2,000	\$ 219,750	\$ 70,000	\$ 140,000	\$ 430,000	\$ 10,000	\$ 138,400	\$ 10,000	\$ 5,000
Travel	1,853,900	150,000	270,000	91,000	54,000	18,000	3,500	244,400	16,000	246,000	450,000	120,000	75,000	60,000	56,000
Total Meeting & Travel Expenses	\$ 3,145,550	\$ 225,000	\$ 362,000	\$ 116,000	\$ 60,500	\$ 86,000	\$ 5,500	\$ 464,150	\$ 86,000	\$ 386,000	\$ 880,000	\$ 130,000	\$ 213,400	\$ 70,000	\$ 61,000
Operating Expenses, excluding Depreciation															
Contractors & Consultants	\$ 17,149,110	\$ 202,739	\$ 140,800	\$ 220,802	\$ 69,000	\$ 407,750	\$ 90,000	\$ 876,654	\$ 23,000	\$ 10,172,855	\$ 120,000	\$ 205,000	\$ 3,420,510	\$ 850,000	\$ 350,000
Office Rent	3,022,266	-	-	-	-	-	-	-	-	-	3,022,266	-	-	-	-
Office Costs	12,479,724	52,209	746,196	45,750	654,435	168,300	141,600	740,217	1,348,302	2,002,096	423,500	201,539	5,367,500	305,930	282,300
Professional Services	3,290,596	-	-	-	15,000	-	-	-	-	850,000	1,866,496	325,000	-	9,100	225,000
Miscellaneous	208,783	2,700	3,150	1,200	1,800	300	700	5,000	1,300	9,850	50,567	-	3,717	127,200	1,300
Total Operating Expenses, excluding Depreciation	\$ 36,150,479	\$ 257,648	\$ 890,146	\$ 267,752	\$ 740,235	\$ 576,350	\$ 232,300	\$ 1,621,871	\$ 1,372,602	\$ 13,034,801	\$ 5,482,679	\$ 731,539	\$ 8,791,727	\$ 1,292,230	\$ 858,600
Total Direct Expenses	\$ 97,314,435	\$ 4,689,003	\$ 6,932,394	\$ 2,130,315	\$ 3,323,092	\$ 1,108,890	\$ 587,898	\$ 8,870,659	\$ 3,229,002	\$ 24,658,079	\$ 12,524,093	\$ 5,552,134	\$ 16,692,840	\$ 4,234,818	\$ 2,781,218
Indirect Expenses	\$ -	\$ 5,590,166	\$ 6,388,761	\$ 1,863,389	\$ 3,460,579	\$ 798,595	\$ 532,397	\$ 8,252,149	\$ 2,129,587	\$ 12,990,480	\$ (12,720,093)	\$ (5,552,134)	\$ (16,717,840)	\$ (4,234,818)	\$ (2,781,218)
Other Non-Operating Expenses	\$ 254,254	\$ -	\$ 16,627	\$ -	\$ 16,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,000	\$ -	\$ 25,000	\$ -	\$ -
Total Expenses (B)	\$ 97,568,689	\$ 10,279,169	\$ 13,337,782	\$ 3,993,704	\$ 6,800,298	\$ 1,907,485	\$ 1,120,295	\$ 17,122,809	\$ 5,358,589	\$ 37,648,559	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A-B)	\$ 2,253,436	\$ 69,943	\$ 654,933	\$ 113,731	\$ 475,498	\$ (125,210)	\$ 2,852	\$ 1,031,702	\$ 652,407	\$ 377,582	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 6,224,000	\$ 496,464	\$ 935,423	\$ 255,905	\$ 532,573	\$ 115,209	\$ 43,473	\$ 1,661,328	\$ 814,891	\$ 1,368,735	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activity															
Loan or Financing Lease - Borrowing (-)	\$ (4,130,000)	\$ (549,620)	\$ (628,137)	\$ (183,207)	\$ (340,241)	\$ (78,517)	\$ (52,345)	\$ (811,343)	\$ (209,379)	\$ (1,277,212)	\$ -	\$ -	\$ -	\$ -	\$ -
Loan or Financing Lease - Principal Payments (+)	1,338,924	123,099	347,646	41,033	283,166	17,586	11,724	181,717	46,895	286,058	-	-	-	-	-
Net Financing Activity (D)	\$ (2,791,076)	\$ (426,520.91)	\$ (280,490)	\$ (142,174)	\$ (57,075)	\$ (60,932)	\$ (40,621)	\$ (629,626)	\$ (162,484)	\$ (991,153)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget (=B+C)	\$ 101,001,613	\$ 10,349,112	\$ 13,992,714	\$ 4,107,435	\$ 7,275,796	\$ 1,961,763	\$ 1,123,146	\$ 18,154,510	\$ 6,010,996	\$ 38,026,141	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Working Capital (=A-B-C-D)	\$ (1,179,488)	\$ -	\$ -	\$ -	\$ -	\$ (179,488)	\$ -	\$ -	\$ -	\$ -	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -
FTEs	236.88	19.74	22.56	6.58	12.22	2.82	1.88	29.14	7.52	45.87	19.74	16.92	31.21	12.22	8.46

Exhibit A – Application of NERC Section 215 Criteria

DISCUSSION OF HOW THE NERC MAJOR ACTIVITIES IN THE 2023 BUSINESS PLAN AND BUDGET MEET THE NERC WRITTEN CRITERIA FOR DETERMINING WHETHER A RELIABILITY ACTIVITY IS ELIGIBLE TO BE FUNDED UNDER FEDERAL POWER ACT SECTION 215

I. Introduction

This Exhibit discusses how the major activities in NERC’s 2023 Business Plan and Budget meet the NERC written criteria for determining whether a reliability activity is eligible to be funded under §215 of the Federal Power Act (FPA §215). This Exhibit is intended to satisfy Recommendation No. 38 resulting from the financial performance review of NERC conducted by the Federal Energy Regulatory Commission’s (Commission’s) Division of Audits (DA) in 2012–2013 and adopted by the Commission in its November 2, 2012 order on NERC’s 2013 Business Plan and Budget.¹⁷ NERC submitted the written criteria to the Commission in a compliance filing dated February 21, 2013 in Docket No. FA11-21-000.¹⁸ The Commission approved the NERC written criteria, with modifications, in an order issued in that docket on April 18, 2013.¹⁹ The NERC written criteria as used in this Exhibit incorporate the modifications specified in the Compliance Order.²⁰

II. Reliability Standards and Power Risk Issue Strategic Management 2023 Major Activities

The major activities of Reliability Standards and Power Risk Issue Strategic Management (PRISM) are described at pages 15–16 of the 2023 Business Plan and Budget. Reliability Standards and PRISM is comprised of the Reliability Standards group, which is focused specifically on the development and improvement of reliability standards; and the PRISM group, which supports Reliability Standards by providing technical support and develops, supports, and prioritizes the ERO Risk Registry. Reliability Standards carries out the ERO’s responsibility to develop, adopt, obtain approval of, and modify as and when appropriate, mandatory Reliability Standards to assure the Bulk Electric System (BES) is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damages to major equipment, and limit interruptions. This group focuses on expanding a risk-based approach to its projects, to ensure that Reliability Standards are clear, timely, consider costs, effective in mitigating material risks, and do not unnecessarily burden industry with administrative requirements and/or detract from reliability or security. The major activity of PRISM is to leverage in-house expertise on Reliability Standards and standards development to implement cross-cutting efforts among NERC functions and the NERC standing and technical committees. The PRISM group provides in-house training on Reliability Standards and conducts statistical analyses concerning the results of standards to identify potential weaknesses, redundancies, and overall necessity.

¹⁷ *North American Electric Reliability Corporation, Order Accepting 2013 Business Plan and Budget of the North American Electric Reliability Corporation and Ordering Compliance Filing*, 141 FERC ¶ 61,086 (2012) (“2013 Budget Order”). Recommendation 38, as adopted in the 2013 Budget Order, is: “In its annual business plan and budget filings, [NERC should] provide an explanation as to why the proposed activities to be undertaken by each program area for the budget year are statutory, including, at a minimum: a description and the purpose of the major activities to be taken by each program area and an explanation for why the activity is a statutory activity.” *Id.* at P 16.

¹⁸ *Compliance Filing of the North American Electric Reliability Corporation in Response to Paragraph 30 of November 2, 2012 Commission Order – NERC Written Criteria for Determining Whether a Reliability Activity is Eligible to be Funded Under Federal Power Act Section 215*, filed February 1, 2013 in Docket No. FA 11-21-000.

¹⁹ *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013) (“Compliance Order”).

²⁰ For ease of reference, the complete NERC written criteria, as modified in accordance with the Compliance Order, are provided at the end of this Exhibit.

The major activities for the Reliability Standards program for 2023 include developing a more nimble standard setting process that honors the important role of stakeholders in Reliability Standards development process for Reliability Standards development; addressing cyber security risk by continuing to enhance cyber security Reliability Standards; integrating and updating Reliability Standards to address new risks such as inverters, distributed energy resources, energy management, and fuel management; and addressing FERC directives, orders, or special reports.

The major activities of the PRISM group for 2023 include analyzing data on the Bulk Power System (BPS) to review generator data for trends, particularly to identify patterns for inverter-based resources that could affect system performance and reliability; continuing the efforts of the Energy Reliability Assessment Task Force (ERATF) to address additional items that could impact energy constrained resources; supporting the Reliability Issues Steering Committee (RISC) to implement a new risk prioritization method, hold the Leadership Summits, and release the ERO Reliability Risk Priorities reports; revising and enhancing the ERO Risk Registry; maintaining technical support for Reliability Standards by advising on new and existing projects; and owning the Reliability Risk Framework and any necessary updates.

The major activities of the Reliability Standards and PRISM program satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure (ROP)?
- I.B: Is the activity necessary or appropriate for providing guidance and assistance to Regional Entities in carrying out Regional Reliability Standards development activities?
- I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated?
- I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures, and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, (iii) industry personnel?
- IV: Is the activity one that was required or directed by a Commission order issued pursuant to §215? (Reliability Standards development projects are often initiated in response to directives in Commission orders).
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for the Reliability Standards Program are §300 and Appendix 3A.)
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- X. Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

III. Compliance Assurance and Organization Registration and Certification and Compliance Enforcement 2023 Major Activities

The major activities of Compliance Assurance and Organization Registration and Certification and Compliance Enforcement are described on pages 18 and 21 of the 2023 Business Plan and Budget.

Compliance Assurance works collaboratively with the Regional Entities to ensure effective implementation of risk-based compliance monitoring under the Compliance Monitoring and Enforcement Program (CMEP) across the ERO Enterprise. Compliance Assurance ensures that Regional Entities monitor registered entities for compliance according to their facts and circumstances, including the entity's inherent risks, evaluation of controls to mitigate inherent risks, and other factors, in order to allow for appropriate allocation of resources to issues that pose a higher level of risk to the reliability of the BPS.

Organization Registration (Registration) identifies and registers BPS users, owners, and operators that are responsible for performing specified reliability functions to which requirements of mandatory Reliability Standards are applicable. Organization Certification (Certification) ensures that an applicant to be a Reliability Coordinator (RC), Balancing Authority (BA), or Transmission Operator (TOP) has the tools, processes, training, and procedures to demonstrate its ability to meet the requirements of all the Reliability Standards applicable to the functions for which it is applying, thereby demonstrating the ability to become certified and then operational. The decision to certify changes to an already operating and certified RC, BA, or TOP is a collaborative decision between the affected Regional Entities and NERC.

The major activities of Compliance Assurance and Organization Registration and Certification for 2023 include: developing and implementing a plan to address facility ratings and demonstrate the importance of implementing strong internal controls; evaluating supply chain effectiveness and providing and analyzing metrics on compliance data to inform emerging risks and Registration activities; enhancing outreach to stakeholder and policy organizations and leveraging work of others; working to ensure successful roll-out of Align and the ERO Secure Evidence Locker (SEL); ensuring meaningful oversight activities; and continuing efforts to streamline risk-based Compliance Monitoring and Enforcement Activities.

Compliance Enforcement is responsible for overseeing enforcement processes, the application of Penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliance with Reliability Standards. Compliance Enforcement works collaboratively with the Regional Entities to ensure consistent and effective implementation of the risk-based Compliance Monitoring and Enforcement Program. It also focuses on ensuring that the ERO Enterprise dedicates resources to the matters that pose the greatest risk to reliability. Compliance Enforcement monitors Regional Entities' enforcement processes and provides oversight of the BPS. The major activities of Compliance Enforcement for 2023 include continuing efforts to align risk determinations and using a risk-based approach to processing noncompliance; evaluating supply chain effectiveness and providing and analyzing metrics on enforcement data to inform emerging risks; enhancing outreach to stakeholder/policy groups and leveraging the work of others; working to ensure successful roll-out of Align and the ERO SEL; ensuring meaningful oversight activities; and continuing efforts to streamline risk-based CMEP activities.

The major activities of Compliance Assurance, Organization Registration and Certification, and Compliance Enforcement satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?

- I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated?
- II. Is the activity necessary or appropriate for the monitoring and enforcement of compliance with Reliability Standards?
- A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the BPS that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?
- B: Is the activity necessary or appropriate for the Certification of RCs, TOPs, and BAs as having the requisite personnel, qualifications and facilities and equipment needed to perform these reliability functions in accordance with the applicable Requirements of Reliability Standards?
- D: Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?
- E: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards.
- F: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents. (2) Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the process? This includes development of guidance documents. (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities? (4) Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?
- IV: Is the activity one that was required or directed by a Commission order issued pursuant to §215? (FERC orders directed NERC to develop and implement a revised definition of “Bulk Electric System” and a procedure for requesting and receiving exceptions from the BES definition, and subsequently approved NERC’s proposed revised BES definition and its proposed BES exception procedure.)
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules”

(defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for these major activities are §400 and 500 and Appendices 4B, 4C, 5A, 5B and 5C.)

- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
- IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in the activities encompassed by one or more of the other criteria?
- X: Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

IV. Reliability Assessments and Performance Analysis 2023 Major Activities

The major activities of Reliability Assessments and Performance Analysis (RAPA) are described at pages 24–25 of the 2023 Business Plan and Budget. RAPA comprises four primary groups: (1) Reliability Assessments and Technical Committee; (2) Performance Analysis; (3) Advanced System Analytics and Modeling (ASAM); and (4) BPS Security and Grid Transformation.

The Reliability Assessments and Technical group, which includes Reliability Assessment staff and the NERC staff secretaries of the RSTC, carries out the ERO’s statutory responsibility to conduct assessments of the reliability and adequacy of the BPS and associated emerging reliability risks that could impact the short, mid, and long-term planning horizons, as well as other reliability issues requiring in-depth analysis. Reliability Assessment activities directly address the risk priorities established by the RISC. Reliability Assessments and Technical Committee group relies on its own engineering and analysis expertise as well as Regional Entity and stakeholder resources. The RSTC and its subgroups provide the oversight, guidance, and leadership essential to enhancing BPS reliability by addressing areas of strategic focus efficiently and comprehensively, and ensuring technical accuracy.

Performance Analysis monitors the performance of and identifies risks to reliability of the BPS through analyzing data from industry and measuring historic trends. Analysis performed by Performance Analysis includes identifying potential risks of concern related to systems, equipment, entity and organizational performance that may indicate a need to develop improvements to reporting applications and new data analysis tools, or to create, revise, or retire reporting areas. Performance Analysis staff leads the ERO, technical committees, and stakeholder process to publish the *State of Reliability* (SOR) Report examining year-over-year performance indicators of the grid. Performance Analysis also develops the business requirements for all new reliability information data systems, specifically those required by NERC ROP 1600 data requests.

Advanced System Analytics and Modeling staff provide technical leadership and support in the areas of resource and demand balancing and system analysis and modeling, including technical support for the balancing (BAL) and modeling (MOD) Reliability Standards. ASAM staff also provides support for the development and improvement of long-term, sustainable interconnection-based power flow, dynamic, and load models that demonstrate the accuracy and fidelity necessary to reflect actual BES reliability performance and dynamic conditions. ASAM provides advanced statistical analysis functions to support the SOR Report and reliability assessments, the Frequency Response Annual Analysis (FRAA) report to the FERC, analytical review of Reliability Standard effectiveness, and various reports on an emergent basis.

The BPS Security and Grid Transformation department is responsible for driving key reliability and security initiatives working with internal and external stakeholders. Primary areas of focus include better integrating security concepts with conventional engineering activities as well as enabling new technologies in a reliable and secure manner. The group is responsible for key ERO work priorities, including inverter-based resource and distributed energy resource initiatives across the ERO Enterprise, and promoting concepts of cyber planning and grid transformation issues. The group coordinates a significant number of NERC’s technical stakeholder groups under the RSTC, supports the Reliability Standards development process on engineering and security-related topics, provides technical expertise across the ERO Enterprise, and coordinates with the Electricity Information Sharing and Analysis Center (E-ISAC) on cross-departmental topics related to security risks.

The four RAPA groups work collaboratively with NERC stakeholders, particularly through the RSTC, to create a reliability strategy that is relevant, timely, and effective to address the most important reliability risks. Further, these groups work closely with other organizations to collaborate, coordinate, and leverage expertise, including but not limited to the U.S. Department of Energy, Electric Power Research Institute, Institute of Electrical and Electronics Engineers, Institute of Nuclear Power Operations, North American Transmission Forum, North American Generator Forum, Carnegie Mellon Industry Center, Power Systems Energy Research Center, Interstate Natural Gas Association of America, Natural Gas Supply Association, Canadian Electricity Association, and International Council on Large Electric Systems.

The major activities of RAPA for 2023 include (1) ensuring the reliable and secure integration of BPS-connected inverter-based resources and distributed energy resources, including the analysis of grid disturbances, development of technical guidance and educational materials, and collaborating with industry to ensure the Reliability Standards adequately address emerging risks in this area; (2) increasing understanding of impacts that the changing resource mix has on BPS reliability by collecting plant, event, connected energy storage, and performance data for photovoltaic and wind generation, combined with enhanced design data and event reporting for conventional generation; (3) enhancing reliability assessments to include assessments of energy availability and expanded probabilistic methods that can identify risks of energy shortfall for all assessment areas in long-term and seasonal time horizons; and (4) leveraging RAPA processes, tools, and products to improve BES resilience for wide-spread long-term extreme temperature events.

The major activities of RAPA satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?
- I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (1) Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks? (2) Monitoring, event analysis and investigation of BPS major events, off-normal occurrences and near miss events?
- II.E.: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards,

including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as: (1) Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks? (2) Monitoring, event analysis and investigation of BPS major events, off-normal occurrences, and near miss events?

- III.A: Is the activity necessary or appropriate for the preparation or dissemination of long-term, seasonal, and special assessments of the reliability and adequacy of the BPS?
- III.B: Is the activity necessary or appropriate for measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
- III.D: Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability?
- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
- III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for major activities of the RAPA program are §801-806 and §809-811.)
- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
- IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- X: Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

V. Situation Awareness 2023 Major Activities

The major activities of Situation Awareness are described at page 28 of the 2023 Business Plan and Budget. The NERC Situation Awareness group and the Regional Entities monitor BPS conditions, significant occurrences and emerging risks, and threats across the 17 Reliability Coordinator regions in North America, to maintain an understanding of conditions and situations that could impact reliable operation. NERC’s BPS Awareness Group supports development and publication of NERC Alerts and awareness

products, and facilitates information sharing among industry, Regional Entities and government during crisis situations and major system disturbances. Major activities of Situation Awareness for 2023 include (1) enhancing situation awareness tools to increase agility and efficiency, as well as visibility and understanding of the reliability or availability of natural gas and its interdependency with electric generation; (2) collaborating across the ERO Enterprise and with stakeholders to mitigate emerging and known risk by using all available tools, including the NERC Alerts process to issue Advisory (Level 1) Alerts on significant and emerging reliability and security-related topics as needed, and to facilitate the tracking of actions specified in Recommendation (Level 2) and Essential Action (Level 3) Alerts; (3) continue engaging with industry, the E-ISAC, government partners, and the ERO Enterprise on emerging risks to BPS reliability; and (4) engaging situation awareness subject-matter experts in support of the work of Reliability Standards, the E-ISAC, and the Reliability and Security Technical Committee (RSTC) to advance the security posture of the industry

The major activities of the Situation Awareness group satisfy the following criteria:

- I.C.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (2) Monitoring, event analysis and investigations of BPS major events, off-normal occurrences and near-miss events?
- III.C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
- III.D: Is the activity necessary or appropriate for awareness of circumstances on the BPS System and to contribute to understanding risks to reliability?
- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
- III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for these major activities are ROP 810 and 1001.)

VI. Event Analysis 2023 Major Activities

The major activities of Event Analysis are described at pages 31 of the 2023 Business Plan and Budget. The Event Analysis program informs assessments of the reliability and adequacy of the BES through analysis of real-time operating events. This includes identifying potential issues of concern related to system, equipment, entity, human error, and organizational performance that may indicate a need to (1) develop remediation and/or risk reduction strategies and action plans, (2) revise, retire, or consider new Reliability Standards; and (3) shape aggregate reliability assurance planning. Event Analysis analyzes reportable events to identify and understand lessons learned, sequence of events, root and contributing

causes, risks to reliability, and potential mitigating actions. Event Analysis keeps the industry well informed of system events, emerging trends, event precursors, risk analysis, lessons learned, and recommended corrective and expected mitigation activities through various verbal and written communications and reports and cross-functional collaboration efforts.

Major activities for the Event Analysis group in 2023 include: enhancing event processing in support of developing a coherent system performance picture within the NERC ROP Section 800 system performance monitoring and reporting program; enhancing program data collection, organization, and manipulation capabilities; tuning alignment activities of cross-functional project collaboration through data analysis and disturbance reporting flexibility and agility; and reinforcing fundamental practices and advocacy of enhanced reliability practices through joint reliability partnership activities with stakeholders and the ERO Enterprise.

The major activities of the Event Analysis group satisfy the following criteria:

- I.C.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (2) Monitoring, event analysis and investigations of BPS major events, off-normal occurrences and near-miss events?
- II.E.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as: (2) Monitoring, event analysis and investigation of BPS major events, off-normal occurrences, and near miss events?
- II.F.3: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (3) Disseminating, through workshops, webinars, Advisories, Recommendations, Essential Actions, and other publications; “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities; monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities?
- III.B. Is the activity necessary or appropriate for measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
- III.C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
- III.D. Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability?

- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
- III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for these major activities are §807-808 and §810-811 and Appendix 8.)
- VI. Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

VII. Electricity Information Sharing and Analysis Center 2023 Major Activities

The major activities of the Electricity Information Sharing and Analysis Center (E-ISAC) are described at pages 34–35 of the 2023 Business Plan and Budget. The E-ISAC provides its members and partners with resources to prepare for and reduce cyber and physical security threats to the North American electricity industry. The E-ISAC offers products and services that give timely, relevant, and actionable situational awareness and analysis to asset owners and operators as well as cross-sector and government partners. The central underpinning of the E-ISAC’s strategic plan, developed in 2017, is for the E-ISAC to focus on providing timely and actionable information to industry regarding cyber and physical security threats and mitigation strategies. The strategic plan also recognizes the critical interdependencies between the E-ISAC, industry, U.S. and Canadian government agencies, and other stakeholders.

The E-ISAC oversees the Cybersecurity Risk Information Sharing Program (CRISP), a unique public-private initiative among the E-ISAC, the North American electric utility industry, the U.S. Department of Energy (DOE), and the U.S. Intelligence Community that delivers real-time, relevant, and actionable cyber security risk information to all E-ISAC member electricity asset owners and operators, including those from Canada and Mexico. Using passive information sharing devices on participant networks outside boundary firewalls, participant data is collected and then matched against known threat signatures, both classified and unclassified, to identify potential threats and provide participants with recommended mitigation steps. The Pacific Northwest National Laboratory, a U.S. DOE National Laboratory, operated by Battelle with oversight by the DOE, is the primary subcontractor to NERC for the deployment of the required technology, supporting infrastructure, analysis, and technical capabilities for CRISP.

The major activities of the E-ISAC for 2023 include: reviewing and curating intelligence applicable to the electricity sector; conducting threat hunts for malicious software on Information Technology and Operational Technology sensor platforms; expanding CRISP participation and technology modernization; and expanding membership and strategic relationships, including further collaboration with the natural gas sector, enhanced membership engagement, and establishing the vendor affiliate program.

The major activities of the E-ISAC satisfy the following criteria:

- I.C.1: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (1) Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks? (2) Monitoring, event analysis and investigation of BPS major events, off-normal occurrences and near-miss events?
- III.D: Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability.
- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS.
- III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for these major activities are §810 and 1003.)

VIII. Personnel Certification and Credential Maintenance 2023 Major Activities

NERC has placed the System Operator Certification and Credential Maintenance Program into a separate group overseen by the NERC Personnel Certification Governance Committee (PCGC), a NERC standing committee. These programs are funded through examination, renewal, and continuing education provider fees, and do not receive funding from FPA §215 statutory assessments. The PCGC oversees the budgets for these programs. For completeness, however, a summary of the major activities of the Personnel Certification and Credential Maintenance group is provided in this Exhibit.

The major activities of the Personnel Certification and Credential Maintenance group are described at page 40 of the 2023 Business Plan and Budget. This group promotes the reliability of the North American BPS by ensuring that employers have a workforce of system operators that meet minimum qualifications and maintain their required credentials to work in system control centers. NERC’s System Operator Certification exam tests specific knowledge of job skills and Reliability Standards, and prepares operators to handle the BPS during normal and emergency operations. The PCGC’s Exam Working Group (EWG), which consists of subject matter experts from all regions of North America, is responsible for doing an extensive job analysis survey of certified operators across the industry, which provides the basis for the exams. Certification is maintained by completing NERC approved Credential Maintenance Program courses and activities. The Credential Maintenance Working Group reports to the PCGC and is responsible for developing and maintaining the Credential Maintenance Program under the guidelines set by the PCGC.

The major activities for the Personnel Certification and Credential Maintenance Program for 2023 include: evaluating the results of the credential maintenance research project that was completed in 2022; seeking industry input on improvement opportunities for the Personnel Certification and Credential Maintenance

Program and development and implementing any changes; and conducting annual analysis of *System Operator Certification Program Manual* Appendix A topics (recognized operator training topics) and credential maintenance requirements.

The major activities of the Personnel Certification group satisfy the following criteria:

- I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?
- II.C: Is the activity necessary or appropriate for the Certification of system operating personnel as qualified to carry out the duties and responsibilities of their positions in accordance with the Requirements of applicable Reliability Standards?
- II.F.1: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provision for the major activities of the Personnel Certification Program is §900.)
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

IX. Training and Education 2023 Major Activities

The major activities of Training and Education are described at page 43 of the 2023 Business Plan and Budget. The Training and Education group facilitates the learning and development of NERC and ERO Enterprise staff as well as BPS and industry participants, in accordance with NERC ROP 901, which acknowledges the need to acquire and sustain informed, knowledgeable and skilled personnel to assure the reliable operation of the North American BPS. The program oversees and coordinates learning activities and resources that support the acquisition and increase of knowledge and skills among stakeholders.

The major activities for the Training and Education group for 2023 include: leadership development, new hire orientation, and confidential information training; events, including GridEx and the annual ERO Enterprise Compliance Monitoring and Enforcement Staff Workshop; and developing training materials for the Align tool.

The major activities of Training and Education satisfy the following criteria:

- I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?
- II.F: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics

concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents. (2) Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the processes? This includes development of guidance documents. (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities. (4) Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?

- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for the major activities of the Training and Education are in §900.)
- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and the applicable provisions of Commission orders.

X. Administrative Services 2023 Major Activities

NERC’s Administrative Services Departments are General and Administrative, Legal and Regulatory, Business (Information) Technology (IT), Human Resources (HR) and Administration, and Finance and Accounting. The major activities of these departments are described at pages 46–48 of the 2023 Business Plan and Budget.

General and Administrative is responsible for the administration and general management of the organization and includes the Chief Executive Officer, Chief Engineer, and Chief Administrative Officer and support staff; External Affairs staff (legislative and regulatory, communications, and North American affairs activities); and Board of Trustees costs.

Legal and Regulatory provides legal support to the organization, including management and the NERC program areas. Legal support is provided in areas including antitrust, corporate, commercial, insurance, contracts, employment, real estate, copyright, tax, legislation, and other legal matters. Legal and regulatory support is also provided in connection with matters relating to the delegation agreements with Regional Entities. Legal and Regulatory also includes the Internal Audit and Corporate Risk Management functions.

Business Technology provides the technology and management needed for the organization to maintain daily operations and meet ERO statutory obligations, including applications and infrastructure leveraged by the ERO Enterprise and registered entities. Business Technology’s Project Management Office provides project management skills and leadership for major business technology projects. The Business Technology Department focuses on five key areas: cyber security, NERC infrastructure support, the

Electricity Information Sharing and Analysis Center. ERO Enterprise application and infrastructure support, and ERO Enterprise new functionality. Business Technology manages NERC’s overall Technology Strategy.

HR and Administration’s activities include hiring, benefits administration, employee relations, performance and compensation management, training and development for leadership, management, and professional and administrative staff, facilities management of NERC’s two offices, and meeting planning and coordination. HR and Administration is heavily involved in implementing NERC’s People Strategy to enhance retention, engagement, and attraction of top talent to carry out the mission of the ERO Enterprise.

Finance and Accounting manages all finance and accounting functions of NERC, including accounts payable and receivable, assessment and CRISP billing, travel and expense reporting, budget management, financial reporting, corporate insurance program management, coordination of the annual financial statement audit and Form 990, property, sales, and use tax returns, and management of systems, policies, procedures and controls governing day-to-day practices, including procurement, expense reimbursement, and back office systems and procedures. Finance and Accounting is also responsible for preparation of the annual business plan and budget.

The major activities for the Administrative Programs for 2023 include: (1) continuing to enhance state outreach and engagement, including further developed outreach for ERO Enterprise assessments and reports, and expanding collaboration efforts with the National Association of Regulatory Utility Commissioners (NARUC) and government partners; (2) maturing internal assurance programs, including internal audit, risk management, and contingency planning; (3) enhancing cyber security to focus on prevention, detection, and mitigation and designing technology solutions for today’s security and environment, supported by Information Technology (IT) policies, processes, and procedures that align with standard cyber frameworks and internal assurance programs; (4) supporting adaptable and sustainable technology, including technical roadmaps that accelerate adoption of cloud computing and quality assurance programs that improve disaster recovery, testing capability, and solution performance and security; and (5) increasing automation and controls across the HR and Finance and Accounting areas, and providing meaningful data to track metrics and measure efficiency.

As support functions for all of NERC’s statutory programs, the major activities of NERC’s Administrative Services Departments satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?
- II.A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the BPS that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?
- II.D: Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?
- III.C: Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?

- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for ERO Enterprise audits conducted by the Internal Audit group in Legal and Regulatory are §406, §506, and Appendix 4A, and for major activities of Finance and Accounting is §1100.)
- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and the applicable provisions of Commission orders.
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- XI: Is the activity a governance or administrative/overhead function, activity or service necessary or appropriate for the activities encompassed by the other criteria and, in general, necessary and appropriate to operate a functioning organization?

**NERC WRITTEN CRITERIA FOR DETERMINING
WHETHER AN ACTIVITY IS ELIGIBLE TO BE FUNDED
UNDER SECTION 215 OF THE FEDERAL POWER ACT**

For purposes of internal management approval of a proposed new activity or group of related activities (“major activity”), the proposed activity or major activity must be shown to fall within at least one of the criteria listed below. When sub-criteria are listed below a roman numeral numbered major criterion, the proposed activity should be a positive answer to at least one of the sub-criteria. Conversely, an activity that falls under a sub-criterion should pertain to the subject matter of the major criterion.

NERC’s annual business plan and budget will describe how each major activity falls within one or more of the criteria listed below. If the major activity is substantially the same as a major activity that was shown to fall within the criteria in a previous year’s business plan and budget, the current year’s business plan and budget can refer to the prior year business plan and budget.

A determination that an activity falls within FPA §215 does not necessarily mean that NERC will propose or undertake such activity. The determination of whether an activity falling under FPA §215 should or will be undertaken in a given budget year will be addressed in the context of the applicable business plan and budget and will include opportunities for stakeholder input.

The criteria listed below are not necessarily each distinct from the others. An activity or major activity may fall within more than one of the criteria listed below.

- I. Is the activity necessary or appropriate for the development of Reliability Standards?
 - A. Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?
 - B. Is the activity necessary or appropriate for providing guidance and assistance to Regional Entities in carrying out Regional Reliability Standards development activities?
 - C. Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as:
 1. Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System (BPS)²¹ based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
 2. Monitoring, event analysis and investigation of BPS major events, off-normal occurrences and near miss events?
 - D. Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?

²¹ This document uses the term “Bulk Power System” because that is the term defined and used in FPA §215. NERC recognizes that a different term, “Bulk Electric System,” is used to define the current reach of reliability standards.

- II. Is the activity necessary or appropriate for the monitoring and enforcement of compliance with Reliability Standards?
 - A. Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the BPS that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?
 - B. Is the activity necessary or appropriate for the Certification of RCs, TOPS, and BAs as having the requisite personnel, qualifications and facilities and equipment needed to perform these reliability functions in accordance with the applicable Requirements of Reliability Standards?
 - C. Is the activity necessary or appropriate for the Certification of system operating personnel as qualified to carry out the duties and responsibilities of their positions in accordance with the Requirements of applicable Reliability Standards?²²
 - D. Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?
 - E. Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as:
 - 1. Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
 - 2. Monitoring, event analysis and investigation of BPS major events, off-normal occurrences, and near miss events?
 - F. Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as:
 - 1. Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.
 - 2. Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the processes? This includes development of guidance documents.

²² Although certification of system operating personnel is an activity falling within the scope of, and eligible to be funded pursuant to, FPA §215, NERC strives to fully fund the costs of this activity through fees charged to participants.

3. Disseminating, through workshops, webinars, Advisories, Recommendations, Essential Actions, and other publications; “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities; monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities?
4. Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?
- G. Is the activity necessary or appropriate for the development and provision of tools and services that are useful for the provision of adequate reliability, because they relate specifically to compliance with existing Reliability Standards and they proactively help avert Reliability Standard violations and BPS disturbances?
- III. Is the activity necessary or appropriate for conducting and disseminating periodic assessments of the reliability of the BPS or monitoring the reliability of the BPS?
 - A. Is the activity necessary or appropriate for the preparation or dissemination of long-term, seasonal, and special assessments of the reliability and adequacy of the BPS?
 - B. Is the activity necessary or appropriate for measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
 - C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
 - D. Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability?
 - E. Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
 - F. Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
 - G. Is the activity necessary or appropriate for data collection and analysis of information regarding BPS reliability matters mandated by the Commission?
- IV. Is the activity one that was required or directed by a Commission order issued pursuant to FPA §215? Justification of an activity as a FPA §215 activity based on this category must reference the particular Commission order and directive.
- V. Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)?

- VI. Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
- VII. Is the activity necessary or appropriate to maintain NERC’s certification as the Electric Reliability Organization? This Criterion includes conducting periodic assessments of NERC’s and the Regional Entities’ performance as the Electric Reliability Organization as required by 18 C.F.R. §39.3(c).
- VIII. Does the activity respond to or is it necessary or appropriate for audits of NERC and the Regional Entities conducted by the Commission?
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- X. Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?
- XI. Is the activity a governance or administrative/overhead function, activity or service necessary or appropriate for the activities encompassed by the other criteria and, in general, necessary and appropriate to operate a functioning organization? (Should NERC perform any non-FPA §215 activities, the costs of governance and administrative/overhead functions must be appropriately allocated.)

NERC’s current governance and administrative/overhead functions are carried out in the following program areas:

- A. Technical Committees and Members’ Forum Programs
- B. General and administrative (includes, but is not limited to, executive, board of trustees, communications, government affairs, and facilities and related services)
- C. Legal and Regulatory
- D. Information Technology
- E. Human Resources
- F. Accounting and Finance

The following matters are excluded from the scope of FPA §215 activities. While a list of non-FPA §215 activities would be infinite, the following excluded matters are listed here because they are expressly referred to in FPA §215, the Commission’s ERO regulations and/or a Commission order issued pursuant to FPA §215:

- A. Developing or enforcing requirements to enlarge BPS facilities, or to construct new transmission capacity or generation capacity, or requirements for adequacy or safety of electric facilities or services.
- B. Activities entailing Real-time operational control of the BPS.
- C. Activities pertaining to facilities used in the local distribution of electricity.

Exhibit B – Capital Financing

The company secured a capital financing program in July 2020 for \$8.0M as a funding source for major software application development projects and hardware equipment that primarily benefit the ERO Enterprise. The \$8.0M non-revolving credit facility was available to finance certain capital expenditures made from July 2020 to December 2021, as approved by the Board of Trustees (Board) and the Federal Energy Regulatory Commission (FERC). NERC financed \$2.0M for ERO Secure Evidence Locker (SEL) project costs, borrowing \$1.3M in late 2020 and the remaining \$700k in 2021, with an interest rate of 2.5% and 3.2%, respectively. Borrowings under the credit facility for the ERO SEL are amortized over a five-year period and can be prepaid without penalty.

As discussed in the *Introduction and Executive Summary*, due to increased spending on capital software projects related to the 2023–2025 Technology Strategy, a portion of these projects is proposed to be financed with a new capital borrowing facility using a five-year loan amortization.²³ NERC has assumed borrowings of \$4.0M in 2023, \$4.0M in 2024, and \$2.5M in 2025, and has budgeted an average interest rate of 5.0%.

The tables below show projected year-end outstanding debt and the future annual payments for debt service.

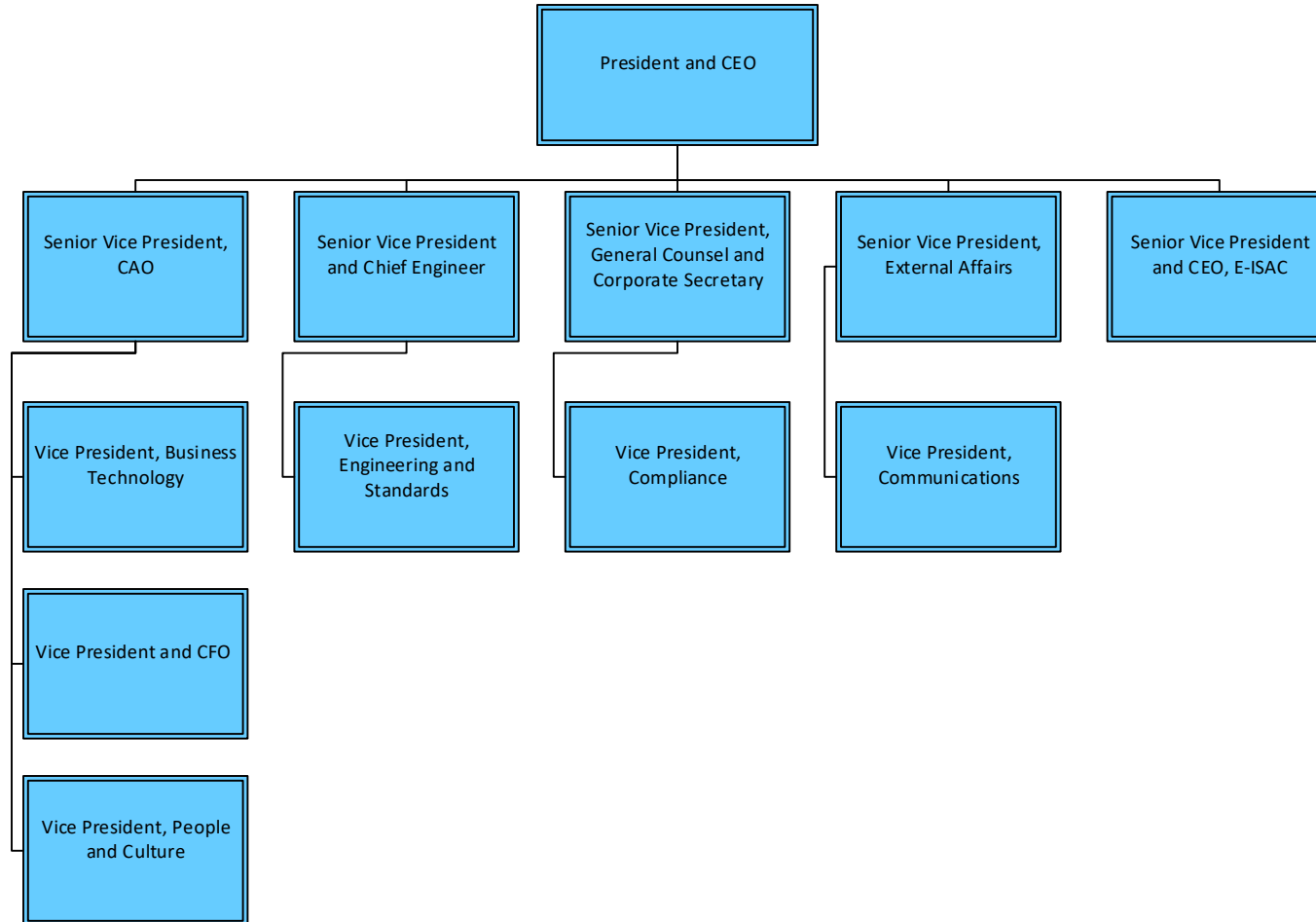
	Year-End Outstanding Debt Balance				
	Prior Years	2022	2023	2024	2025
	Actual	Projected	Budget	Projected	Projected
Prior Years	\$ 1,773,292	\$ 1,383,225	\$ 969,301	\$ 543,644	\$ 105,848
2022 Projection	-	-	-	-	-
2023 Budgeted	-	-	3,700,000	2,956,000	2,176,000
2024 Projected	-	-	-	3,700,000	2,956,000
2025 Projected	-	-	-	-	2,315,000
Total Outstanding Balance	\$ 1,773,292	\$ 1,383,225	\$ 4,669,301	\$ 7,199,644	\$ 7,552,848

	Future Annual Payments for Debt Service				
		2022	2023	2024	2025
		Projected	Budget	Projected	Projected
Prior Years - Principal		\$ 390,067	\$ 413,924	\$ 425,657	\$ 437,796
2022 Projection		-	-	-	-
2023 Budgeted		-	300,000	744,000	780,000
2024 Projected		-	-	300,000	744,000
2025 Projected		-	-	-	185,000
Interest Expense		44,575	129,254	285,506	369,352
Total Principal and Interest Costs		\$ 434,642	\$ 843,178	\$ 1,755,163	\$ 2,516,148

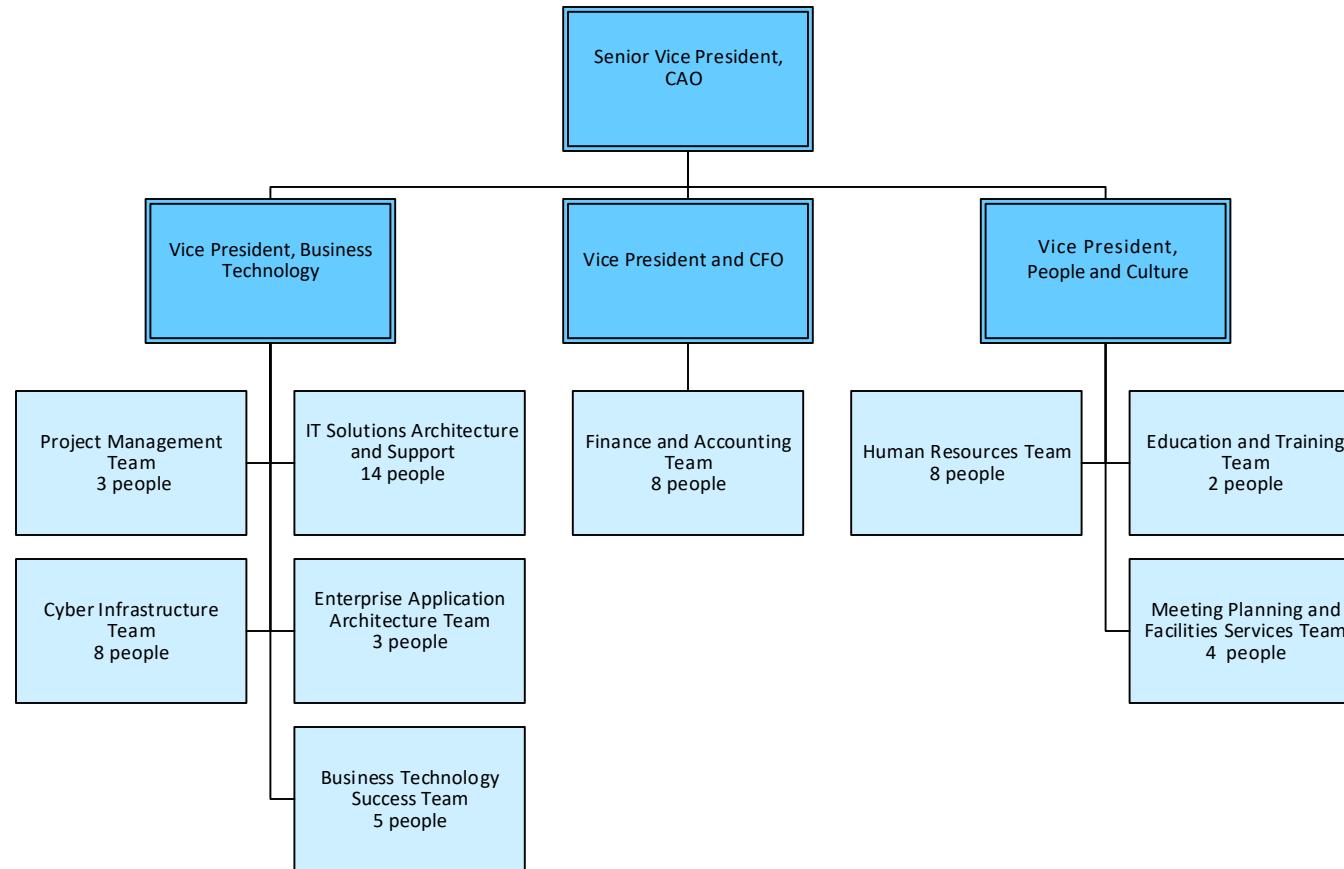
²³ NERC's current capital line of credit is expiring in February 2023 and will be renewed prior to that expiration in support of the proposed financing of capital software projects in 2023.

NERC Staff Organizational Chart – Budget 2023

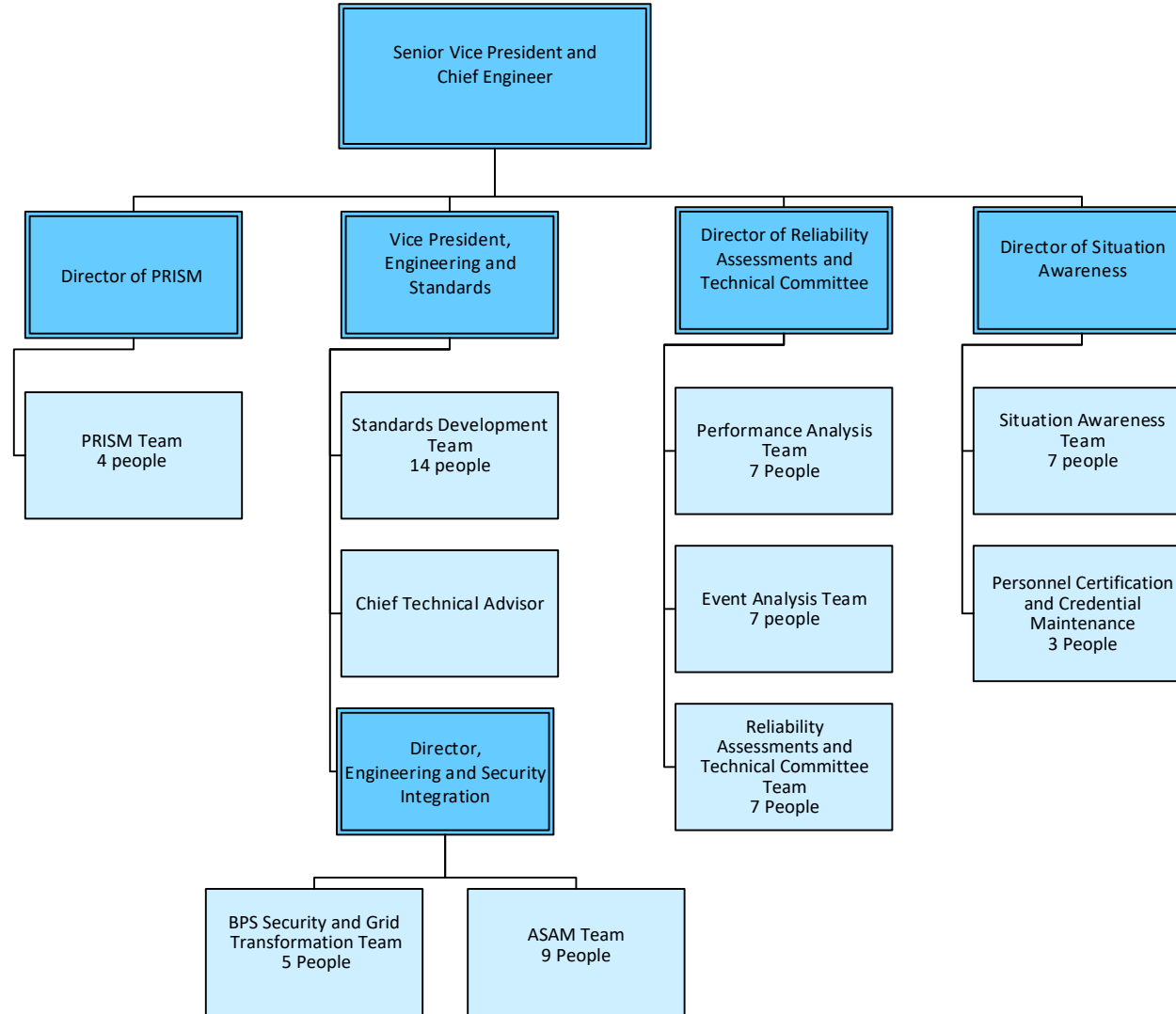
Leadership Team



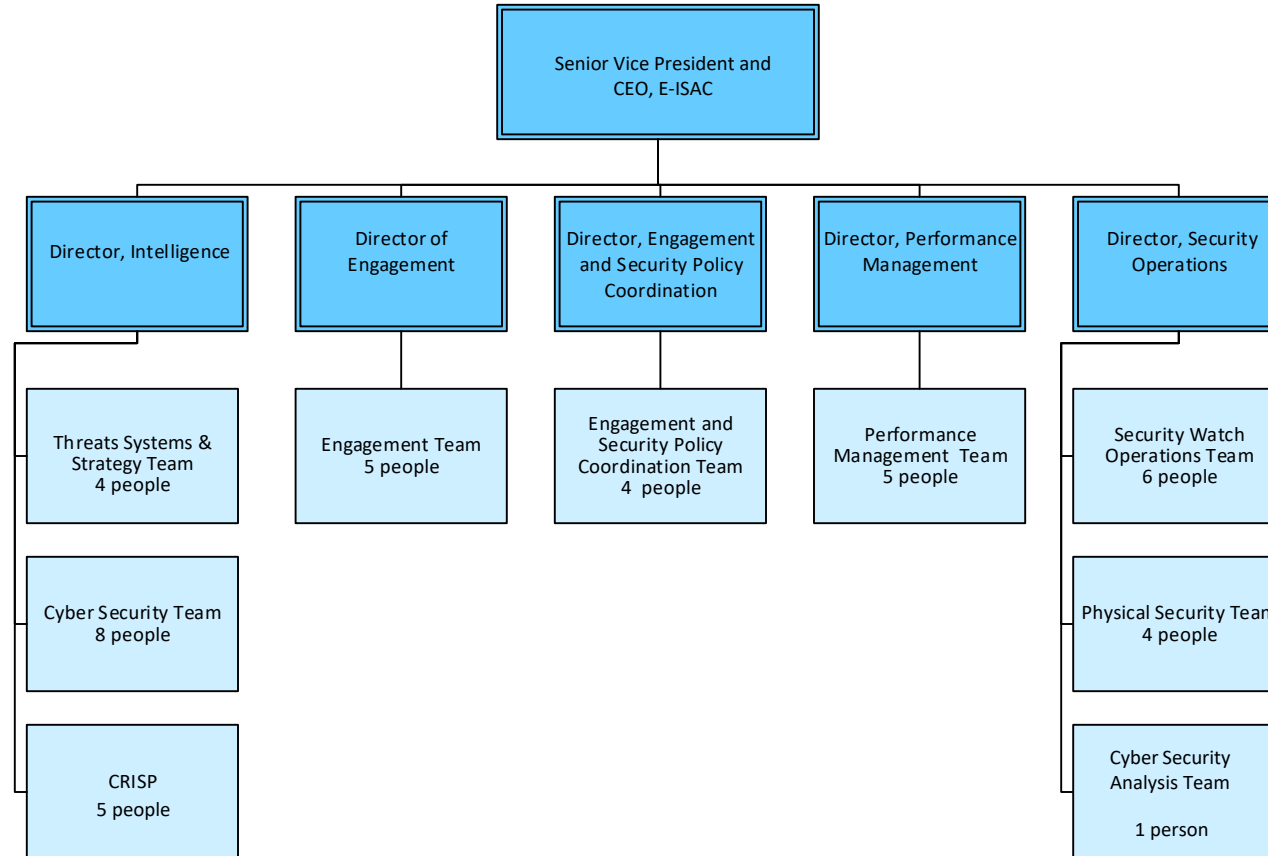
IT, Finance & Accounting, and HR & Administration



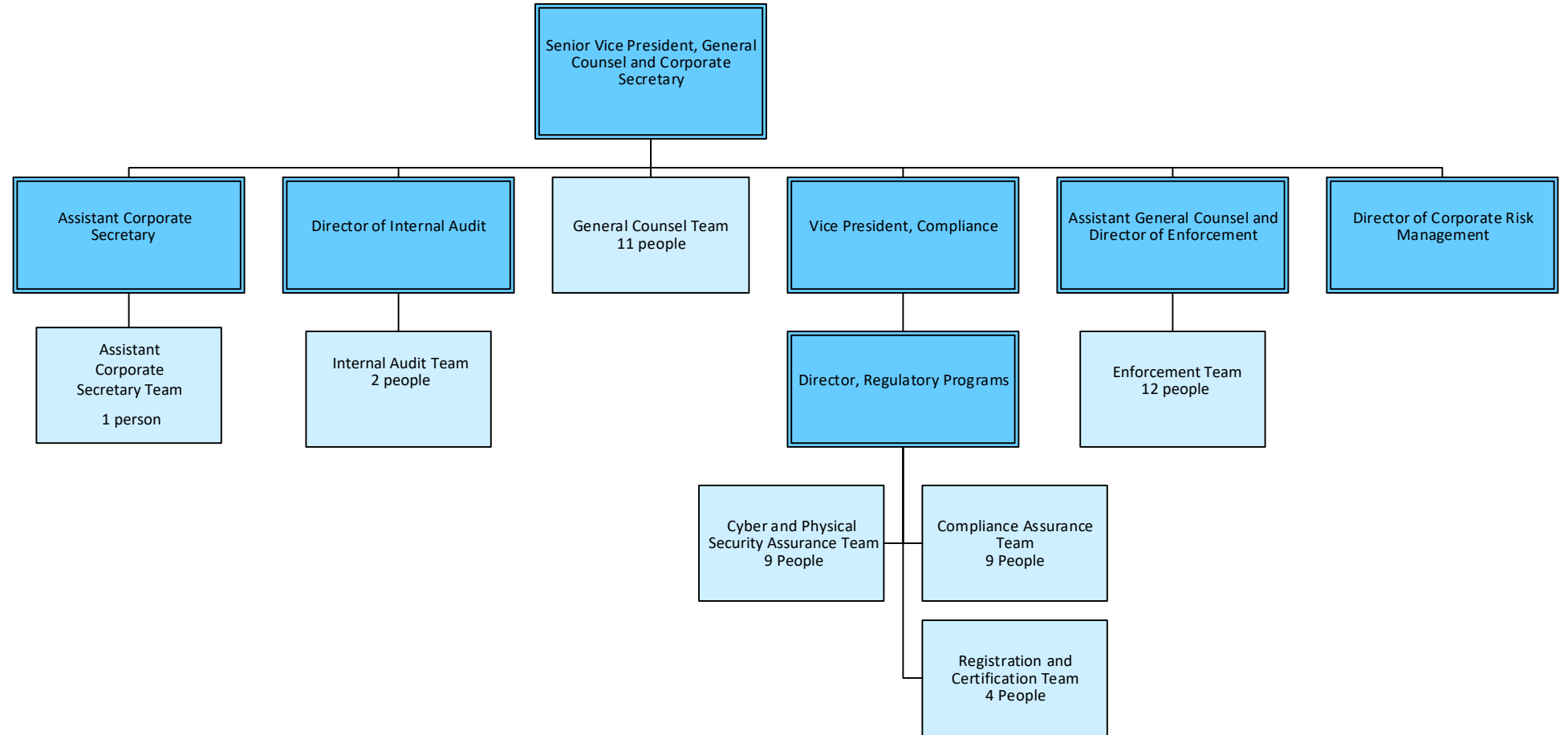
Reliability Standards and PRISM, RAPA, Event Analysis, Situation Awareness, and Personnel Certification and Credential Maintenance



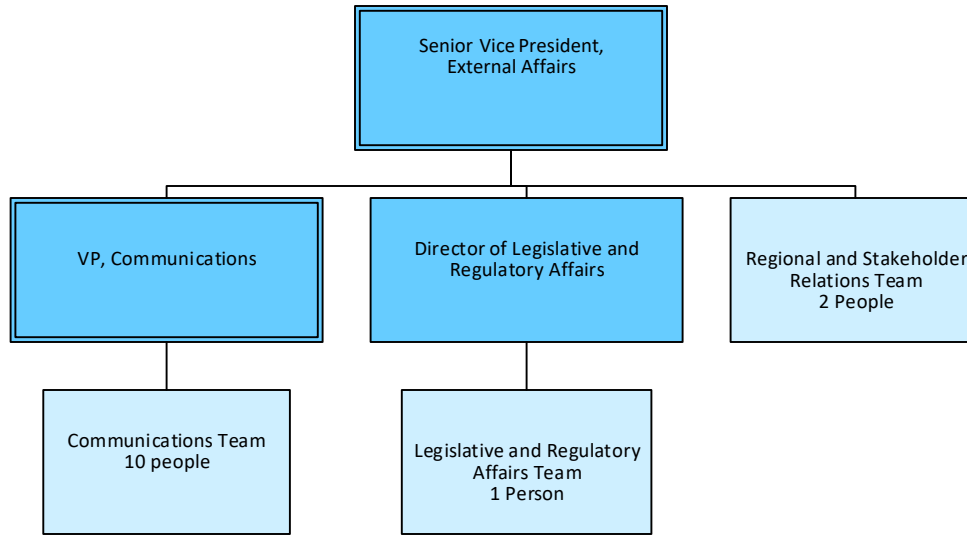
Electricity Information Sharing and Analysis Center



**Compliance Assurance and Organization Registration and Certification,
 Compliance Enforcement, Legal and Regulatory, Internal Audit, and
 Corporate Risk Management**



External Affairs



2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2021	MRO	C-1217	Manitoba Hydro	Canada	27,325,000	-	27,325,000	-	5.493%	0.000%	5.493%	0.000%	0.600%	0.000%	0.600%	0.000%	0.000%
2021	MRO	C-1235	SaskPower	Canada	24,781,500	-	24,781,500	-	4.982%	0.000%	4.982%	0.000%	0.544%	0.000%	0.544%	0.000%	0.000%
2021	MRO	C-1707	AEP-VEMCO	U.S.	695,004	695,004	-	-	0.140%	0.140%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2021	MRO	C-1195	Alliant Energy (ALTE- WPL & ALTW IPL)	U.S.	28,884,211	28,884,211	-	-	5.807%	5.807%	0.000%	0.000%	0.634%	0.634%	0.000%	0.000%	0.719%
2021	MRO	C-1246	American Electric Power Service Corporation	U.S.	36,061,178	36,061,178	-	-	7.250%	7.250%	0.000%	0.000%	0.791%	0.791%	0.000%	0.000%	0.897%
2021	MRO	C-1196	Ames Municipal Electric System	U.S.	780,999	780,999	-	-	0.157%	0.157%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2021	MRO	C-1986	Arkansas Electric Cooperative Corporation (AECC)	U.S.	4,507,563	4,507,563	-	-	0.906%	0.906%	0.000%	0.000%	0.099%	0.099%	0.000%	0.000%	0.112%
2021	MRO	C-1604	Atlantic Municipal Utilities (AMU)	U.S.	155,448	155,448	-	-	0.031%	0.031%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2021	MRO	C-1199	Basin Electric Power Cooperative (BEPC)	U.S.	23,112,058	23,112,058	-	-	4.646%	4.646%	0.000%	0.000%	0.507%	0.507%	0.000%	0.000%	0.575%
2021	MRO	C-1247	Board of Public Utilities (Kansas City, KS) (BPU)	U.S.	2,314,178	2,314,178	-	-	0.465%	0.465%	0.000%	0.000%	0.051%	0.051%	0.000%	0.000%	0.058%
2021	MRO	C-1620	Board of Public Utilities City of McPherson, KS (MCPHER)	U.S.	1,055,132	1,055,132	-	-	0.212%	0.212%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2021	MRO	C-1647	Carthage Water and Light	U.S.	301,652	301,652	-	-	0.061%	0.061%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2021	MRO	C-1200	Cedar Falls Utilities (CFU)	U.S.	515,310	515,310	-	-	0.104%	0.104%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2021	MRO	C-1201	Central Iowa Power Cooperative (CIPCO)	U.S.	2,967,229	2,967,229	-	-	0.597%	0.597%	0.000%	0.000%	0.065%	0.065%	0.000%	0.000%	0.074%
2021	MRO	C-1477	Central Minnesota Municipal Power Agency (CMMPA)	U.S.	417,234	417,234	-	-	0.084%	0.084%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2021	MRO	C-1469	Central Valley Electric Cooperative (CVEC)	U.S.	811,240	811,240	-	-	0.163%	0.163%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.020%
2021	MRO	C-2056	City of Beatrice	U.S.	153,408	153,408	-	-	0.031%	0.031%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2021	MRO	C-1556	City of Bentonville (BENVILL)	U.S.	712,809	712,809	-	-	0.143%	0.143%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2021	MRO	C-1713	City of Bloomer (Bloomer Electric & Water Co.)	U.S.	60,729	60,729	-	-	0.012%	0.012%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2021	MRO	C-1703	City of Chanute (CHANUTEKS)	U.S.	502,326	502,326	-	-	0.101%	0.101%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2021	MRO	C-1203	City of Escanaba (EME)	U.S.	135,992	135,992	-	-	0.027%	0.027%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2021	MRO	C-1719	City of Kasota	U.S.	3,752	3,752	-	-	0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2021	MRO	C-2032	City of Lubbock (Lubbock Power and Light)	U.S.	2,644,177	2,644,177	-	-	0.532%	0.532%	0.000%	0.000%	0.058%	0.058%	0.000%	0.000%	0.066%
2021	MRO	C-1709	City of Nixa	U.S.	176,775	176,775	-	-	0.036%	0.036%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2021	MRO	C-2057	City of South Sioux City, NE	U.S.	187,086	187,086	-	-	0.038%	0.038%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2021	MRO	C-1722	City of Spooner	U.S.	31,307	31,307	-	-	0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2021	MRO	C-2052	City of Superior NE	U.S.	26,833	26,833	-	-	0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2021	MRO	C-2053	City of Wakefield, NE	U.S.	46,207	46,207	-	-	0.009%	0.009%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2021	MRO	C-2054	City of Wayne, NE	U.S.	69,150	69,150	-	-	0.014%	0.014%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2021	MRO	C-1436	City Utilities of Springfield, MO (SPRM)	U.S.	3,192,974	3,192,974	-	-	0.642%	0.642%	0.000%	0.000%	0.070%	0.070%	0.000%	0.000%	0.079%
2021	MRO	C-1204	Corn Belt Power Cooperative (CBPC)	U.S.	2,035,373	2,035,373	-	-	0.409%	0.409%	0.000%	0.000%	0.045%	0.045%	0.000%	0.000%	0.051%
2021	MRO	C-1710	Dahlberg Electric Company	U.S.	122,535	122,535	-	-	0.025%	0.025%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2021	MRO	C-1207	Dairyland Power Cooperative (DPC)	U.S.	5,845,071	5,845,071	-	-	1.175%	1.175%	0.000%	0.000%	0.128%	0.128%	0.000%	0.000%	0.145%
2021	MRO	C-1437	East Texas Electric Cooperative, Inc. (ETEC)	U.S.	1,024,702	1,024,702	-	-	0.206%	0.206%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2021	MRO	C-1716	Eldridge Electric and Water Utilities	U.S.	42,452	42,452	-	-	0.009%	0.009%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2021	MRO	C-1250	Empire District Electric Co.	U.S.	5,084,536	5,084,536	-	-	1.022%	1.022%	0.000%	0.000%	0.112%	0.112%	0.000%	0.000%	0.126%
2021	MRO	C-1205	Falls City Water & Light Department	U.S.	41,825	41,825	-	-	0.008%	0.008%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2021	MRO	C-1470	Farmers Electric Cooperative, Inc. of New Mexico (FARMCOOPNM)	U.S.	352,888	352,888	-	-	0.071%	0.071%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2021	MRO	C-1206	Fremont Department of Utilities (City of)	U.S.	473,342	473,342	-	-	0.095%	0.095%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2021	MRO	C-1208	Geneseo Municipal Utilities	U.S.	67,397	67,397	-	-	0.014%	0.014%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2021	MRO	C-1438	Golden Spread Electric Cooperative, Inc (GSEC)	U.S.	6,243,405	6,243,405	-	-	1.255%	1.255%	0.000%	0.000%	0.137%	0.137%	0.000%	0.000%	0.155%
2021	MRO	C-1209	Grand Island Utilities Department	U.S.	741,664	741,664	-	-	0.149%	0.149%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2021	MRO	C-1251	Grand River Dam Authority (GRDA)	U.S.	6,403,026	6,403,026	-	-	1.287%	1.287%	0.000%	0.000%	0.141%	0.141%	0.000%	0.000%	0.159%
2021	MRO	C-1717	Great Lakes Utilities	U.S.	1,506,642	1,506,642	-	-	0.303%	0.303%	0.000%	0.000%	0.033%	0.033%	0.000%	0.000%	0.037%
2021	MRO	C-1210	Great River Energy (GRE)	U.S.	13,699,445	13,699,445	-	-	2.754%	2.754%	0.000%	0.000%	0.301%	0.301%	0.000%	0.000%	0.341%
2021	MRO	C-1606	Harlan Municipal Utilities	U.S.	16,313	16,313	-	-	0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2021	MRO	C-1211	Hastings Utilities (HAST)	U.S.	445,280	445,280	-	-	0.090%	0.090%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2021	MRO	C-1212	Heartland Consumers Power District (HCPD)	U.S.	503,042	503,042	-	-	0.101%	0.101%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2021	MRO	C-1213	Hutchinson Utilities Commission (HUCH)	U.S.	293,038	293,038	-	-	0.059%	0.059%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2021	MRO	C-1248	Independence Power & Light (Independence, MO) (INDN)	U.S.	1,034,514	1,034,514	-	-	0.208%	0.208%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2021	MRO	C-1252	Everg Metro, Inc.	U.S.	15,491,754	15,491,754	-	-	3.114%	3.114%	0.000%	0.000%	0.340%	0.340%	0.000%	0.000%	0.385%
2021	MRO	C-1439	Kansas Electric Power Cooperative (KEPC)	U.S.	2,115,446	2,115,446	-	-	0.425%	0.425%	0.000%	0.000%	0.046%	0.046%	0.000%	0.000%	0.053%
2021	MRO	C-1440	Kansas Municipal Energy Agency (KMEA)	U.S.	1,629,599	1,629,599	-	-	0.328%	0.328%	0.000%	0.000%	0.036%	0.036%	0.000%	0.000%	0.041%
2021	MRO	C-1637	Kansas Power Pool (KPP)	U.S.	876,642	876,642	-	-	0.176%	0.176%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2021	MRO	C-1598	Everg Missouri West, Inc.	U.S.	9,032,962	9,032,962	-	-	1.816%	1.816%	0.000%	0.000%	0.198%	0.198%	0.000%	0.000%	0.225%
2021	MRO	C-2038	Kennett Board of Public Works	U.S.	122,770	122,770	-	-	0.025%	0.025%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2021	MRO	C-1472	Lea County Electric Cooperative (LCEC)	U.S.	1,079,929	1,079,929	-	-	0.217%	0.217%	0.000%	0.000%	0.024%	0.024%	0.000%	0.000%	0.027%
2021	MRO	C-1215	Lincoln Electric System (LES)	U.S.	3,219,152	3,219,152	-	-	0.647%	0.647%	0.000%	0.000%	0.071%	0.071%	0.000%	0.000%	0.080%
2021	MRO	C-1216	Madison, Gas and Electric (MGE)	U.S.	3,346,887	3,346,887	-	-	0.673%	0.673%	0.000%	0.000%	0.073%	0.073%	0.000%	0.000%	0.083%
2021	MRO	C-2039	Malden Board of Public Works	U.S.	50,507	50,507	-	-	0.010%	0.010%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2021	MRO	C-1220	MidAmerican Energy Company (MEC)	U.S.	29,527,924	29,527,924	-	-	5.936%	5.936%	0.000%	0.000%	0.648%	0.648%	0.000%	0.000%	0.735%

Data Year	Regional Entity	NERC ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2021	WECC		Turlock Irrigation District	U.S.	2,369,855	2,369,855	-	-	0.274%	0.274%	0.000%	0.000%	0.052%	0.052%	0.000%	0.000%	0.059%
2021	WECC		U.S. Army Yuma Proving Ground	U.S.	17,059	17,059	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2021	WECC		US Dept of Energy - Kirtland AFB	U.S.	451,300	451,300	-	-	0.052%	0.052%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2021	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	270	270	-	-	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2021	WECC		Western Area Power - Loveland, CO - PSCO	U.S.	174,895	174,895	-	-	0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2021	WECC		Western Area Power - Loveland, CO - WACM	U.S.	1,283,371	1,283,371	-	-	0.148%	0.148%	0.000%	0.000%	0.028%	0.028%	0.000%	0.000%	0.032%
2021	WECC		Western Area Power Administration - CRSP	U.S.	1,464,281	1,464,281	-	-	0.169%	0.169%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.036%
2021	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	1,366,227	1,366,227	-	-	0.158%	0.158%	0.000%	0.000%	0.030%	0.030%	0.000%	0.000%	0.034%
2021	WECC		Western Area Power Administration-Desert Southwest Region - W	U.S.	2,341,940	2,341,940	-	-	0.270%	0.270%	0.000%	0.000%	0.051%	0.051%	0.000%	0.000%	0.058%
2021	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	385,970	385,970	-	-	0.045%	0.045%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.010%
2021	WECC		Western Area Power Administration-Upper Great Plains Region - N	U.S.	8,514	8,514	-	-	0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2021	WECC		Wynn Las Vegas	U.S.	167,548	167,548	-	-	0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2021	WECC		Yampa Valley Electric Association	U.S.	527,946	527,946	-	-	0.061%	0.061%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
TOTAL WECC					866,219,863	725,329,758	125,349,171	15,540,934	100.000%	83.735%	14.471%	1.794%	19.007%	15.916%	2.751%	0.341%	18.045%
TOTAL ERO					4,557,293,470	4,019,501,865	522,250,671	15,540,934	600.000%	517.244%	80.962%	1.794%	100.000%	88.199%	11.460%	0.341%	100.000%

Current Year NEL Summary by Regional Entity					Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL									
2021	MRO				497,426,188	445,319,688	52,106,500	-	100.000%	89.525%	10.475%	0.000%	10.915%	9.772%	1.143%	0.000%	11.079%
2021	NPCC				615,530,000	270,735,000	344,795,000	-	100.000%	43.984%	56.016%	0.000%	13.506%	5.941%	7.566%	0.000%	6.736%
2021	RF				880,495,516	880,495,516	-	-	100.000%	100.000%	0.000%	0.000%	19.321%	19.321%	0.000%	0.000%	21.906%
2021	SERC				1,304,773,923	1,304,773,923	-	-	100.000%	100.000%	0.000%	0.000%	28.630%	28.630%	0.000%	0.000%	32.461%
2021	Texas RE				392,847,979	392,847,979	-	-	100.000%	100.000%	0.000%	0.000%	8.620%	8.620%	0.000%	0.000%	9.774%
2021	WECC				866,219,863	725,329,758	125,349,171	15,540,934	100.000%	83.735%	14.471%	1.794%	19.007%	15.916%	2.751%	0.341%	18.045%
Total					4,557,293,470	4,019,501,865	522,250,671	15,540,934	600.000%	517.244%	80.962%	1.794%	100.000%	88.199%	11.460%	0.341%	100.000%

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2021	MRO	C-1217	Manitoba Hydro	Canada	1,683,267	-	1,683,267	-	538,489	-	538,489	-	1,144,778	-	1,144,778	-
2021	MRO	C-1235	SaskPower	Canada	1,526,583	-	1,526,583	-	488,364	-	488,364	-	1,038,219	-	1,038,219	-
2021	MRO	C-1707	AEP-VEMCO	U.S.	42,122	42,122	-	-	13,523	13,523	-	-	28,598	28,598	-	-
2021	MRO	C-1195	Alliant Energy (ALTE- WPL & ALTW IPL)	U.S.	1,750,574	1,750,574	-	-	562,030	562,030	-	-	1,188,545	1,188,545	-	-
2021	MRO	C-1246	American Electric Power Service Corporation	U.S.	2,185,546	2,185,546	-	-	701,679	701,679	-	-	1,483,867	1,483,867	-	-
2021	MRO	C-1196	Ames Municipal Electric System	U.S.	47,334	47,334	-	-	15,197	15,197	-	-	32,137	32,137	-	-
2021	MRO	C-1986	Arkansas Electric Cooperative Corporation (AECC)	U.S.	273,188	273,188	-	-	87,708	87,708	-	-	185,480	185,480	-	-
2021	MRO	C-1604	Atlantic Municipal Utilities (AMU)	U.S.	9,421	9,421	-	-	3,025	3,025	-	-	6,396	6,396	-	-
2021	MRO	C-1199	Basin Electric Power Cooperative (BEPC)	U.S.	1,400,744	1,400,744	-	-	449,715	449,715	-	-	951,029	951,029	-	-
2021	MRO	C-1247	Board of Public Utilities (Kansas City, KS) (BPU)	U.S.	140,254	140,254	-	-	45,029	45,029	-	-	95,225	95,225	-	-
2021	MRO	C-1620	Board of Public Utilities City of McPherson, KS (MCPHER)	U.S.	63,948	63,948	-	-	20,531	20,531	-	-	43,417	43,417	-	-
2021	MRO	C-1647	Carthage Water and Light	U.S.	18,282	18,282	-	-	5,870	5,870	-	-	12,413	12,413	-	-
2021	MRO	C-1200	Cedar Falls Utilities (CFU)	U.S.	31,231	31,231	-	-	10,027	10,027	-	-	21,204	21,204	-	-
2021	MRO	C-1201	Central Iowa Power Cooperative (CIPCO)	U.S.	179,834	179,834	-	-	57,736	57,736	-	-	122,097	122,097	-	-
2021	MRO	C-1477	Central Minnesota Municipal Power Agency (CMMPA)	U.S.	25,287	25,287	-	-	8,119	8,119	-	-	17,169	17,169	-	-
2021	MRO	C-1469	Central Valley Electric Cooperative (CVEC)	U.S.	49,167	49,167	-	-	15,785	15,785	-	-	33,381	33,381	-	-
2021	MRO	C-2056	City of Beatrice	U.S.	9,298	9,298	-	-	2,985	2,985	-	-	6,313	6,313	-	-
2021	MRO	C-1556	City of Bentonville (BENVILL)	U.S.	43,201	43,201	-	-	13,870	13,870	-	-	29,331	29,331	-	-
2021	MRO	C-1713	City of Bloomer (Bloomer Electric & Water Co.)	U.S.	3,681	3,681	-	-	1,182	1,182	-	-	2,499	2,499	-	-
2021	MRO	C-1703	City of Chanute (CHANUTEKS)	U.S.	30,444	30,444	-	-	9,774	9,774	-	-	20,670	20,670	-	-
2021	MRO	C-1203	City of Escanaba (EME)	U.S.	8,242	8,242	-	-	2,646	2,646	-	-	5,596	5,596	-	-
2021	MRO	C-1719	City of Kasota	U.S.	227	227	-	-	73	73	-	-	154	154	-	-
2021	MRO	C-2032	City of Lubbock (Lubbock Power and Light)	U.S.	160,255	160,255	-	-	51,450	51,450	-	-	108,804	108,804	-	-
2021	MRO	C-1709	City of Nixa	U.S.	10,714	10,714	-	-	3,440	3,440	-	-	7,274	7,274	-	-
2021	MRO	C-2057	City of South Sioux City, NE	U.S.	11,339	11,339	-	-	3,640	3,640	-	-	7,698	7,698	-	-
2021	MRO	C-1722	City of Spooner	U.S.	1,897	1,897	-	-	609	609	-	-	1,288	1,288	-	-
2021	MRO	C-2052	City of Superior NE	U.S.	1,626	1,626	-	-	522	522	-	-	1,104	1,104	-	-
2021	MRO	C-2053	City of Wakefield, NE	U.S.	2,800	2,800	-	-	899	899	-	-	1,901	1,901	-	-
2021	MRO	C-2054	City of Wayne, NE	U.S.	4,191	4,191	-	-	1,346	1,346	-	-	2,845	2,845	-	-
2021	MRO	C-1436	City Utilities of Springfield, MO (SPRM)	U.S.	193,515	193,515	-	-	62,129	62,129	-	-	131,386	131,386	-	-
2021	MRO	C-1204	Corn Belt Power Cooperative (CBPC)	U.S.	123,357	123,357	-	-	39,604	39,604	-	-	83,753	83,753	-	-
2021	MRO	C-1710	Dahlberg Electric Company	U.S.	7,426	7,426	-	-	2,384	2,384	-	-	5,042	5,042	-	-
2021	MRO	C-1207	Dairyland Power Cooperative (DPC)	U.S.	354,250	354,250	-	-	113,734	113,734	-	-	240,516	240,516	-	-
2021	MRO	C-1437	East Texas Electric Cooperative, Inc. (ETEC)	U.S.	62,104	62,104	-	-	19,939	19,939	-	-	42,165	42,165	-	-
2021	MRO	C-1716	Eldridge Electric and Water Utilities	U.S.	2,573	2,573	-	-	826	826	-	-	1,747	1,747	-	-
2021	MRO	C-1250	Empire District Electric Co.	U.S.	308,157	308,157	-	-	98,935	98,935	-	-	209,222	209,222	-	-
2021	MRO	C-1205	Falls City Water & Light Department	U.S.	2,535	2,535	-	-	814	814	-	-	1,721	1,721	-	-
2021	MRO	C-1470	Farmers Electric Cooperative, Inc. of New Mexico (FARMCOOPNM)	U.S.	21,387	21,387	-	-	6,867	6,867	-	-	14,521	14,521	-	-
2021	MRO	C-1206	Fremont Department of Utilities (City of)	U.S.	28,688	28,688	-	-	9,210	9,210	-	-	19,477	19,477	-	-
2021	MRO	C-1208	Geneseo Municipal Utilities	U.S.	4,085	4,085	-	-	1,311	1,311	-	-	2,773	2,773	-	-
2021	MRO	C-1438	Golden Spread Electric Cooperative, Inc (GSEC)	U.S.	378,392	378,392	-	-	121,484	121,484	-	-	256,907	256,907	-	-
2021	MRO	C-1209	Grand Island Utilities Department	U.S.	44,950	44,950	-	-	14,431	14,431	-	-	30,518	30,518	-	-
2021	MRO	C-1251	Grand River Dam Authority (GRDA)	U.S.	388,066	388,066	-	-	124,590	124,590	-	-	263,476	263,476	-	-
2021	MRO	C-1717	Great Lakes Utilities	U.S.	91,312	91,312	-	-	29,316	29,316	-	-	61,996	61,996	-	-
2021	MRO	C-1210	Great River Energy (GRE)	U.S.	830,277	830,277	-	-	266,564	266,564	-	-	563,713	563,713	-	-
2021	MRO	C-1606	Harlan Municipal Utilities	U.S.	989	989	-	-	317	317	-	-	671	671	-	-
2021	MRO	C-1211	Hastings Utilities (HAST)	U.S.	26,987	26,987	-	-	8,664	8,664	-	-	18,323	18,323	-	-
2021	MRO	C-1212	Heartland Consumers Power District (HCPD)	U.S.	30,488	30,488	-	-	9,788	9,788	-	-	20,699	20,699	-	-
2021	MRO	C-1213	Hutchinson Utilities Commission (HUCH)	U.S.	17,760	17,760	-	-	5,702	5,702	-	-	12,058	12,058	-	-
2021	MRO	C-1248	Independence Power & Light (Independence, MO) (INDN)	U.S.	62,698	62,698	-	-	20,130	20,130	-	-	42,569	42,569	-	-
2021	MRO	C-1252	Evergy Metro, Inc.	U.S.	938,903	938,903	-	-	301,439	301,439	-	-	637,464	637,464	-	-
2021	MRO	C-1439	Kansas Electric Power Cooperative (KEPC)	U.S.	128,210	128,210	-	-	41,162	41,162	-	-	87,048	87,048	-	-
2021	MRO	C-1440	Kansas Municipal Energy Agency (KMEA)	U.S.	98,764	98,764	-	-	31,709	31,709	-	-	67,056	67,056	-	-
2021	MRO	C-1637	Kansas Power Pool (KPP)	U.S.	53,130	53,130	-	-	17,058	17,058	-	-	36,073	36,073	-	-
2021	MRO	C-1598	Evergy Missouri West, Inc.	U.S.	547,457	547,457	-	-	175,764	175,764	-	-	371,694	371,694	-	-
2021	MRO	C-2038	Kennett Board of Public Works	U.S.	7,441	7,441	-	-	2,389	2,389	-	-	5,052	5,052	-	-
2021	MRO	C-1472	Lea County Electric Cooperative (LCEC)	U.S.	65,451	65,451	-	-	21,013	21,013	-	-	44,438	44,438	-	-
2021	MRO	C-1215	Lincoln Electric System (LES)	U.S.	195,102	195,102	-	-	62,638	62,638	-	-	132,464	132,464	-	-
2021	MRO	C-1216	Madison, Gas and Electric (MGE)	U.S.	202,843	202,843	-	-	65,124	65,124	-	-	137,720	137,720	-	-
2021	MRO	C-2039	Malden Board of Public Works	U.S.	3,061	3,061	-	-	983	983	-	-	2,078	2,078	-	-
2021	MRO	C-1220	MidAmerican Energy Company (MEC)	U.S.	1,789,588	1,789,588	-	-	574,555	574,555	-	-	1,215,033	1,215,033	-	-
2021	MRO	C-1441	Midwest Energy, Inc (MIDW)	U.S.	105,617	105,617	-	-	33,909	33,909	-	-	71,708	71,708	-	-
2021	MRO	C-1224	Minnesota Municipal Power Agency (MMPA) Avant Energy Inc is A4	U.S.	122,226	122,226	-	-	39,241	39,241	-	-	82,985	82,985	-	-
2021	MRO	C-1221	Minnesota Power (MP)	U.S.	738,790	738,790	-	-	237,192	237,192	-	-	501,598	501,598	-	-

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2021	MRO	C-1222	Minnkota Power Cooperative, Inc. (MPC)	U.S.	239,359	239,359	-	-	76,847	76,847	-	-	162,512	162,512	-	-
2021	MRO	C-1987	Missouri Joint Municipal Electric Utility	U.S.	27,052	27,052	-	-	8,685	8,685	-	-	18,367	18,367	-	-
2021	MRO	C-1223	Missouri River Energy Services	U.S.	165,298	165,298	-	-	53,070	53,070	-	-	112,228	112,228	-	-
2021	MRO	C-1226	Montana-Dakota Utilities Co. (MDU)	U.S.	196,402	196,402	-	-	63,056	63,056	-	-	133,346	133,346	-	-
2021	MRO	C-1607	Montezuma Municipal Light & Power	U.S.	1,322	1,322	-	-	424	424	-	-	898	898	-	-
2021	MRO	C-2051	Moose Lake Water & Light Commission	U.S.	2,094	2,094	-	-	672	672	-	-	1,421	1,421	-	-
2021	MRO	C-1227	Municipal Energy Agency of Nebraska (MEAN)	U.S.	60,091	60,091	-	-	19,293	19,293	-	-	40,799	40,799	-	-
2021	MRO	C-1228	Muscatine Power and Water (MPW)	U.S.	54,892	54,892	-	-	17,623	17,623	-	-	37,268	37,268	-	-
2021	MRO	C-1229	Nebraska City Utilities	U.S.	7,350	7,350	-	-	2,360	2,360	-	-	4,991	4,991	-	-
2021	MRO	C-1230	Nebraska Public Power District (NPPD)	U.S.	825,273	825,273	-	-	264,958	264,958	-	-	560,316	560,316	-	-
2021	MRO	C-1711	North Central Power Company	U.S.	2,582	2,582	-	-	829	829	-	-	1,753	1,753	-	-
2021	MRO	C-2055	Northeast Power	U.S.	20,972	20,972	-	-	6,733	6,733	-	-	14,239	14,239	-	-
2021	MRO	C-1442	Northeast Texas Electric Cooperative, Inc. (NTEC)	U.S.	195,638	195,638	-	-	62,811	62,811	-	-	132,828	132,828	-	-
2021	MRO	C-1231	NorthWestern Energy (NWE)	U.S.	101,966	101,966	-	-	32,737	32,737	-	-	69,229	69,229	-	-
2021	MRO	C-1712	NorthWestern Wisconsin Electric Company	U.S.	11,950	11,950	-	-	3,837	3,837	-	-	8,114	8,114	-	-
2021	MRO	C-1255	Oklahoma Gas and Electric Co. (OKGE)	U.S.	1,872,072	1,872,072	-	-	601,037	601,037	-	-	1,271,035	1,271,035	-	-
2021	MRO	C-1444	Oklahoma Municipal Power Authority (OMPA)	U.S.	174,040	174,040	-	-	55,876	55,876	-	-	118,163	118,163	-	-
2021	MRO	C-1232	Omaha Public Power District (OPPD)	U.S.	734,926	734,926	-	-	235,951	235,951	-	-	498,975	498,975	-	-
2021	MRO	C-1233	Otter Tail Power Company (OTP)	U.S.	305,335	305,335	-	-	98,029	98,029	-	-	207,306	207,306	-	-
2021	MRO	C-1651	Paragould Light, Water & Cable (PARAGOULD)	U.S.	35,746	35,746	-	-	11,476	11,476	-	-	24,269	24,269	-	-
2021	MRO	C-1725	Peoples Electric Cooperative (PEC)	U.S.	47,194	47,194	-	-	15,152	15,152	-	-	32,042	32,042	-	-
2021	MRO	C-2040	Piggott Municipal Light, Water & Sewer	U.S.	2,064	2,064	-	-	663	663	-	-	1,402	1,402	-	-
2021	MRO	C-1720	Resale Power Group of Iowa	U.S.	31,656	31,656	-	-	10,163	10,163	-	-	21,493	21,493	-	-
2021	MRO	C-1721	Rice Lake Utilities	U.S.	9,414	9,414	-	-	3,022	3,022	-	-	6,392	6,392	-	-
2021	MRO	C-1234	Rochester Public Utilities (RPU)	U.S.	194	194	-	-	62	62	-	-	132	132	-	-
2021	MRO	C-1473	Roosevelt County Electric Cooperative	U.S.	10,545	10,545	-	-	3,386	3,386	-	-	7,160	7,160	-	-
2021	MRO	C-1236	Southern Minnesota Municipal Power Agency (SMMMPA)	U.S.	168,638	168,638	-	-	54,142	54,142	-	-	114,496	114,496	-	-
2021	MRO	C-1257	Southwestern Public Service Co. Xcel Energy (SPS)	U.S.	1,396,907	1,396,907	-	-	448,483	448,483	-	-	948,424	948,424	-	-
2021	MRO	C-1256	Sunflower Electric Cooperative (SECI)	U.S.	283,720	283,720	-	-	91,089	91,089	-	-	192,630	192,630	-	-
2021	MRO	C-1665	Upper Peninsula Power Co (UPPC)	U.S.	47,387	47,387	-	-	15,214	15,214	-	-	32,173	32,173	-	-
2021	MRO	C-1714	Village of Cadott	U.S.	785	785	-	-	252	252	-	-	533	533	-	-
2021	MRO	C-1260	Every Kansas Central, Inc.	U.S.	1,471,003	1,471,003	-	-	472,272	472,272	-	-	998,731	998,731	-	-
2021	MRO	C-1239	Western Area Power Administration Rocky Mountain Region (LM)	U.S.	2,717	2,717	-	-	872	872	-	-	1,845	1,845	-	-
2021	MRO	C-1240	Western Area Power Administration Upper Great Plains (UM) (WA)	U.S.	546,229	546,229	-	-	175,369	175,369	-	-	370,860	370,860	-	-
2021	MRO	C-1259	Western Farmers Electric Cooperative (WFEC)	U.S.	560,896	560,896	-	-	180,078	180,078	-	-	380,818	380,818	-	-
2021	MRO	C-1501	West Texas Municipal Power Agency (WTMPA)	U.S.	7,440	7,440	-	-	2,389	2,389	-	-	5,051	5,051	-	-
2021	MRO	C-1242	Wisconsin Public Power, Inc. (East and West regions) (WPPI)	U.S.	315,315	315,315	-	-	101,233	101,233	-	-	214,082	214,082	-	-
2021	MRO	C-1983	Wolverine Power Marketing Cooperative	U.S.	4,507	4,507	-	-	1,447	1,447	-	-	3,060	3,060	-	-
2021	MRO	C-1244	Xcel Energy Company Northern States Power (NSP)	U.S.	2,566,923	2,566,923	-	-	824,122	824,122	-	-	1,742,801	1,742,801	-	-
TOTAL MRO					30,199,170	26,989,320	3,209,850	-	9,691,894	8,665,041	1,026,853	-	20,507,276	18,324,279	2,182,997	-
2021	NPCC	C-1336	New England	U.S.	7,107,173	7,107,173	-	-	2,310,776	2,310,776	-	-	4,796,397	4,796,397	-	-
2021	NPCC	C-1339	New York	U.S.	9,130,501	9,130,501	-	-	2,957,191	2,957,191	-	-	6,173,310	6,173,310	-	-
2021	NPCC	C-1337	Ontario	Canada	4,494,599	-	4,494,599	-	1,993,275	-	1,993,275	-	2,501,324	-	2,501,324	-
2021	NPCC	-	Quebec	Canada	6,816,799	-	6,816,799	-	2,938,871	-	2,938,871	-	3,877,929	-	3,877,929	-
2021	NPCC	C-1341	Hydro Quebec	Canada	-	-	-	-	-	-	-	-	-	-	-	-
2021	NPCC	C-1572	Regie	Canada	-	-	-	-	-	-	-	-	-	-	-	-
2021	NPCC	C-1705	New Brunswick	Canada	699,284	-	699,284	-	210,908	-	210,908	-	488,376	-	488,376	-
2021	NPCC	C-1340	Nova Scotia	Canada	521,231	-	521,231	-	218,529	-	218,529	-	302,702	-	302,702	-
TOTAL NPCC					28,769,587	16,237,674	12,531,913	-	10,629,550	5,267,968	5,361,582	-	18,140,037	10,969,706	7,170,331	-
2021	RF	C-1102	Cannelton Utilities	U.S.	617	617	-	-	253	253	-	-	364	364	-	-
2021	RF	C-1106	City of Croswell	U.S.	1,467	1,467	-	-	602	602	-	-	865	865	-	-
2021	RF	C-1490	City of Lansing	U.S.	98,673	98,673	-	-	40,489	40,489	-	-	58,184	58,184	-	-
2021	RF	C-1120	Cloverland Electric Cooperative	U.S.	34,187	34,187	-	-	14,028	14,028	-	-	20,159	20,159	-	-
2021	RF	C-1122	CMS ERM Michigan LLC	U.S.	8,350	8,350	-	-	3,426	3,426	-	-	4,923	4,923	-	-
2021	RF	C-1124	Constellation New Energy (MECS-CONS)	U.S.	91,263	91,263	-	-	37,448	37,448	-	-	53,815	53,815	-	-
2021	RF	C-1123	Constellation New Energy (MECS-DET)	U.S.	105,426	105,426	-	-	43,260	43,260	-	-	62,166	62,166	-	-
2021	RF	C-1126	Consumers Energy Company	U.S.	1,529,359	1,529,359	-	-	627,549	627,549	-	-	901,811	901,811	-	-
2021	RF	C-1128	DTE Electric Company	U.S.	2,319,763	2,319,763	-	-	951,878	951,878	-	-	1,367,885	1,367,885	-	-
2021	RF	C-1166	Duke Energy Indiana	U.S.	1,334,787	1,334,787	-	-	547,709	547,709	-	-	787,078	787,078	-	-
2021	RF	C-1135	Ferdinand Municipal Light & Water	U.S.	2,217	2,217	-	-	910	910	-	-	1,307	1,307	-	-
2021	RF	C-1646	Energy Harbor LLC (MECS-CONS)	U.S.	29,683	29,683	-	-	12,180	12,180	-	-	17,503	17,503	-	-
2021	RF	C-1549	Energy Harbor LLC (MECS-DET)	U.S.	4,629	4,629	-	-	1,900	1,900	-	-	2,730	2,730	-	-

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2021	RF	C-1145	Hoosier Energy	U.S.	368,794	368,794	-	-	151,329	151,329	-	-	217,465	217,465	-	-
2021	RF	C-1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	141,365	141,365	-	-	58,007	58,007	-	-	83,358	83,358	-	-
2021	RF	C-1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	18,928	18,928	-	-	7,767	7,767	-	-	11,161	11,161	-	-
2021	RF	C-1486	Indiana Municipal Power Agency (SIGE)	U.S.	26,508	26,508	-	-	10,877	10,877	-	-	15,631	15,631	-	-
2021	RF	C-1149	Indianapolis Power & Light Co.	U.S.	639,762	639,762	-	-	262,516	262,516	-	-	377,246	377,246	-	-
2021	RF	C-2050	Logansport Municipal Utility (LMU)	U.S.	19,756	19,756	-	-	8,106	8,106	-	-	11,649	11,649	-	-
2021	RF	C-1666	Constellation New Energy (MIUP)	U.S.	15,640	15,640	-	-	6,417	6,417	-	-	9,222	9,222	-	-
2021	RF	C-1614	Just Energy	U.S.	262	262	-	-	108	108	-	-	155	155	-	-
2021	RF	C-1154	Michigan Public Power Agency	U.S.	176,703	176,703	-	-	72,507	72,507	-	-	104,196	104,196	-	-
2021	RF	C-1155	Michigan South Central Power Agency	U.S.	35,176	35,176	-	-	14,434	14,434	-	-	20,742	20,742	-	-
2021	RF	C-1163	Northern Indiana Public Service Co.	U.S.	771,068	771,068	-	-	316,395	316,395	-	-	454,672	454,672	-	-
2021	RF	C-1164	Ontonagon County Rural Electrification Assoc.	U.S.	1,379	1,379	-	-	566	566	-	-	813	813	-	-
2021	RF	C-1265	PJM Interconnection, LLC	U.S.	31,384,308	31,384,308	-	-	12,878,056	12,878,056	-	-	18,506,252	18,506,252	-	-
2021	RF	C-1172	Calpine Energy Solutions, LLC (MECS-CONS)	U.S.	16,779	16,779	-	-	6,885	6,885	-	-	9,894	9,894	-	-
2021	RF	C-1171	Calpine Energy Solutions, LLC (MECS-DET)	U.S.	29,088	29,088	-	-	11,936	11,936	-	-	17,152	17,152	-	-
2021	RF	C-1176	Direct Energy	U.S.	1,244	1,244	-	-	510	510	-	-	734	734	-	-
2021	RF	C-1174	Direct Energy	U.S.	43,751	43,751	-	-	17,953	17,953	-	-	25,799	25,799	-	-
2021	RF	C-1581	Spartan Renewable Energy	U.S.	6,875	6,875	-	-	2,821	2,821	-	-	4,054	4,054	-	-
2021	RF	C-1985	Spartan Renewable Energy (MI UP)	U.S.	3,715	3,715	-	-	1,524	1,524	-	-	2,191	2,191	-	-
2021	RF	C-1180	Thumb Electric Cooperative	U.S.	9,645	9,645	-	-	3,958	3,958	-	-	5,687	5,687	-	-
2021	RF	C-2074	Union City Michigan	U.S.	709	709	-	-	291	291	-	-	418	418	-	-
2021	RF	C-2027	Upper Michigan Energy Resources	U.S.	93,285	93,285	-	-	38,278	38,278	-	-	55,007	55,007	-	-
2021	RF	C-1181	Vectren, a CenterPoint Energy Company	U.S.	234,283	234,283	-	-	96,134	96,134	-	-	138,148	138,148	-	-
2021	RF	C-1184	Wabash Valley Power Alliance (DUKE CIN)	U.S.	145,621	145,621	-	-	59,753	59,753	-	-	85,868	85,868	-	-
2021	RF	C-1488	Wabash Valley Power Alliance (NIPSCO)	U.S.	85,118	85,118	-	-	34,927	34,927	-	-	50,191	50,191	-	-
2021	RF	C-1185	Wisconsin Electric Power Co.	U.S.	1,156,130	1,156,130	-	-	474,400	474,400	-	-	681,730	681,730	-	-
2021	RF	C-2041	Wisconsin Public Service Co.	U.S.	555,767	555,767	-	-	228,050	228,050	-	-	327,717	327,717	-	-
2021	RF	C-1189	Wolverine Power Marketing Cooperative	U.S.	33,493	33,493	-	-	13,743	13,743	-	-	19,749	19,749	-	-
2021	RF	C-1191	Wolverine Power Supply Cooperative	U.S.	137,978	137,978	-	-	56,617	56,617	-	-	81,361	81,361	-	-
2021	RF	C-1190	Wolverine Power Marketing Cooperative (MECS-DET)	U.S.	39,494	39,494	-	-	16,206	16,206	-	-	23,288	23,288	-	-
TOTAL RELIABILITYFIRST					41,753,041	41,753,041	-	-	17,132,702	17,132,702	-	-	24,620,339	24,620,339	-	-
2021	SERC	C-1267	Alabama Municipal Electric Authority	U.S.	134,778	134,778	-	-	66,338	66,338	-	-	68,440	68,440	-	-
2021	SERC	C-1268	Alabama Power Company	U.S.	2,239,110	2,239,110	-	-	1,102,092	1,102,092	-	-	1,137,018	1,137,018	-	-
2021	SERC	C-1269	Ameren - Illinois	U.S.	1,607,772	1,607,772	-	-	791,347	791,347	-	-	816,425	816,425	-	-
2021	SERC	C-1271	Ameren - Missouri	U.S.	1,416,560	1,416,560	-	-	697,232	697,232	-	-	719,328	719,328	-	-
2021	SERC	C-1273	Associated Electric Cooperative Inc.	U.S.	915,594	915,594	-	-	450,657	450,657	-	-	464,938	464,938	-	-
2021	SERC	C-1582	Beauregard Electric Cooperative, Inc.	U.S.	59,180	59,180	-	-	29,128	29,128	-	-	30,052	30,052	-	-
2021	SERC	C-1462	Benton Utility District	U.S.	10,090	10,090	-	-	4,966	4,966	-	-	5,124	5,124	-	-
2021	SERC	C-1274	Big Rivers Electric Corporation	U.S.	139,644	139,644	-	-	68,733	68,733	-	-	70,911	70,911	-	-
2021	SERC	C-1275	Black Warrior EMC	U.S.	15,665	15,665	-	-	7,710	7,710	-	-	7,955	7,955	-	-
2021	SERC	C-1276	Blue Ridge EMC	U.S.	55,986	55,986	-	-	27,556	27,556	-	-	28,430	28,430	-	-
2021	SERC	C-1628	Brazos Electric Power Cooperative, Inc.	U.S.	22,359	22,359	-	-	11,005	11,005	-	-	11,354	11,354	-	-
2021	SERC	C-1463	Canton, MS	U.S.	4,396	4,396	-	-	2,164	2,164	-	-	2,233	2,233	-	-
2021	SERC	C-1277	Central Electric Power Cooperative Inc.	U.S.	738,534	738,534	-	-	363,507	363,507	-	-	375,027	375,027	-	-
2021	SERC	C-1667	Century Aluminum - Hawesville	U.S.	118,780	118,780	-	-	58,464	58,464	-	-	60,316	60,316	-	-
2021	SERC	C-1668	Century Aluminum - Seebree	U.S.	130,144	130,144	-	-	64,057	64,057	-	-	66,087	66,087	-	-
2021	SERC	C-1278	City of Blountstown FL	U.S.	1,297	1,297	-	-	638	638	-	-	659	659	-	-
2021	SERC	C-1279	City of Camden SC	U.S.	7,668	7,668	-	-	3,774	3,774	-	-	3,894	3,894	-	-
2021	SERC	C-1280	City of Collins MS	U.S.	1,778	1,778	-	-	875	875	-	-	903	903	-	-
2021	SERC	C-1281	City of Columbia MO	U.S.	46,671	46,671	-	-	22,972	22,972	-	-	23,700	23,700	-	-
2021	SERC	C-1282	City of Conway AR (Conway Corporation)	U.S.	36,849	36,849	-	-	18,137	18,137	-	-	18,712	18,712	-	-
2021	SERC	C-1284	City of Evergreen AL	U.S.	2,231	2,231	-	-	1,098	1,098	-	-	1,133	1,133	-	-
2021	SERC	C-1285	City of Hampton GA	U.S.	1,390	1,390	-	-	684	684	-	-	706	706	-	-
2021	SERC	C-1286	City of Hartford AL	U.S.	1,190	1,190	-	-	586	586	-	-	604	604	-	-
2021	SERC	C-1287	City of Henderson (KY) Municipal Power & Light	U.S.	22,528	22,528	-	-	11,089	11,089	-	-	11,440	11,440	-	-
2021	SERC	C-1288	City of North Little Rock AR (DENL)	U.S.	35,740	35,740	-	-	17,591	17,591	-	-	18,149	18,149	-	-
2021	SERC	C-1289	City of Orangeburg SC Department of Public Utilities	U.S.	30,954	30,954	-	-	15,236	15,236	-	-	15,718	15,718	-	-
2021	SERC	C-1290	City of Robertsedale AL	U.S.	3,454	3,454	-	-	1,700	1,700	-	-	1,754	1,754	-	-
2021	SERC	C-1291	City of Ruston LA (DERS)	U.S.	10,823	10,823	-	-	5,327	5,327	-	-	5,496	5,496	-	-
2021	SERC	C-1292	Seneca Light & Power	U.S.	6,302	6,302	-	-	3,102	3,102	-	-	3,200	3,200	-	-
2021	SERC	C-1115	City of Springfield (CWLP)	U.S.	64,755	64,755	-	-	31,873	31,873	-	-	32,883	32,883	-	-
2021	SERC	C-1465	City of Thayer, MO	U.S.	942	942	-	-	463	463	-	-	478	478	-	-
2021	SERC	C-1293	City of Troy AL	U.S.	18,122	18,122	-	-	8,920	8,920	-	-	9,202	9,202	-	-
2021	SERC	C-1294	City of West Memphis AR (West Memphis Utilities)	U.S.	14,590	14,590	-	-	7,181	7,181	-	-	7,409	7,409	-	-

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2021	SERC	C-1583	Claiborne Electric Cooperative, Inc.	U.S.	24,662	24,662	-	-	12,139	12,139	-	-	12,523	12,523	-	-
2021	SERC	C-1584	Concordia Electric Cooperative, Inc.	U.S.	8,029	8,029	-	-	3,952	3,952	-	-	4,077	4,077	-	-
2021	SERC	C-1726	Cube Hydro Carolinas	U.S.	614	614	-	-	302	302	-	-	312	312	-	-
2021	SERC	C-1283	Dalton Utilities	U.S.	94,291	94,291	-	-	46,410	46,410	-	-	47,881	47,881	-	-
2021	SERC	C-1585	Dixie Electric Membership Corporation	U.S.	87,822	87,822	-	-	43,226	43,226	-	-	44,596	44,596	-	-
2021	SERC	C-1295	Dominion Virginia Power	U.S.	3,682,396	3,682,396	-	-	1,812,479	1,812,479	-	-	1,869,917	1,869,917	-	-
2021	SERC	C-1296	Duke Energy Carolinas, LLC	U.S.	3,351,008	3,351,008	-	-	1,649,370	1,649,370	-	-	1,701,638	1,701,638	-	-
2021	SERC	C-1466	Durant, MS	U.S.	941	941	-	-	463	463	-	-	478	478	-	-
2021	SERC	C-1478	LG&E and KU Services Co as agent for LG&E Co and KU Co	U.S.	1,253,276	1,253,276	-	-	616,864	616,864	-	-	636,412	636,412	-	-
2021	SERC	C-1297	East Kentucky Power Cooperative	U.S.	558,116	558,116	-	-	274,706	274,706	-	-	283,411	283,411	-	-
2021	SERC	C-1298	East Mississippi Electric Power Association	U.S.	15,948	15,948	-	-	7,850	7,850	-	-	8,098	8,098	-	-
2021	SERC	C-1669	Electricities of North Carolina Inc	U.S.	463,779	463,779	-	-	228,272	228,272	-	-	235,506	235,506	-	-
2021	SERC	C-1300	EnergyUnited EMC	U.S.	105,483	105,483	-	-	51,919	51,919	-	-	53,564	53,564	-	-
2021	SERC	C-1301	Entergy	U.S.	4,725,241	4,725,241	-	-	2,325,769	2,325,769	-	-	2,399,473	2,399,473	-	-
2021	SERC	C-1302	Fayetteville (NC) Public Works Commission	U.S.	82,153	82,153	-	-	40,436	40,436	-	-	41,717	41,717	-	-
2021	SERC	C-1303	Florida Public Utilities (FL Panhandle Load)	U.S.	11,727	11,727	-	-	5,772	5,772	-	-	5,955	5,955	-	-
2021	SERC	C-1304	French Broad EMC	U.S.	21,974	21,974	-	-	10,815	10,815	-	-	11,158	11,158	-	-
2021	SERC	C-1305	Georgia Power Company	U.S.	3,392,431	3,392,431	-	-	1,669,758	1,669,758	-	-	1,722,673	1,722,673	-	-
2021	SERC	C-1306	Georgia System Optns Corporation	U.S.	1,602,411	1,602,411	-	-	788,709	788,709	-	-	813,703	813,703	-	-
2021	SERC	C-1479	Greenwood (MS) Utilities Commission	U.S.	11,111	11,111	-	-	5,469	5,469	-	-	5,642	5,642	-	-
2021	SERC	C-1307	Greenwood (SC) Commissioners of Public Works	U.S.	11,618	11,618	-	-	5,718	5,718	-	-	5,900	5,900	-	-
2021	SERC	C-1308	Gulf Power Company	U.S.	458,113	458,113	-	-	225,483	225,483	-	-	232,629	232,629	-	-
2021	SERC	C-1586	Haywood EMC	U.S.	13,569	13,569	-	-	6,679	6,679	-	-	6,891	6,891	-	-
2021	SERC	C-1984	Hoosier Energy REC, Inc	U.S.	15,274	15,274	-	-	7,518	7,518	-	-	7,756	7,756	-	-
2021	SERC	C-1309	Illinois Municipal Electric Agency	U.S.	71,538	71,538	-	-	35,211	35,211	-	-	36,327	36,327	-	-
2021	SERC	C-1480	Itta Bena, MS	U.S.	503	503	-	-	248	248	-	-	256	256	-	-
2021	SERC	C-1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	7,478	7,478	-	-	3,681	3,681	-	-	3,797	3,797	-	-
2021	SERC	C-1617	Kentucky Municipal Power	U.S.	27,464	27,464	-	-	13,518	13,518	-	-	13,946	13,946	-	-
2021	SERC	C-1481	Municipal Energy Agency of MS-Kosciusko, MS	U.S.	2,780	2,780	-	-	1,368	1,368	-	-	1,412	1,412	-	-
2021	SERC	C-1482	Municipal Energy Agency of MS-Leland, MS	U.S.	1,120	1,120	-	-	551	551	-	-	569	569	-	-
2021	SERC	C-1313	McCormick Commission of Public Works	U.S.	651	651	-	-	321	321	-	-	331	331	-	-
2021	SERC	C-1314	Mississippi Power Company	U.S.	388,871	388,871	-	-	191,403	191,403	-	-	197,468	197,468	-	-
2021	SERC	C-1630	Mt. Carmel Public Utility	U.S.	3,765	3,765	-	-	1,853	1,853	-	-	1,912	1,912	-	-
2021	SERC	C-1315	Municipal Electric Authority of Georgia	U.S.	452,781	452,781	-	-	222,860	222,860	-	-	229,922	229,922	-	-
2021	SERC	C-1316	N.C. Electric Membership Corp.	U.S.	527,084	527,084	-	-	259,431	259,431	-	-	267,653	267,653	-	-
2021	SERC	C-1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	11,378	11,378	-	-	5,600	5,600	-	-	5,778	5,778	-	-
2021	SERC	C-1574	Northern Virginia Electric Cooperative	U.S.	300,031	300,031	-	-	147,676	147,676	-	-	152,355	152,355	-	-
2021	SERC	C-1319	Old Dominion Electric Cooperative	U.S.	189,815	189,815	-	-	93,427	93,427	-	-	96,388	96,388	-	-
2021	SERC	C-1618	Osceola (Arkansas) Municipal Light and Power	U.S.	5,356	5,356	-	-	2,636	2,636	-	-	2,720	2,720	-	-
2021	SERC	C-1320	Owensboro (KY) Municipal Utilities	U.S.	31,971	31,971	-	-	15,736	15,736	-	-	16,235	16,235	-	-
2021	SERC	C-1321	Piedmont EMC in Duke and Progress Areas	U.S.	20,762	20,762	-	-	10,219	10,219	-	-	10,543	10,543	-	-
2021	SERC	C-1323	Piedmont Municipal Power Agency (PMPA)	U.S.	93,056	93,056	-	-	45,802	45,802	-	-	47,254	47,254	-	-
2021	SERC	C-1589	Pointe Coupee Electric Memb. Corp.	U.S.	9,109	9,109	-	-	4,484	4,484	-	-	4,626	4,626	-	-
2021	SERC	C-1266	PowerSouth Energy	U.S.	363,256	363,256	-	-	178,795	178,795	-	-	184,461	184,461	-	-
2021	SERC	C-1330	Prairie Power, Inc.	U.S.	61,893	61,893	-	-	30,464	30,464	-	-	31,429	31,429	-	-
2021	SERC	C-1706	Duke Energy Progress	U.S.	1,798,519	1,798,519	-	-	885,233	885,233	-	-	913,286	913,286	-	-
2021	SERC	C-1325	Rutherford EMC	U.S.	55,639	55,639	-	-	27,386	27,386	-	-	28,254	28,254	-	-
2021	SERC	C-1326	South Carolina Electric & Gas Company	U.S.	893,962	893,962	-	-	440,009	440,009	-	-	453,953	453,953	-	-
2021	SERC	C-1327	South Carolina Public Service Authority	U.S.	376,934	376,934	-	-	185,527	185,527	-	-	191,407	191,407	-	-
2021	SERC	C-1590	South Louisiana Electric Cooperative Association	U.S.	19,698	19,698	-	-	9,695	9,695	-	-	10,002	10,002	-	-
2021	SERC	C-1328	Cooperative Energy (formerly SMEPA)	U.S.	388,678	388,678	-	-	191,308	191,308	-	-	197,370	197,370	-	-
2021	SERC	C-1329	Southern Illinois Power Cooperative	U.S.	53,237	53,237	-	-	26,203	26,203	-	-	27,034	27,034	-	-
2021	SERC	C-1591	Southwest Louisiana Electric Membership Corporation	U.S.	101,832	101,832	-	-	50,122	50,122	-	-	51,710	51,710	-	-
2021	SERC	C-1619	Southwestern Electric Cooperative, Inc.	U.S.	17,618	17,618	-	-	8,672	8,672	-	-	8,947	8,947	-	-
2021	SERC	C-1331	Tennessee Valley Authority	U.S.	6,321,328	6,321,328	-	-	3,111,365	3,111,365	-	-	3,209,964	3,209,964	-	-
2021	SERC	C-1632	East Texas Electric Cooperative (ETEC)	U.S.	79,487	79,487	-	-	39,124	39,124	-	-	40,363	40,363	-	-
2021	SERC	C-1332	Tombigbee Electric Cooperative Inc.	U.S.	5,032	5,032	-	-	2,477	2,477	-	-	2,555	2,555	-	-
2021	SERC	C-1594	Town of Sharpsburg, N.C.	U.S.	674	674	-	-	332	332	-	-	342	342	-	-
2021	SERC	C-1595	Town of Stantonsburg, N.C. JRO	U.S.	2,348	2,348	-	-	1,156	1,156	-	-	1,192	1,192	-	-
2021	SERC	C-1333	Town of Waynesville NC	U.S.	3,407	3,407	-	-	1,677	1,677	-	-	1,730	1,730	-	-
2021	SERC	C-1334	Town of Winnsboro SC	U.S.	2,351	2,351	-	-	1,157	1,157	-	-	1,194	1,194	-	-
2021	SERC	C-1335	Town of Winterville NC	U.S.	2,026	2,026	-	-	997	997	-	-	1,029	1,029	-	-
2021	SERC	C-1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	41,623	41,623	-	-	20,487	20,487	-	-	21,136	21,136	-	-
2021	SERC	C-1435	Arkansas Electric Cooperative Corporation	U.S.	431,117	431,117	-	-	212,196	212,196	-	-	218,921	218,921	-	-
2021	SERC	C-1557	City of Clarksdale, Mississippi	U.S.	5,681	5,681	-	-	2,796	2,796	-	-	2,885	2,885	-	-

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2021	SERC	C-1708	City of Abbeville	U.S.	4,972	4,972	-	-	2,447	2,447	-	-	2,525	2,525	-	-
2021	SERC	C-1558	Hope Water & Light (HWL)	U.S.	11,413	11,413	-	-	5,618	5,618	-	-	5,796	5,796	-	-
2021	SERC	C-1559	City of Minden	U.S.	5,277	5,277	-	-	2,597	2,597	-	-	2,680	2,680	-	-
2021	SERC	C-1249	Cleco Power LLC	U.S.	436,896	436,896	-	-	215,041	215,041	-	-	221,855	221,855	-	-
2021	SERC	C-1648	Jonesboro City Water & Light	U.S.	58,606	58,606	-	-	28,846	28,846	-	-	29,760	29,760	-	-
2021	SERC	C-1471	Lafayette Utilities System	U.S.	79,408	79,408	-	-	39,084	39,084	-	-	40,323	40,323	-	-
2021	SERC	C-1253	Louisiana Energy & Power Authority (LEPA)	U.S.	35,411	35,411	-	-	17,430	17,430	-	-	17,982	17,982	-	-
2021	SERC	C-1443	Missouri Joint Municipal Electric Utility Commission	U.S.	115,186	115,186	-	-	56,695	56,695	-	-	58,491	58,491	-	-
2021	SERC	C-1639	OzMo Ozark Missouri, West Plains MO	U.S.	7,160	7,160	-	-	3,524	3,524	-	-	3,636	3,636	-	-
2021	SERC	C-1653	Poplar Bluff Municipal Utilities	U.S.	14,500	14,500	-	-	7,137	7,137	-	-	7,363	7,363	-	-
2021	SERC	C-1636	City of Prescott	U.S.	2,941	2,941	-	-	1,448	1,448	-	-	1,494	1,494	-	-
2021	SERC	C-1561	Public Service Commission of Yazoo City of Mississippi	U.S.	4,648	4,648	-	-	2,288	2,288	-	-	2,360	2,360	-	-
2021	SERC	C-1654	Sikeston Board of Municipal Utilities	U.S.	15,656	15,656	-	-	7,706	7,706	-	-	7,950	7,950	-	-
2021	SERC	C-1074	Alachua, City of	U.S.	5,242	5,242	-	-	2,580	2,580	-	-	2,662	2,662	-	-
2021	SERC	C-1075	Bartow, City of	U.S.	12,014	12,014	-	-	5,913	5,913	-	-	6,100	6,100	-	-
2021	SERC	C-1076	Chattahoochee, City of	U.S.	1,496	1,496	-	-	736	736	-	-	760	760	-	-
2021	SERC	C-1078	Florida Power & Light Co.	U.S.	4,948,656	4,948,656	-	-	2,435,734	2,435,734	-	-	2,512,922	2,512,922	-	-
2021	SERC	C-1079	Florida Public Utilities Company	U.S.	14,387	14,387	-	-	7,081	7,081	-	-	7,306	7,306	-	-
2021	SERC	C-1080	Gainesville Regional Utilities	U.S.	77,153	77,153	-	-	37,975	37,975	-	-	39,178	39,178	-	-
2021	SERC	C-1081	Homestead, City of	U.S.	29,531	29,531	-	-	14,535	14,535	-	-	14,996	14,996	-	-
2021	SERC	C-1082	JEA	U.S.	495,740	495,740	-	-	244,004	244,004	-	-	251,736	251,736	-	-
2021	SERC	C-1083	Lakeland Electric	U.S.	122,154	122,154	-	-	60,124	60,124	-	-	62,030	62,030	-	-
2021	SERC	C-1626	Lee County Electric Cooperative, Inc	U.S.	178,540	178,540	-	-	87,878	87,878	-	-	90,663	90,663	-	-
2021	SERC	C-1661	City of Lake Worth	U.S.	18,691	18,691	-	-	9,200	9,200	-	-	9,491	9,491	-	-
2021	SERC	C-1084	Mount Dora, City of	U.S.	3,692	3,692	-	-	1,817	1,817	-	-	1,875	1,875	-	-
2021	SERC	C-1085	New Smyrna Beach, Utilities Commission of	U.S.	18,472	18,472	-	-	9,092	9,092	-	-	9,380	9,380	-	-
2021	SERC	C-1086	Orlando Utilities Commission	U.S.	300,993	300,993	-	-	148,149	148,149	-	-	152,844	152,844	-	-
2021	SERC	C-1087	Duke Energy Florida	U.S.	1,547,506	1,547,506	-	-	761,684	761,684	-	-	785,822	785,822	-	-
2021	SERC	C-1088	Quincy, City of	U.S.	6,014	6,014	-	-	2,960	2,960	-	-	3,054	3,054	-	-
2021	SERC	C-1089	Reedy Creek Improvement District	U.S.	44,150	44,150	-	-	21,731	21,731	-	-	22,419	22,419	-	-
2021	SERC	C-1090	St. Cloud, City of (OUC)	U.S.	35,410	35,410	-	-	17,429	17,429	-	-	17,981	17,981	-	-
2021	SERC	C-1091	Tallahassee, City of	U.S.	106,934	106,934	-	-	52,633	52,633	-	-	54,301	54,301	-	-
2021	SERC	C-1092	Tampa Electric Company	U.S.	831,496	831,496	-	-	409,263	409,263	-	-	422,233	422,233	-	-
2021	SERC	C-1093	Wauchula, City of	U.S.	2,654	2,654	-	-	1,306	1,306	-	-	1,348	1,348	-	-
2021	SERC	C-1094	Williston, City of	U.S.	1,397	1,397	-	-	688	688	-	-	709	709	-	-
2021	SERC	C-1095	Winter Park, City of	U.S.	18,426	18,426	-	-	9,069	9,069	-	-	9,357	9,357	-	-
2021	SERC	C-1072	Florida Municipal Power Agency	U.S.	274,257	274,257	-	-	134,990	134,990	-	-	139,268	139,268	-	-
2021	SERC	C-1073	Seminole Electric Cooperative	U.S.	614,391	614,391	-	-	302,404	302,404	-	-	311,987	311,987	-	-
TOTAL SERC					51,581,198	51,581,198	-	-	25,388,321	25,388,321	-	-	26,192,877	26,192,877	-	-
2021	Texas RE	C-1019	ERCOT	U.S.	24,799,323	24,799,323	-	-	7,644,045	7,644,045	-	-	17,155,278	17,155,278	-	-
TOTAL ERCOT					24,799,323	24,799,323	-	-	7,644,045	7,644,045	-	-	17,155,278	17,155,278	-	-
2021	WECC		Alberta Electric System Operator	Canada	1,944,081	-	1,944,081	-	887,496	-	887,496	-	1,056,585	-	1,056,585	-
2021	WECC		British Columbia Hydro & Power Authority	Canada	3,748,598	-	3,748,598	-	1,280,928	-	1,280,928	-	2,467,670	-	2,467,670	-
2021	WECC		Centro Nacional de Control de Energia	Mexico	896,267	-	-	896,267	306,262	-	-	306,262	590,005	-	-	590,005
2021	WECC		Aguila Irrigation District - APS	U.S.	1,705	1,705	-	-	791	791	-	-	914	914	-	-
2021	WECC		Aha Macav Power Service	U.S.	934	934	-	-	433	433	-	-	501	501	-	-
2021	WECC		Ajo Improvement District	U.S.	461	461	-	-	214	214	-	-	247	247	-	-
2021	WECC		Arizona Electric Power Cooperative, Inc	U.S.	155,224	155,224	-	-	71,989	71,989	-	-	83,235	83,235	-	-
2021	WECC		Arizona Public Service Company	U.S.	1,246,451	1,246,451	-	-	578,074	578,074	-	-	668,377	668,377	-	-
2021	WECC		Arkansas River Power Authority (ARPA)	U.S.	10,697	10,697	-	-	4,961	4,961	-	-	5,736	5,736	-	-
2021	WECC		Avangrid Renewables	U.S.	4,900	4,900	-	-	2,272	2,272	-	-	2,627	2,627	-	-
2021	WECC		Avista Corporation	U.S.	406,961	406,961	-	-	188,739	188,739	-	-	218,222	218,222	-	-
2021	WECC		Barrick Goldstrike Mines Inc.	U.S.	57,388	57,388	-	-	26,615	26,615	-	-	30,773	30,773	-	-
2021	WECC		Basin Electric Power Cooperative - NorthWestern	U.S.	36,499	36,499	-	-	16,927	16,927	-	-	19,572	19,572	-	-
2021	WECC		Basin Electric Power Cooperative - WACM	U.S.	92,774	92,774	-	-	43,027	43,027	-	-	49,748	49,748	-	-
2021	WECC		Basin Electric Power Cooperative - WAUW	U.S.	6,818	6,818	-	-	3,162	3,162	-	-	3,656	3,656	-	-
2021	WECC		Beartooth Electric Cooperative	U.S.	3,565	3,565	-	-	1,653	1,653	-	-	1,911	1,911	-	-
2021	WECC		Big Horn County Electric Cooperative	U.S.	3,047	3,047	-	-	1,413	1,413	-	-	1,634	1,634	-	-
2021	WECC		Black Hills Energy	U.S.	86,193	86,193	-	-	39,974	39,974	-	-	46,219	46,219	-	-
2021	WECC		Black Hills Power	U.S.	187,138	187,138	-	-	86,790	86,790	-	-	100,348	100,348	-	-
2021	WECC		Black Hills State University South Dakota	U.S.	711	711	-	-	330	330	-	-	381	381	-	-
2021	WECC		Bonneville Power Administration-Transmission	U.S.	2,342,658	2,342,658	-	-	1,086,469	1,086,469	-	-	1,256,189	1,256,189	-	-
2021	WECC		Bonneville Power Administration-Power Services	U.S.	280,689	280,689	-	-	130,177	130,177	-	-	150,512	150,512	-	-

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2021	WECC		Bonneville Power Administration-Hydro	U.S.	9,066	9,066	-	-	4,205	4,205	-	-	4,862	4,862	-	-
2021	WECC		Buckeye Water Conservation and Drainage District - APS	U.S.	798	798	-	-	370	370	-	-	428	428	-	-
2021	WECC		Bureau of Reclamation (Desalter) - c/o DSW EMMO	U.S.	0	0	-	-	0	0	-	-	0	0	-	-
2021	WECC		Bureau of Reclamation (Wellfield)	U.S.	490	490	-	-	227	227	-	-	263	263	-	-
2021	WECC		Burlington	U.S.	1,298	1,298	-	-	602	602	-	-	696	696	-	-
2021	WECC		Caesars Entertainment LLC/North	U.S.	1,597	1,597	-	-	741	741	-	-	856	856	-	-
2021	WECC		Caesars Entertainment LLC/South	U.S.	20,074	20,074	-	-	9,310	9,310	-	-	10,764	10,764	-	-
2021	WECC		California Independent System Operator	U.S.	9,044,040	9,044,040	-	-	4,194,409	4,194,409	-	-	4,849,631	4,849,631	-	-
2021	WECC		Calpine Energy Solutions, LLC.	U.S.	67,393	67,393	-	-	31,255	31,255	-	-	36,138	36,138	-	-
2021	WECC		Central Arizona Water Conservation District - WALC	U.S.	78,944	78,944	-	-	36,612	36,612	-	-	42,332	42,332	-	-
2021	WECC		Circus Circus Las Vegas	U.S.	2,205	2,205	-	-	1,023	1,023	-	-	1,183	1,183	-	-
2021	WECC		City of Aztec Electric Dept. - WACM	U.S.	1,512	1,512	-	-	701	701	-	-	811	811	-	-
2021	WECC		City of Fallon	U.S.	4,045	4,045	-	-	1,876	1,876	-	-	2,169	2,169	-	-
2021	WECC		City of Farmington	U.S.	39,173	39,173	-	-	18,167	18,167	-	-	21,005	21,005	-	-
2021	WECC		City of Gallup	U.S.	8,005	8,005	-	-	3,713	3,713	-	-	4,293	4,293	-	-
2021	WECC		City of Henderson	U.S.	1,900	1,900	-	-	881	881	-	-	1,019	1,019	-	-
2021	WECC		City of Las Vegas	U.S.	1,809	1,809	-	-	839	839	-	-	970	970	-	-
2021	WECC		City of Mesa	U.S.	10,614	10,614	-	-	4,923	4,923	-	-	5,691	5,691	-	-
2021	WECC		City of North Las Vegas	U.S.	858	858	-	-	398	398	-	-	460	460	-	-
2021	WECC		City of Page	U.S.	3,319	3,319	-	-	1,539	1,539	-	-	1,780	1,780	-	-
2021	WECC		City of Redding	U.S.	33,071	33,071	-	-	15,337	15,337	-	-	17,733	17,733	-	-
2021	WECC		City of Roseville	U.S.	49,958	49,958	-	-	23,169	23,169	-	-	26,789	26,789	-	-
2021	WECC		City of Tacoma DBA Tacoma Power	U.S.	204,060	204,060	-	-	94,638	94,638	-	-	109,422	109,422	-	-
2021	WECC		City of Williams	U.S.	2,191	2,191	-	-	1,016	1,016	-	-	1,175	1,175	-	-
2021	WECC		Clark County Water Reclamation District	U.S.	3,341	3,341	-	-	1,549	1,549	-	-	1,791	1,791	-	-
2021	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	733	733	-	-	340	340	-	-	393	393	-	-
2021	WECC		Colorado River Commission of Nevada	U.S.	7,528	7,528	-	-	3,491	3,491	-	-	4,037	4,037	-	-
2021	WECC		Colorado Springs Utilities	U.S.	220,994	220,994	-	-	102,492	102,492	-	-	118,502	118,502	-	-
2021	WECC		Constellation New Energy	U.S.	14,299	14,299	-	-	6,631	6,631	-	-	7,667	7,667	-	-
2021	WECC		CORE Electric Cooperative	U.S.	98,470	98,470	-	-	45,668	45,668	-	-	52,802	52,802	-	-
2021	WECC		Delta-Montrose Electric Association	U.S.	24,412	24,412	-	-	11,322	11,322	-	-	13,090	13,090	-	-
2021	WECC		Deseret Generation & Transmission Cooperative - WACM	U.S.	3,432	3,432	-	-	1,591	1,591	-	-	1,840	1,840	-	-
2021	WECC		Douglas Palisades / PUD No. 1 of DC	U.S.	863	863	-	-	400	400	-	-	463	463	-	-
2021	WECC		El Paso Electric Company	U.S.	362,562	362,562	-	-	168,148	168,148	-	-	194,415	194,415	-	-
2021	WECC		Electrical District #2	U.S.	8,585	8,585	-	-	3,982	3,982	-	-	4,604	4,604	-	-
2021	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	364	364	-	-	169	169	-	-	195	195	-	-
2021	WECC		Electrical District No. 6 of Pinal County - APS	U.S.	4	4	-	-	2	2	-	-	2	2	-	-
2021	WECC		Electrical District No. 7 of Maricopa County - APS	U.S.	1,973	1,973	-	-	915	915	-	-	1,058	1,058	-	-
2021	WECC		Electrical District No. 8 of Maricopa County - APS	U.S.	18,097	18,097	-	-	8,393	8,393	-	-	9,704	9,704	-	-
2021	WECC		Francis E. Warren Air Force Base	U.S.	943	943	-	-	437	437	-	-	505	505	-	-
2021	WECC		Georgia-Pacific Gypsum, LLC	U.S.	1,010	1,010	-	-	468	468	-	-	542	542	-	-
2021	WECC		Grand Valley Power	U.S.	10,985	10,985	-	-	5,094	5,094	-	-	5,890	5,890	-	-
2021	WECC		Harquahala Valley Power Districts - APS	U.S.	4,807	4,807	-	-	2,229	2,229	-	-	2,578	2,578	-	-
2021	WECC		Holy Cross Energy	U.S.	23,919	23,919	-	-	11,093	11,093	-	-	12,826	12,826	-	-
2021	WECC		Idaho Power Company	U.S.	694,335	694,335	-	-	322,016	322,016	-	-	372,319	372,319	-	-
2021	WECC		Imperial Irrigation District	U.S.	160,907	160,907	-	-	74,625	74,625	-	-	86,282	86,282	-	-
2021	WECC		Jicarilla Apache Nation Power Authority	U.S.	1,013	1,013	-	-	470	470	-	-	543	543	-	-
2021	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	11,974	11,974	-	-	5,553	5,553	-	-	6,421	6,421	-	-
2021	WECC		Kit Carson Electric Inc	U.S.	12,477	12,477	-	-	5,787	5,787	-	-	6,690	6,690	-	-
2021	WECC		Las Vegas Valley Water District	U.S.	4,991	4,991	-	-	2,315	2,315	-	-	2,676	2,676	-	-
2021	WECC		Los Angeles Department of Water and Power	U.S.	1,063,230	1,063,230	-	-	493,101	493,101	-	-	570,129	570,129	-	-
2021	WECC		Maricopa County Municipal Water Conservation Dist No. 1 - APS	U.S.	1,880	1,880	-	-	872	872	-	-	1,008	1,008	-	-
2021	WECC		McMullen Valley Water Conservation & Drainage District - APS	U.S.	6,613	6,613	-	-	3,067	3,067	-	-	3,546	3,546	-	-
2021	WECC		Merced Irrigation District	U.S.	22,277	22,277	-	-	10,331	10,331	-	-	11,945	11,945	-	-
2021	WECC		MGM Resorts Design and Development	U.S.	32,078	32,078	-	-	14,877	14,877	-	-	17,201	17,201	-	-
2021	WECC		Modesto Irrigation District	U.S.	114,024	114,024	-	-	52,882	52,882	-	-	61,143	61,143	-	-
2021	WECC		Montana-Dakota Utilities Co.	U.S.	830	830	-	-	385	385	-	-	445	445	-	-
2021	WECC		Mt. Wheeler Power	U.S.	25,433	25,433	-	-	11,795	11,795	-	-	13,638	13,638	-	-
2021	WECC		Municipal Energy Agency of Nebraska - PSCO	U.S.	8,368	8,368	-	-	3,881	3,881	-	-	4,487	4,487	-	-
2021	WECC		Municipal Energy Agency of Nebraska - WACM	U.S.	27,338	27,338	-	-	12,679	12,679	-	-	14,659	14,659	-	-
2021	WECC		Navajo Tribal Utility Authority - APS	U.S.	1,969	1,969	-	-	913	913	-	-	1,056	1,056	-	-
2021	WECC		Navajo Tribal Utility Authority - PNM	U.S.	9,534	9,534	-	-	4,422	4,422	-	-	5,112	5,112	-	-
2021	WECC		Navajo Tribal Utility Authority - WACM	U.S.	12,104	12,104	-	-	5,613	5,613	-	-	6,490	6,490	-	-
2021	WECC		Nebraska Public Power Marketing	U.S.	151	151	-	-	70	70	-	-	81	81	-	-
2021	WECC		Needles Public Utilities Authority	U.S.	2,324	2,324	-	-	1,078	1,078	-	-	1,246	1,246	-	-

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2021	WECC		Nevada Power Company dba NV Energy	U.S.	1,354,016	1,354,016	-	-	627,960	627,960	-	-	726,056	726,056	-	-
2021	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	405,161	405,161	-	-	187,904	187,904	-	-	217,257	217,257	-	-
2021	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC - WAUW	U.S.	12,345	12,345	-	-	5,726	5,726	-	-	6,620	6,620	-	-
2021	WECC		Okanogan PUD	U.S.	27,634	27,634	-	-	12,816	12,816	-	-	14,818	14,818	-	-
2021	WECC		Overton Power District No. 5	U.S.	17,580	17,580	-	-	8,153	8,153	-	-	9,427	9,427	-	-
2021	WECC		PacifiCorp	U.S.	2,151,129	2,151,129	-	-	997,642	997,642	-	-	1,153,487	1,153,487	-	-
2021	WECC		PacifiCorp - IPC	U.S.	89	89	-	-	41	41	-	-	48	48	-	-
2021	WECC		PacifiCorp - Portland General	U.S.	146	146	-	-	68	68	-	-	78	78	-	-
2021	WECC		PacifiCorp - WACM	U.S.	4,380	4,380	-	-	2,032	2,032	-	-	2,349	2,349	-	-
2021	WECC		PacifiCorp West	U.S.	910,706	910,706	-	-	422,364	422,364	-	-	488,343	488,343	-	-
2021	WECC		Pend Oreille County PUD No. 1	U.S.	12,642	12,642	-	-	5,863	5,863	-	-	6,779	6,779	-	-
2021	WECC		Peppermill Hotel Casino	U.S.	2,120	2,120	-	-	983	983	-	-	1,137	1,137	-	-
2021	WECC		Platte River Power Authority	U.S.	136,537	136,537	-	-	63,323	63,323	-	-	73,214	73,214	-	-
2021	WECC		Portland General Electric Company	U.S.	787,770	787,770	-	-	365,349	365,349	-	-	422,421	422,421	-	-
2021	WECC		Public Service Company of Colorado (Xcel)	U.S.	1,347,124	1,347,124	-	-	624,764	624,764	-	-	722,360	722,360	-	-
2021	WECC		Public Service Company of Colorado (Xcel) - WACM	U.S.	2,769	2,769	-	-	1,284	1,284	-	-	1,485	1,485	-	-
2021	WECC		Public Service Company of New Mexico	U.S.	405,657	405,657	-	-	188,134	188,134	-	-	217,523	217,523	-	-
2021	WECC		Public Utility District No. 1 of Chelan County	U.S.	77,918	77,918	-	-	36,137	36,137	-	-	41,782	41,782	-	-
2021	WECC		PUD No. 1 of Douglas County	U.S.	50,941	50,941	-	-	23,625	23,625	-	-	27,316	27,316	-	-
2021	WECC		PUD No. 2 of Grant County	U.S.	228,258	228,258	-	-	105,860	105,860	-	-	122,397	122,397	-	-
2021	WECC		PUD No. 2 of Grant County - Avista	U.S.	4,272	4,272	-	-	1,981	1,981	-	-	2,291	2,291	-	-
2021	WECC		Puget Sound Energy, Inc.	U.S.	1,023,392	1,023,392	-	-	474,625	474,625	-	-	548,767	548,767	-	-
2021	WECC		Raton Public Service	U.S.	1,864	1,864	-	-	864	864	-	-	999	999	-	-
2021	WECC		Reno City Center	U.S.	408	408	-	-	189	189	-	-	219	219	-	-
2021	WECC		Roosevelt Irrigation District - APS	U.S.	1,971	1,971	-	-	914	914	-	-	1,057	1,057	-	-
2021	WECC		Sacramento Municipal Utility District	U.S.	472,122	472,122	-	-	218,959	218,959	-	-	253,163	253,163	-	-
2021	WECC		Sahara Las Vegas	U.S.	1,150	1,150	-	-	533	533	-	-	617	617	-	-
2021	WECC		Salt River Project	U.S.	1,316,930	1,316,930	-	-	610,760	610,760	-	-	706,169	706,169	-	-
2021	WECC		Seattle City Light	U.S.	399,311	399,311	-	-	185,191	185,191	-	-	214,120	214,120	-	-
2021	WECC		Shell Energy North America	U.S.	10,364	10,364	-	-	4,807	4,807	-	-	5,558	5,558	-	-
2021	WECC		Silver State Energy Association	U.S.	27,117	27,117	-	-	12,576	12,576	-	-	14,541	14,541	-	-
2021	WECC		Southern Nevada Water Authority	U.S.	5,629	5,629	-	-	2,610	2,610	-	-	3,018	3,018	-	-
2021	WECC		Switch-North	U.S.	8,383	8,383	-	-	3,888	3,888	-	-	4,495	4,495	-	-
2021	WECC		Switch-South	U.S.	28,597	28,597	-	-	13,263	13,263	-	-	15,334	15,334	-	-
2021	WECC		The Incorporated County of Los Alamos	U.S.	24,836	24,836	-	-	11,519	11,519	-	-	13,318	13,318	-	-
2021	WECC		Tohono O'Odham Utility Authority	U.S.	2,612	2,612	-	-	1,212	1,212	-	-	1,401	1,401	-	-
2021	WECC		Tonopah Irrigation District - APS	U.S.	1,590	1,590	-	-	737	737	-	-	852	852	-	-
2021	WECC		Town of Fredonia - WACM	U.S.	170	170	-	-	79	79	-	-	91	91	-	-
2021	WECC		Town of Fredonia - WALC	U.S.	2	2	-	-	1	1	-	-	1	1	-	-
2021	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability - PSCO	U.S.	127,518	127,518	-	-	59,140	59,140	-	-	68,378	68,378	-	-
2021	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability - WACM	U.S.	342,116	342,116	-	-	158,665	158,665	-	-	183,451	183,451	-	-
2021	WECC		Tri-State Generation & Transmission Association, Inc. - PNM	U.S.	107,075	107,075	-	-	49,659	49,659	-	-	57,416	57,416	-	-
2021	WECC		Truckee Donner Public Utility District	U.S.	7,134	7,134	-	-	3,309	3,309	-	-	3,825	3,825	-	-
2021	WECC		Tucson Electric Power Company	U.S.	606,775	606,775	-	-	281,408	281,408	-	-	325,367	325,367	-	-
2021	WECC		Turlock Irrigation District	U.S.	99,429	99,429	-	-	46,113	46,113	-	-	53,316	53,316	-	-
2021	WECC		U.S. Army Yuma Proving Ground	U.S.	716	716	-	-	332	332	-	-	384	384	-	-
2021	WECC		US Dept of Energy - Kirtland AFB	U.S.	18,935	18,935	-	-	8,781	8,781	-	-	10,153	10,153	-	-
2021	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	11	11	-	-	5	5	-	-	6	6	-	-
2021	WECC		Western Area Power - Loveland, CO - PSCO	U.S.	7,338	7,338	-	-	3,403	3,403	-	-	3,935	3,935	-	-
2021	WECC		Western Area Power - Loveland, CO - WACM	U.S.	53,845	53,845	-	-	24,972	24,972	-	-	28,873	28,873	-	-
2021	WECC		Western Area Power Administration - CRSP	U.S.	61,435	61,435	-	-	28,492	28,492	-	-	32,943	32,943	-	-
2021	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	57,321	57,321	-	-	26,584	26,584	-	-	30,737	30,737	-	-
2021	WECC		Western Area Power Administration - Desert Southwest Region - WA	U.S.	98,258	98,258	-	-	45,570	45,570	-	-	52,688	52,688	-	-
2021	WECC		Western Area Power Administration - Upper Great Plains Region	U.S.	16,194	16,194	-	-	7,510	7,510	-	-	8,683	8,683	-	-
2021	WECC		Western Area Power Administration - Upper Great Plains Region - N	U.S.	357	357	-	-	166	166	-	-	192	192	-	-
2021	WECC		Wynn Las Vegas	U.S.	7,030	7,030	-	-	3,260	3,260	-	-	3,769	3,769	-	-
2021	WECC		Yampa Valley Electric Association	U.S.	22,150	22,150	-	-	10,273	10,273	-	-	11,878	11,878	-	-
TOTAL WECC					37,020,626	30,431,680	5,692,679	896,267	16,588,169	14,113,483	2,168,424	306,262	20,432,457	16,318,197	3,524,255	590,005
TOTAL ERO					214,122,945	191,792,236	21,434,442	896,267	87,074,681	78,211,559	8,556,859	306,262	127,048,264	113,580,677	12,877,582	590,005

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)				
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico	
Current Year NEL Summary by Regional Entity																	
2021	MRO				30,199,170	26,989,320	3,209,850	-	9,691,894	8,665,041	1,026,853	-	20,507,276	18,324,279	2,182,997	-	
2021	NPCC				28,769,587	16,237,674	12,531,913	-	10,629,550	5,267,968	5,361,582	-	18,140,037	10,969,706	7,170,331	-	
2021	RF				41,753,041	41,753,041	-	-	17,132,702	17,132,702	-	-	24,620,339	24,620,339	-	-	
2021	SERC				51,581,198	51,581,198	-	-	25,388,321	25,388,321	-	-	26,192,877	26,192,877	-	-	
2021	Texas RE				24,799,323	24,799,323	-	-	7,644,045	7,644,045	-	-	17,155,278	17,155,278	-	-	
2021	WECC				37,020,626	30,431,680	5,692,679	896,267	16,588,169	14,113,483	2,168,424	306,262	20,432,457	16,318,197	3,524,255	590,005	
Total					214,122,945	191,792,236	21,434,442	896,267	87,074,681	78,211,559	8,556,859	306,262	127,048,264	113,580,677	12,877,582	590,005	

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico
2021	MRO	C-1229	Nebraska City Utilities	U.S.	2,360	2,360	-	-	2,344	2,344	-	-	(30)	(30)	46	46	-	-
2021	MRO	C-1230	Nebraska Public Power District (NPPD)	U.S.	264,958	264,958	-	-	263,161	263,161	-	-	(3,388)	(3,388)	5,184	5,184	-	-
2021	MRO	C-1711	North Central Power Company	U.S.	829	829	-	-	823	823	-	-	(11)	(11)	16	16	-	-
2021	MRO	C-2055	Northeast Power	U.S.	6,733	6,733	-	-	6,688	6,688	-	-	(86)	(86)	132	132	-	-
2021	MRO	C-1442	Northeast Texas Electric Cooperative, Inc. (NTEC)	U.S.	62,811	62,811	-	-	62,385	62,385	-	-	(803)	(803)	1,229	1,229	-	-
2021	MRO	C-1231	NorthWestern Electric (NWE)	U.S.	32,737	32,737	-	-	32,515	32,515	-	-	(419)	(419)	641	641	-	-
2021	MRO	C-1712	NorthWestern Wisconsin Electric Company	U.S.	3,837	3,837	-	-	3,811	3,811	-	-	(49)	(49)	75	75	-	-
2021	MRO	C-1255	Oklahoma Gas and Electric Co. (OKGE)	U.S.	601,037	601,037	-	-	596,962	596,962	-	-	(7,685)	(7,685)	11,760	11,760	-	-
2021	MRO	C-1444	Oklahoma Municipal Power Authority (OMPA)	U.S.	55,876	55,876	-	-	55,497	55,497	-	-	(714)	(714)	1,093	1,093	-	-
2021	MRO	C-1232	Omaha Public Power District (OPPD)	U.S.	235,951	235,951	-	-	234,351	234,351	-	-	(3,017)	(3,017)	4,617	4,617	-	-
2021	MRO	C-1233	Otter Tail Power Company (OTP)	U.S.	98,029	98,029	-	-	97,364	97,364	-	-	(1,253)	(1,253)	1,918	1,918	-	-
2021	MRO	C-1651	Paragould Light, Water & Cable (PARAGOULD)	U.S.	11,476	11,476	-	-	11,399	11,399	-	-	(147)	(147)	225	225	-	-
2021	MRO	C-1725	Peoples Electric Cooperative (PEC)	U.S.	15,152	15,152	-	-	15,049	15,049	-	-	(194)	(194)	296	296	-	-
2021	MRO	C-2040	Piggott Municipal Light, Water & Sewer	U.S.	663	663	-	-	658	658	-	-	(8)	(8)	13	13	-	-
2021	MRO	C-1720	Resale Power Group of Iowa	U.S.	10,163	10,163	-	-	10,094	10,094	-	-	(130)	(130)	199	199	-	-
2021	MRO	C-1721	Rice Lake Utilities	U.S.	3,022	3,022	-	-	3,002	3,002	-	-	(39)	(39)	59	59	-	-
2021	MRO	C-1234	Rochester Public Utilities (RPU)	U.S.	62	62	-	-	62	62	-	-	(1)	(1)	1	1	-	-
2021	MRO	C-1473	Roosevelt County Electric Cooperative	U.S.	3,386	3,386	-	-	3,363	3,363	-	-	(43)	(43)	66	66	-	-
2021	MRO	C-1236	Southern Minnesota Municipal Power Agency (SMMPA)	U.S.	54,142	54,142	-	-	53,775	53,775	-	-	(692)	(692)	1,059	1,059	-	-
2021	MRO	C-1257	Southwestern Public Service Co. Xcel Energy (SPS)	U.S.	448,483	448,483	-	-	445,443	445,443	-	-	(5,734)	(5,734)	8,775	8,775	-	-
2021	MRO	C-1256	Sunflower Electric Cooperative (SECI)	U.S.	91,089	91,089	-	-	90,472	90,472	-	-	(1,165)	(1,165)	1,782	1,782	-	-
2021	MRO	C-1665	Upper Peninsula Power Co (UPPC)	U.S.	15,214	15,214	-	-	15,111	15,111	-	-	(195)	(195)	298	298	-	-
2021	MRO	C-1714	Village of Cadott	U.S.	252	252	-	-	250	250	-	-	(3)	(3)	5	5	-	-
2021	MRO	C-1260	Evergy Kansas Central, Inc.	U.S.	472,272	472,272	-	-	469,070	469,070	-	-	(6,038)	(6,038)	9,240	9,240	-	-
2021	MRO	C-1239	Western Area Power Administration Rocky Mountain Region (LM)	U.S.	872	872	-	-	866	866	-	-	(11)	(11)	17	17	-	-
2021	MRO	C-1240	Western Area Power Administration Upper Great Plains (UM) (WA	U.S.	175,369	175,369	-	-	174,180	174,180	-	-	(2,242)	(2,242)	3,431	3,431	-	-
2021	MRO	C-1259	Western Farmers Electric Cooperative (WFEC)	U.S.	180,078	180,078	-	-	178,857	178,857	-	-	(2,302)	(2,302)	3,523	3,523	-	-
2021	MRO	C-1501	West Texas Municipal Power Agency (WTMPA)	U.S.	2,389	2,389	-	-	2,372	2,372	-	-	(31)	(31)	47	47	-	-
2021	MRO	C-1242	Wisconsin Public Power, Inc. (East and West regions) (WPPI)	U.S.	101,233	101,233	-	-	100,547	100,547	-	-	(1,294)	(1,294)	1,981	1,981	-	-
2021	MRO	C-1983	Wolverine Power Marketing Cooperative	U.S.	1,447	1,447	-	-	1,437	1,437	-	-	(19)	(19)	28	28	-	-
2021	MRO	C-1244	Xcel Energy Company Northern States Power (NSP)	U.S.	824,122	824,122	-	-	818,534	818,534	-	-	(10,537)	(10,537)	16,125	16,125	-	-
TOTAL MRO					9,691,894	8,665,041	1,026,853	-	9,613,305	8,606,290	1,007,015	-	(110,790)	(110,790)	189,378	169,540	19,838	-
					-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	NPCC	C-1336	New England	U.S.	2,310,776	2,310,776	-	-	2,295,109	2,295,109	-	-	(29,545)	(29,545)	45,213	45,213	-	-
2021	NPCC	C-1339	New York	U.S.	2,957,191	2,957,191	-	-	2,937,141	2,937,141	-	-	(37,810)	(37,810)	57,860	57,860	-	-
2021	NPCC	C-1337	Ontario	Canada	1,993,275	-	1,993,275	-	2,586,682	-	2,586,682	-	-	-	(593,407)	-	(593,407)	-
2021	NPCC	C-1341	Quebec	Canada	2,938,871	-	2,938,871	-	3,588,856	-	3,588,856	-	-	-	(649,985)	-	(649,985)	-
2021	NPCC	C-1341	Hydro Quebec	Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	NPCC	C-1572	Regie	Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	NPCC	C-1705	New Brunswick	Canada	210,908	-	210,908	-	273,696	-	273,696	-	-	-	(62,788)	-	(62,788)	-
2021	NPCC	C-1340	Nova Scotia	Canada	218,529	-	218,529	-	214,307	-	214,307	-	-	-	4,222	-	4,222	-
TOTAL NPCC					10,629,550	5,267,968	5,361,582	-	11,895,790	5,232,250	6,663,540	-	(67,355)	(67,355)	(1,198,885)	103,073	(1,301,958)	-
					-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	RF	C-1102	Cannelton Utilities	U.S.	253	253	-	-	251	251	-	-	(3)	(3)	5	5	-	-
2021	RF	C-1106	City of Croswell	U.S.	602	602	-	-	598	598	-	-	(8)	(8)	12	12	-	-
2021	RF	C-1490	City of Lansing	U.S.	40,489	40,489	-	-	40,214	40,214	-	-	(518)	(518)	792	792	-	-
2021	RF	C-1120	Cloverland Electric Cooperative	U.S.	14,028	14,028	-	-	13,933	13,933	-	-	(179)	(179)	274	274	-	-
2021	RF	C-1122	CMS ERM Michigan LLC	U.S.	3,426	3,426	-	-	3,403	3,403	-	-	(44)	(44)	67	67	-	-
2021	RF	C-1124	Constellation New Energy (MECS-CONS)	U.S.	37,448	37,448	-	-	37,194	37,194	-	-	(479)	(479)	733	733	-	-
2021	RF	C-1123	Constellation New Energy (MECS-DET)	U.S.	43,260	43,260	-	-	42,967	42,967	-	-	(553)	(553)	846	846	-	-
2021	RF	C-1126	Consumers Energy Company	U.S.	627,549	627,549	-	-	623,294	623,294	-	-	(8,024)	(8,024)	12,279	12,279	-	-
2021	RF	C-1128	DTE Electric Company	U.S.	951,878	951,878	-	-	945,424	945,424	-	-	(12,171)	(12,171)	18,624	18,624	-	-
2021	RF	C-1166	Duke Energy Indiana	U.S.	547,709	547,709	-	-	543,995	543,995	-	-	(7,003)	(7,003)	10,716	10,716	-	-
2021	RF	C-1135	Ferdinand Municipal Light & Water	U.S.	910	910	-	-	904	904	-	-	(12)	(12)	18	18	-	-
2021	RF	C-1646	Energy Harbor LLC (MECS-CONS)	U.S.	12,180	12,180	-	-	12,097	12,097	-	-	(156)	(156)	238	238	-	-
2021	RF	C-1549	Energy Harbor LLC (MECS-DET)	U.S.	1,900	1,900	-	-	1,887	1,887	-	-	(24)	(24)	37	37	-	-
2021	RF	C-1145	Hoosier Energy	U.S.	151,329	151,329	-	-	150,303	150,303	-	-	(1,935)	(1,935)	2,961	2,961	-	-
2021	RF	C-1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	58,007	58,007	-	-	57,613	57,613	-	-	(742)	(742)	1,135	1,135	-	-
2021	RF	C-1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	7,767	7,767	-	-	7,714	7,714	-	-	(99)	(99)	152	152	-	-
2021	RF	C-1486	Indiana Municipal Power Agency (SIGE)	U.S.	10,877	10,877	-	-	10,803	10,803	-	-	(139)	(139)	213	213	-	-
2021	RF	C-1149	Indianapolis Power & Light Co.	U.S.	262,516	262,516	-	-	260,736	260,736	-	-	(3,356)	(3,356)	5,136	5,136	-	-
2021	RF	C-2050	Logansport Municipal Utility (LMU)	U.S.	8,106	8,106	-	-	8,051	8,051	-	-	(104)	(104)	159	159	-	-
2021	RF	C-1666	Constellation New Energy (MIUP)	U.S.	6,417	6,417	-	-	6,374	6,374	-	-	(82)	(82)	126	126	-	-
2021	RF	C-1614	Just Energy	U.S.	108	108	-	-	107	107	-	-	(1)	(1)	2	2	-	-
2021	RF	C-1154	Michigan Public Power Agency	U.S.	72,507	72,507	-	-	72,016	72,016	-	-	(927)	(927)	1,419	1,419	-	-
2021	RF	C-1155	Michigan South Central Power Agency	U.S.	14,434	14,434	-	-	14,336	14,336	-	-	(185)	(185)	282	282	-	-
2021	RF	C-1163	Northern Indiana Public Service Co.	U.S.	316,395	316,395	-	-	314,250	314,250	-	-	(4,045)	(4,045)	6,191	6,191	-	-
2021	RF	C-1164	Ontonagon County Rural Electrification Assoc.	U.S.	566	566	-	-	562	562	-	-	(7)	(7)	11	11	-	-
2021	RF	C-1265	PJM Interconnection, LLC	U.S.	12,878,056	12,878,056	-	-	12,790,740	12,790,740	-	-	(164,657)	(164,657)	251,972	251,972	-	-
2021	RF	C-1172	Calpine Energy Solutions, LLC (MECS-CONS)	U.S.	6,885	6,885	-	-	6,838	6,838	-	-	(88)	(88)	135	135	-	-
2021	RF	C-1171	Calpine Energy Solutions, LLC (MECS-DET)	U.S.	11,936	11,936	-	-	11,855	11,855	-	-	(153)	(153)	234	234	-	-
2021	RF	C-1176	Direct Energy	U.S.	510	510	-	-	507	507	-	-	(7)	(7)	10	10	-	-

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico
2021	RF	C-1174	Direct Energy	U.S.	17,953	17,953	-	-	17,831	17,831	-	-	(230)	(230)	351	351	-	-
2021	RF	C-1581	Spartan Renewable Energy	U.S.	2,821	2,821	-	-	2,802	2,802	-	-	(36)	(36)	55	55	-	-
2021	RF	C-1985	Spartan Renewable Energy (MI UP)	U.S.	1,524	1,524	-	-	1,514	1,514	-	-	(19)	(19)	30	30	-	-
2021	RF	C-1180	Thumb Electric Cooperative	U.S.	3,958	3,958	-	-	3,931	3,931	-	-	(51)	(51)	77	77	-	-
2021	RF	C-2074	Union City Michigan	U.S.	291	291	-	-	289	289	-	-	(4)	(4)	6	6	-	-
2021	RF	C-2027	Upper Michigan Energy Resources	U.S.	38,278	38,278	-	-	38,019	38,019	-	-	(489)	(489)	749	749	-	-
2021	RF	C-1181	Vectren, a CenterPoint Energy Company	U.S.	96,134	96,134	-	-	95,482	95,482	-	-	(1,229)	(1,229)	1,881	1,881	-	-
2021	RF	C-1184	Wabash Valley Power Alliance (DUKE CIN)	U.S.	59,753	59,753	-	-	59,348	59,348	-	-	(764)	(764)	1,169	1,169	-	-
2021	RF	C-1488	Wabash Valley Power Alliance (NIPSCO)	U.S.	34,927	34,927	-	-	34,690	34,690	-	-	(447)	(447)	683	683	-	-
2021	RF	C-1185	Wisconsin Electric Power Co.	U.S.	474,400	474,400	-	-	471,183	471,183	-	-	(6,066)	(6,066)	9,282	9,282	-	-
2021	RF	C-2041	Wisconsin Public Service Co.	U.S.	228,050	228,050	-	-	226,504	226,504	-	-	(2,916)	(2,916)	4,462	4,462	-	-
2021	RF	C-1189	Wolverine Power Marketing Cooperative	U.S.	13,743	13,743	-	-	13,650	13,650	-	-	(176)	(176)	269	269	-	-
2021	RF	C-1191	Wolverine Power Supply Cooperative	U.S.	56,617	56,617	-	-	56,233	56,233	-	-	(724)	(724)	1,108	1,108	-	-
2021	RF	C-1190	Wolverine Power Marketing Cooperative (MECS-DET)	U.S.	16,206	16,206	-	-	16,096	16,096	-	-	(207)	(207)	317	317	-	-
TOTAL RELIABILITYFIRST					17,132,702	17,132,702	-	-	17,016,539	17,016,539	-	-	(219,056)	(219,056)	335,219	335,219	-	-
2021	SERC	C-1267	Alabama Municipal Electric Authority	U.S.	66,338	66,338	-	-	65,888	65,888	-	-	(848)	(848)	1,298	1,298	-	-
2021	SERC	C-1268	Alabama Power Company	U.S.	1,102,092	1,102,092	-	-	1,094,620	1,094,620	-	-	(14,091)	(14,091)	21,564	21,564	-	-
2021	SERC	C-1269	Ameren - Illinois	U.S.	791,347	791,347	-	-	785,982	785,982	-	-	(10,118)	(10,118)	15,484	15,484	-	-
2021	SERC	C-1271	Ameren - Missouri	U.S.	697,232	697,232	-	-	692,505	692,505	-	-	(8,915)	(8,915)	13,642	13,642	-	-
2021	SERC	C-1273	Associated Electric Cooperative Inc.	U.S.	450,657	450,657	-	-	447,601	447,601	-	-	(5,762)	(5,762)	8,818	8,818	-	-
2021	SERC	C-1582	Beauregard Electric Cooperative, Inc.	U.S.	29,128	29,128	-	-	28,931	28,931	-	-	(372)	(372)	570	570	-	-
2021	SERC	C-1462	Benton Utility District	U.S.	4,966	4,966	-	-	4,933	4,933	-	-	(63)	(63)	97	97	-	-
2021	SERC	C-1274	Big Rivers Electric Corporation	U.S.	68,733	68,733	-	-	68,267	68,267	-	-	(879)	(879)	1,345	1,345	-	-
2021	SERC	C-1275	Black Warrior EMC	U.S.	7,710	7,710	-	-	7,658	7,658	-	-	(99)	(99)	151	151	-	-
2021	SERC	C-1276	Blue Ridge EMC	U.S.	27,556	27,556	-	-	27,370	27,370	-	-	(352)	(352)	539	539	-	-
2021	SERC	C-1628	Brazos Electric Power Cooperative, Inc.	U.S.	11,005	11,005	-	-	10,930	10,930	-	-	(141)	(141)	215	215	-	-
2021	SERC	C-1463	Canton, MS	U.S.	2,164	2,164	-	-	2,149	2,149	-	-	(28)	(28)	42	42	-	-
2021	SERC	C-1277	Central Electric Power Cooperative Inc.	U.S.	363,507	363,507	-	-	361,043	361,043	-	-	(4,648)	(4,648)	7,112	7,112	-	-
2021	SERC	C-1667	Century Aluminum - Hawesville	U.S.	58,464	58,464	-	-	58,067	58,067	-	-	(748)	(748)	1,144	1,144	-	-
2021	SERC	C-1668	Century Aluminum - Sebree	U.S.	64,057	64,057	-	-	63,623	63,623	-	-	(819)	(819)	1,253	1,253	-	-
2021	SERC	C-1278	City of Blountstown FL	U.S.	638	638	-	-	634	634	-	-	(8)	(8)	12	12	-	-
2021	SERC	C-1279	City of Camden SC	U.S.	3,774	3,774	-	-	3,749	3,749	-	-	(48)	(48)	74	74	-	-
2021	SERC	C-1280	City of Collins MS	U.S.	875	875	-	-	869	869	-	-	(11)	(11)	17	17	-	-
2021	SERC	C-1281	City of Columbia MO	U.S.	22,972	22,972	-	-	22,816	22,816	-	-	(294)	(294)	449	449	-	-
2021	SERC	C-1282	City of Conway AR (Conway Corporation)	U.S.	18,137	18,137	-	-	18,014	18,014	-	-	(232)	(232)	355	355	-	-
2021	SERC	C-1284	City of Evergreen AL	U.S.	1,098	1,098	-	-	1,091	1,091	-	-	(14)	(14)	21	21	-	-
2021	SERC	C-1285	City of Hampton GA	U.S.	684	684	-	-	679	679	-	-	(9)	(9)	13	13	-	-
2021	SERC	C-1286	City of Hartford AL	U.S.	586	586	-	-	582	582	-	-	(7)	(7)	11	11	-	-
2021	SERC	C-1287	City of Henderson (KY) Municipal Power & Light	U.S.	11,089	11,089	-	-	11,013	11,013	-	-	(142)	(142)	217	217	-	-
2021	SERC	C-1288	City of North Little Rock AR (DENL)	U.S.	17,591	17,591	-	-	17,472	17,472	-	-	(225)	(225)	344	344	-	-
2021	SERC	C-1289	City of Orangeburg SC Department of Public Utilities	U.S.	15,236	15,236	-	-	15,132	15,132	-	-	(195)	(195)	298	298	-	-
2021	SERC	C-1290	City of Robertsdale AL	U.S.	1,700	1,700	-	-	1,688	1,688	-	-	(22)	(22)	33	33	-	-
2021	SERC	C-1291	City of Ruston LA (DERS)	U.S.	5,327	5,327	-	-	5,291	5,291	-	-	(68)	(68)	104	104	-	-
2021	SERC	C-1292	Seneca Light & Power	U.S.	3,102	3,102	-	-	3,081	3,081	-	-	(40)	(40)	61	61	-	-
2021	SERC	C-1115	City of Springfield (CWLP)	U.S.	31,873	31,873	-	-	31,656	31,656	-	-	(408)	(408)	624	624	-	-
2021	SERC	C-1465	City of Thayer, MO	U.S.	463	463	-	-	460	460	-	-	(6)	(6)	9	9	-	-
2021	SERC	C-1293	City of Troy AL	U.S.	8,920	8,920	-	-	8,859	8,859	-	-	(114)	(114)	175	175	-	-
2021	SERC	C-1294	City of West Memphis AR (West Memphis Utilities)	U.S.	7,181	7,181	-	-	7,133	7,133	-	-	(92)	(92)	141	141	-	-
2021	SERC	C-1583	Claiborne Electric Cooperative, Inc.	U.S.	12,139	12,139	-	-	12,056	12,056	-	-	(155)	(155)	238	238	-	-
2021	SERC	C-1584	Concordia Electric Cooperative, Inc.	U.S.	3,952	3,952	-	-	3,925	3,925	-	-	(51)	(51)	77	77	-	-
2021	SERC	C-1726	Cube Hydro Carolinas	U.S.	302	302	-	-	300	300	-	-	(4)	(4)	6	6	-	-
2021	SERC	C-1283	Dalton Utilities	U.S.	46,410	46,410	-	-	46,096	46,096	-	-	(593)	(593)	908	908	-	-
2021	SERC	C-1585	Dixie Electric Membership Corporation	U.S.	43,226	43,226	-	-	42,933	42,933	-	-	(553)	(553)	846	846	-	-
2021	SERC	C-1295	Dominion Virginia Power	U.S.	1,812,479	1,812,479	-	-	1,800,190	1,800,190	-	-	(23,174)	(23,174)	35,463	35,463	-	-
2021	SERC	C-1296	Duke Energy Carolinas, LLC	U.S.	1,649,370	1,649,370	-	-	1,638,187	1,638,187	-	-	(21,089)	(21,089)	32,272	32,272	-	-
2021	SERC	C-1466	Durant, MS	U.S.	463	463	-	-	460	460	-	-	(6)	(6)	9	9	-	-
2021	SERC	C-1478	LG&E and KU Services Co as agent for LG&E Co and KU Co	U.S.	616,864	616,864	-	-	612,681	612,681	-	-	(7,887)	(7,887)	12,070	12,070	-	-
2021	SERC	C-1297	East Kentucky Power Cooperative	U.S.	274,706	274,706	-	-	272,843	272,843	-	-	(3,512)	(3,512)	5,375	5,375	-	-
2021	SERC	C-1298	East Mississippi Electric Power Association	U.S.	7,850	7,850	-	-	7,797	7,797	-	-	(100)	(100)	154	154	-	-
2021	SERC	C-1669	Electricities of North Carolina Inc	U.S.	228,272	228,272	-	-	226,725	226,725	-	-	(2,919)	(2,919)	4,466	4,466	-	-
2021	SERC	C-1300	EnergyUnited EMC	U.S.	51,919	51,919	-	-	51,567	51,567	-	-	(664)	(664)	1,016	1,016	-	-
2021	SERC	C-1301	Entergy	U.S.	2,325,769	2,325,769	-	-	2,310,000	2,310,000	-	-	(29,737)	(29,737)	45,506	45,506	-	-
2021	SERC	C-1302	Fayetteville (NC) Public Works Commission	U.S.	40,436	40,436	-	-	40,161	40,161	-	-	(517)	(517)	791	791	-	-
2021	SERC	C-1303	Florida Public Utilities (FL Panhandle Load)	U.S.	5,772	5,772	-	-	5,733	5,733	-	-	(74)	(74)	113	113	-	-
2021	SERC	C-1304	French Broad EMC	U.S.	10,815	10,815	-	-	10,742	10,742	-	-	(138)	(138)	212	212	-	-
2021	SERC	C-1305	Georgia Power Company	U.S.	1,669,758	1,669,758	-	-	1,658,437	1,658,437	-	-	(21,349)	(21,349)	32,671	32,671	-	-
2021	SERC	C-1306	Georgia System Optns Corporation	U.S.	788,709	788,709	-	-	783,361	783,361	-	-	(10,084)	(10,084)	15,432	15,432	-	-
2021	SERC	C-1479	Greenwood (MS) Utilities Commission	U.S.	5,469	5,469	-	-	5,432	5,432	-	-	(70)	(70)	107	107	-	-
2021	SERC	C-1307	Greenwood (SC) Commissioners of Public Works	U.S														

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico
2021	SERC	C-1309	Illinois Municipal Electric Agency	U.S.	35,211	35,211	-	-	34,972	34,972	-	-	(450)	(450)	689	689	-	-
2021	SERC	C-1480	Itta Bena, MS	U.S.	248	248	-	-	246	246	-	-	(3)	(3)	5	5	-	-
2021	SERC	C-1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	3,681	3,681	-	-	3,656	3,656	-	-	(47)	(47)	72	72	-	-
2021	SERC	C-1617	Kentucky Municipal Power	U.S.	13,518	13,518	-	-	13,426	13,426	-	-	(173)	(173)	264	264	-	-
2021	SERC	C-1481	Municipal Energy Agency of MS-Kosciusko, MS	U.S.	1,368	1,368	-	-	1,359	1,359	-	-	(17)	(17)	27	27	-	-
2021	SERC	C-1482	Municipal Energy Agency of MS-Leland, MS	U.S.	551	551	-	-	547	547	-	-	(7)	(7)	11	11	-	-
2021	SERC	C-1313	McCormick Commission of Public Works	U.S.	321	321	-	-	318	318	-	-	(4)	(4)	6	6	-	-
2021	SERC	C-1314	Mississippi Power Company	U.S.	191,403	191,403	-	-	190,105	190,105	-	-	(2,447)	(2,447)	3,745	3,745	-	-
2021	SERC	C-1630	Mt. Carmel Public Utility	U.S.	1,853	1,853	-	-	1,841	1,841	-	-	(24)	(24)	36	36	-	-
2021	SERC	C-1315	Municipal Electric Authority of Georgia	U.S.	222,860	222,860	-	-	221,348	221,348	-	-	(2,849)	(2,849)	4,360	4,360	-	-
2021	SERC	C-1316	N.C. Electric Membership Corp.	U.S.	259,431	259,431	-	-	257,672	257,672	-	-	(3,317)	(3,317)	5,076	5,076	-	-
2021	SERC	C-1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	5,600	5,600	-	-	5,562	5,562	-	-	(72)	(72)	110	110	-	-
2021	SERC	C-1574	Northern Virginia Electric Cooperative	U.S.	147,676	147,676	-	-	146,674	146,674	-	-	(1,888)	(1,888)	2,889	2,889	-	-
2021	SERC	C-1319	Old Dominion Electric Cooperative	U.S.	93,427	93,427	-	-	92,794	92,794	-	-	(1,195)	(1,195)	1,828	1,828	-	-
2021	SERC	C-1618	Osceola (Arkansas) Municipal Light and Power	U.S.	2,636	2,636	-	-	2,618	2,618	-	-	(34)	(34)	52	52	-	-
2021	SERC	C-1320	Owensboro (KY) Municipal Utilities	U.S.	15,736	15,736	-	-	15,630	15,630	-	-	(201)	(201)	308	308	-	-
2021	SERC	C-1321	Piedmont EMC in Duke and Progress Areas	U.S.	10,219	10,219	-	-	10,150	10,150	-	-	(131)	(131)	200	200	-	-
2021	SERC	C-1323	Piedmont Municipal Power Agency (PMPA)	U.S.	45,802	45,802	-	-	45,492	45,492	-	-	(586)	(586)	896	896	-	-
2021	SERC	C-1589	Pointe Coupee Electric Memb. Corp.	U.S.	4,484	4,484	-	-	4,453	4,453	-	-	(57)	(57)	88	88	-	-
2021	SERC	C-1266	PowerSouth Energy	U.S.	178,795	178,795	-	-	177,583	177,583	-	-	(2,286)	(2,286)	3,498	3,498	-	-
2021	SERC	C-1330	Prairie Power, Inc.	U.S.	30,464	30,464	-	-	30,257	30,257	-	-	(390)	(390)	596	596	-	-
2021	SERC	C-1706	Duke Energy Progress	U.S.	885,233	885,233	-	-	879,231	879,231	-	-	(11,318)	(11,318)	17,320	17,320	-	-
2021	SERC	C-1325	Rutherford EMC	U.S.	27,386	27,386	-	-	27,200	27,200	-	-	(350)	(350)	536	536	-	-
2021	SERC	C-1326	South Carolina Electric & Gas Company	U.S.	440,009	440,009	-	-	437,026	437,026	-	-	(5,626)	(5,626)	8,609	8,609	-	-
2021	SERC	C-1327	South Carolina Public Service Authority	U.S.	185,527	185,527	-	-	184,269	184,269	-	-	(2,372)	(2,372)	3,630	3,630	-	-
2021	SERC	C-1590	South Louisiana Electric Cooperative Association	U.S.	9,695	9,695	-	-	9,629	9,629	-	-	(124)	(124)	190	190	-	-
2021	SERC	C-1328	Cooperative Energy (formerly SMEPA)	U.S.	191,308	191,308	-	-	190,010	190,010	-	-	(2,446)	(2,446)	3,743	3,743	-	-
2021	SERC	C-1329	Southern Illinois Power Cooperative	U.S.	26,203	26,203	-	-	26,026	26,026	-	-	(335)	(335)	513	513	-	-
2021	SERC	C-1591	Southwest Louisiana Electric Membership Corporation	U.S.	50,122	50,122	-	-	49,782	49,782	-	-	(641)	(641)	981	981	-	-
2021	SERC	C-1619	Southwestern Electric Cooperative, Inc.	U.S.	8,672	8,672	-	-	8,613	8,613	-	-	(111)	(111)	170	170	-	-
2021	SERC	C-1331	Tennessee Valley Authority	U.S.	3,111,365	3,111,365	-	-	3,090,269	3,090,269	-	-	(39,781)	(39,781)	60,877	60,877	-	-
2021	SERC	C-1632	East Texas Electric Cooperative (ETEC)	U.S.	39,124	39,124	-	-	38,858	38,858	-	-	(500)	(500)	765	765	-	-
2021	SERC	C-1332	Tombigbee Electric Cooperative Inc.	U.S.	2,477	2,477	-	-	2,460	2,460	-	-	(32)	(32)	48	48	-	-
2021	SERC	C-1594	Town of Sharpsburg, N.C.	U.S.	332	332	-	-	329	329	-	-	(4)	(4)	6	6	-	-
2021	SERC	C-1595	Town of Stantonsburg, N.C. JRO	U.S.	1,156	1,156	-	-	1,148	1,148	-	-	(15)	(15)	23	23	-	-
2021	SERC	C-1333	Town of Waynesville NC	U.S.	1,677	1,677	-	-	1,666	1,666	-	-	(21)	(21)	33	33	-	-
2021	SERC	C-1334	Town of Winstboro SC	U.S.	1,157	1,157	-	-	1,149	1,149	-	-	(15)	(15)	23	23	-	-
2021	SERC	C-1335	Town of Winterville NC	U.S.	997	997	-	-	990	990	-	-	(13)	(13)	20	20	-	-
2021	SERC	C-1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	20,487	20,487	-	-	20,348	20,348	-	-	(262)	(262)	401	401	-	-
2021	SERC	C-1435	Arkansas Electric Cooperative Corporation	U.S.	212,196	212,196	-	-	210,758	210,758	-	-	(2,713)	(2,713)	4,152	4,152	-	-
2021	SERC	C-1557	City of Clarksdale, Mississippi	U.S.	2,796	2,796	-	-	2,777	2,777	-	-	(36)	(36)	55	55	-	-
2021	SERC	C-1708	City of Abbeville	U.S.	2,447	2,447	-	-	2,431	2,431	-	-	(31)	(31)	48	48	-	-
2021	SERC	C-1558	Hope Water & Light (HWL)	U.S.	5,618	5,618	-	-	5,580	5,580	-	-	(72)	(72)	110	110	-	-
2021	SERC	C-1559	City of Minden	U.S.	2,597	2,597	-	-	2,580	2,580	-	-	(33)	(33)	51	51	-	-
2021	SERC	C-1249	Cleco Power LLC	U.S.	215,041	215,041	-	-	213,583	213,583	-	-	(2,749)	(2,749)	4,207	4,207	-	-
2021	SERC	C-1648	Jonesboro City Water & Light	U.S.	28,846	28,846	-	-	28,650	28,650	-	-	(369)	(369)	564	564	-	-
2021	SERC	C-1471	Lafayette Utilities System	U.S.	39,084	39,084	-	-	38,819	38,819	-	-	(500)	(500)	765	765	-	-
2021	SERC	C-1253	Louisiana Energy & Power Authority (LEPA)	U.S.	17,430	17,430	-	-	17,311	17,311	-	-	(223)	(223)	341	341	-	-
2021	SERC	C-1443	Missouri Joint Municipal Electric Utility Commission	U.S.	56,695	56,695	-	-	56,310	56,310	-	-	(725)	(725)	1,109	1,109	-	-
2021	SERC	C-1639	OzMo Ozark Missouri, West Plains MO	U.S.	3,524	3,524	-	-	3,500	3,500	-	-	(45)	(45)	69	69	-	-
2021	SERC	C-1653	Poplar Bluff Municipal Utilities	U.S.	7,137	7,137	-	-	7,089	7,089	-	-	(91)	(91)	140	140	-	-
2021	SERC	C-1636	City of Prescott	U.S.	1,448	1,448	-	-	1,438	1,438	-	-	(19)	(19)	28	28	-	-
2021	SERC	C-1561	Public Service Commission of Yazoo City of Mississippi	U.S.	2,288	2,288	-	-	2,272	2,272	-	-	(29)	(29)	45	45	-	-
2021	SERC	C-1654	Sikeston Board of Municipal Utilities	U.S.	7,706	7,706	-	-	7,654	7,654	-	-	(99)	(99)	151	151	-	-
2021	SERC	C-1074	Alachua, City of	U.S.	2,580	2,580	-	-	2,563	2,563	-	-	(33)	(33)	50	50	-	-
2021	SERC	C-1075	Bartow, City of	U.S.	5,913	5,913	-	-	5,873	5,873	-	-	(76)	(76)	116	116	-	-
2021	SERC	C-1076	Chattahoochee, City of	U.S.	736	736	-	-	731	731	-	-	(9)	(9)	14	14	-	-
2021	SERC	C-1078	Florida Power & Light Co.	U.S.	2,435,734	2,435,734	-	-	2,419,219	2,419,219	-	-	(31,143)	(31,143)	47,658	47,658	-	-
2021	SERC	C-1079	Florida Public Utilities Company	U.S.	7,081	7,081	-	-	7,033	7,033	-	-	(91)	(91)	139	139	-	-
2021	SERC	C-1080	Gainesville Regional Utilities	U.S.	37,975	37,975	-	-	37,717	37,717	-	-	(486)	(486)	743	743	-	-
2021	SERC	C-1081	Homestead, City of	U.S.	14,535	14,535	-	-	14,437	14,437	-	-	(186)	(186)	284	284	-	-
2021	SERC	C-1082	JEA	U.S.	244,004	244,004	-	-	242,349	242,349	-	-	(3,120)	(3,120)	4,774	4,774	-	-
2021	SERC	C-1083	Lakeland Electric	U.S.	60,124	60,124	-	-	59,717	59,717	-	-	(769)	(769)	1,176	1,176	-	-
2021	SERC	C-1626	Lee County Electric Cooperative, Inc	U.S.	87,878	87,878	-	-	87,282	87,282	-	-	(1,124)	(1,124)	1,719	1,719	-	-
2021	SERC	C-1661	City of Lake Worth	U.S.	9,200	9,200	-	-	9,137	9,137	-	-	(118)	(118)	180	180	-	-
2021	SERC	C-1084	Mount Dora, City of	U.S.	1,817	1,817	-	-	1,805	1,805	-	-	(23)	(23)	36	36	-	-
2021	SERC	C-1085	New Smyrna Beach, Utilities Commission of	U.S.	9,092	9,092	-	-	9,030	9,030	-	-	(116)	(116)	178	178	-	-
2021	SERC	C-1086	Orlando Utilities Commission	U.S.	148,149	148,149	-	-	147,144	147,144	-	-	(1,894)	(1,894)	2,899	2,899	-	-
2021	SERC	C-1087	Duke Energy Florida	U.S.	761,684	761,684	-	-	756,520	756,520	-	-	(9,739)	(9,739)	14,903	14,903	-	-
2021	SERC	C-1088	Quincy, City of	U.S.	2,960	2,960	-	-	2,940	2,940	-	-	(38)	(38)	58	58	-	-
2021	SERC	C-1089	Reedy Creek Improvement District	U.S.	21,731	21,731	-	-	21,583	21,583	-	-	(278)	(278)	425	425	-	-
2021	SERC	C-1090	St. Cloud, City of (OUC)	U.S.	17,429	17,429	-	-	17,311	17,311	-	-	(223)	(223)	341	341	-	-
2021	SERC	C-1091	Tallahassee, City of	U.S.	52,633	52,633	-	-	52,276	52,276	-	-	(673)	(673)	1,030	1,030	-	-

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

APPENDIX 2-C

Data Year	Regional Entity	NERC ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico
2021	SERC	C-1092	Tampa Electric Company	U.S.	409,263	409,263	-	-	406,488	406,488	-	-	(5,233)	(5,233)	8,008	8,008	-	-
2021	SERC	C-1093	Wauchula, City of	U.S.	1,306	1,306	-	-	1,297	1,297	-	-	(17)	(17)	26	26	-	-
2021	SERC	C-1094	Williston, City of	U.S.	688	688	-	-	683	683	-	-	(9)	(9)	13	13	-	-
2021	SERC	C-1095	Winter Park, City of	U.S.	9,069	9,069	-	-	9,008	9,008	-	-	(116)	(116)	177	177	-	-
2021	SERC	C-1072	Florida Municipal Power Agency	U.S.	134,990	134,990	-	-	134,074	134,074	-	-	(1,726)	(1,726)	2,641	2,641	-	-
2021	SERC	C-1073	Seminole Electric Cooperative	U.S.	302,404	302,404	-	-	300,354	300,354	-	-	(3,866)	(3,866)	5,917	5,917	-	-
			TOTAL SERC		25,388,321	25,388,321	-	-	25,216,183	25,216,183	-	-	(324,611)	(324,611)	496,749	496,749	-	-
2021	Texas RE	C-1019	ERCOT	U.S.	7,644,045	7,644,045	-	-	7,592,217	7,592,217	-	-	(97,735)	(97,735)	149,564	149,564	-	-
			TOTAL ERCOT		7,644,045	7,644,045	-	-	7,592,217	7,592,217	-	-	(97,735)	(97,735)	149,564	149,564	-	-
2021	WECC		Alberta Electric System Operator	Canada	887,496	-	887,496	-	1,166,328	-	1,166,328	-	-	-	-	(278,832)	-	(278,832)
2021	WECC		British Columbia Hydro & Power Authority	Canada	1,280,928	-	1,280,928	-	1,256,182	-	1,256,182	-	-	-	24,746	-	24,746	
2021	WECC		Centro Nacional de Control de Energia	Mexico	306,262	-	-	306,262	300,346	-	-	300,346	-	-	5,917	-	5,917	
2021	WECC		Agula Irrigation District - APS	U.S.	791	791	-	-	785	785	-	-	(10)	(10)	15	15	-	-
2021	WECC		Aha Macav Power Service	U.S.	433	433	-	-	430	430	-	-	(6)	(6)	8	8	-	-
2021	WECC		Ajo Improvement District	U.S.	214	214	-	-	212	212	-	-	(3)	(3)	4	4	-	-
2021	WECC		Arizona Electric Power Cooperative, Inc	U.S.	71,989	71,989	-	-	71,501	71,501	-	-	(920)	(920)	1,409	1,409	-	-
2021	WECC		Arizona Public Service Company	U.S.	578,074	578,074	-	-	574,154	574,154	-	-	(7,391)	(7,391)	11,311	11,311	-	-
2021	WECC		Arkansas River Power Authority (ARPA)	U.S.	4,961	4,961	-	-	4,927	4,927	-	-	(63)	(63)	97	97	-	-
2021	WECC		Avangrid Renewables	U.S.	2,272	2,272	-	-	2,257	2,257	-	-	(29)	(29)	44	44	-	-
2021	WECC		Avista Corporation	U.S.	188,739	188,739	-	-	187,459	187,459	-	-	(2,413)	(2,413)	3,693	3,693	-	-
2021	WECC		Barrick Goldstrike Mines Inc.	U.S.	26,615	26,615	-	-	26,435	26,435	-	-	(340)	(340)	521	521	-	-
2021	WECC		Basin Electric Power Cooperative - NorthWestern	U.S.	16,927	16,927	-	-	16,813	16,813	-	-	(216)	(216)	331	331	-	-
2021	WECC		Basin Electric Power Cooperative - WACM	U.S.	43,027	43,027	-	-	42,735	42,735	-	-	(550)	(550)	842	842	-	-
2021	WECC		Basin Electric Power Cooperative - WAUW	U.S.	3,162	3,162	-	-	3,141	3,141	-	-	(40)	(40)	62	62	-	-
2021	WECC		Beartooth Electric Cooperative	U.S.	1,653	1,653	-	-	1,642	1,642	-	-	(21)	(21)	32	32	-	-
2021	WECC		Big Horn County Electric Cooperative	U.S.	1,413	1,413	-	-	1,404	1,404	-	-	(18)	(18)	28	28	-	-
2021	WECC		Black Hills Energy	U.S.	39,974	39,974	-	-	39,703	39,703	-	-	(511)	(511)	782	782	-	-
2021	WECC		Black Hills Power	U.S.	86,790	86,790	-	-	86,202	86,202	-	-	(1,110)	(1,110)	1,698	1,698	-	-
2021	WECC		Black Hills State University South Dakota	U.S.	330	330	-	-	327	327	-	-	(4)	(4)	6	6	-	-
2021	WECC		Bonneville Power Administration-Transmission	U.S.	1,086,469	1,086,469	-	-	1,079,102	1,079,102	-	-	(13,891)	(13,891)	21,258	21,258	-	-
2021	WECC		Bonneville Power Administration-Power Services	U.S.	130,177	130,177	-	-	129,294	129,294	-	-	(1,664)	(1,664)	2,547	2,547	-	-
2021	WECC		Bonneville Power Administration-Hydro	U.S.	4,205	4,205	-	-	4,176	4,176	-	-	(54)	(54)	82	82	-	-
2021	WECC		Buckeye Water Conservation and Drainage District - APS	U.S.	370	370	-	-	367	367	-	-	(5)	(5)	7	7	-	-
2021	WECC		Bureau of Reclamation (Desalter) - c/o DSW EMMO	U.S.	0	0	-	-	0	0	-	-	(0)	(0)	0	0	-	-
2021	WECC		Bureau of Reclamation (Wellfield)	U.S.	227	227	-	-	226	226	-	-	(3)	(3)	4	4	-	-
2021	WECC		Burlington	U.S.	602	602	-	-	598	598	-	-	(8)	(8)	12	12	-	-
2021	WECC		Caesars Entertainment LLC/North	U.S.	741	741	-	-	736	736	-	-	(9)	(9)	14	14	-	-
2021	WECC		Caesars Entertainment LLC/South	U.S.	9,310	9,310	-	-	9,247	9,247	-	-	(119)	(119)	182	182	-	-
2021	WECC		California Independent System Operator	U.S.	4,194,409	4,194,409	-	-	4,165,970	4,165,970	-	-	(53,629)	(53,629)	82,068	82,068	-	-
2021	WECC		Calpine Energy Solutions, LLC	U.S.	31,255	31,255	-	-	31,043	31,043	-	-	(400)	(400)	612	612	-	-
2021	WECC		Central Arizona Water Conservation District - WALC	U.S.	36,612	36,612	-	-	36,364	36,364	-	-	(468)	(468)	716	716	-	-
2021	WECC		Circus Circus Las Vegas	U.S.	1,023	1,023	-	-	1,016	1,016	-	-	(13)	(13)	20	20	-	-
2021	WECC		City of Aztec Electric Dept. - WACM	U.S.	701	701	-	-	696	696	-	-	(9)	(9)	14	14	-	-
2021	WECC		City of Fallon	U.S.	1,876	1,876	-	-	1,863	1,863	-	-	(24)	(24)	37	37	-	-
2021	WECC		City of Farmington	U.S.	18,167	18,167	-	-	18,044	18,044	-	-	(232)	(232)	355	355	-	-
2021	WECC		City of Gallup	U.S.	3,713	3,713	-	-	3,687	3,687	-	-	(47)	(47)	73	73	-	-
2021	WECC		City of Henderson	U.S.	881	881	-	-	875	875	-	-	(11)	(11)	17	17	-	-
2021	WECC		City of Las Vegas	U.S.	839	839	-	-	833	833	-	-	(11)	(11)	16	16	-	-
2021	WECC		City of Mesa	U.S.	4,923	4,923	-	-	4,889	4,889	-	-	(63)	(63)	96	96	-	-
2021	WECC		City of North Las Vegas	U.S.	398	398	-	-	395	395	-	-	(5)	(5)	8	8	-	-
2021	WECC		City of Page	U.S.	1,539	1,539	-	-	1,529	1,529	-	-	(20)	(20)	30	30	-	-
2021	WECC		City of Redding	U.S.	15,337	15,337	-	-	15,233	15,233	-	-	(196)	(196)	300	300	-	-
2021	WECC		City of Roseville	U.S.	23,169	23,169	-	-	23,012	23,012	-	-	(296)	(296)	453	453	-	-
2021	WECC		City of Tacoma DBA Tacoma Power	U.S.	94,638	94,638	-	-	93,996	93,996	-	-	(1,210)	(1,210)	1,852	1,852	-	-
2021	WECC		City of Williams	U.S.	1,016	1,016	-	-	1,009	1,009	-	-	(13)	(13)	20	20	-	-
2021	WECC		Clark County Water Reclamation District	U.S.	1,549	1,549	-	-	1,539	1,539	-	-	(20)	(20)	30	30	-	-
2021	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	340	340	-	-	338	338	-	-	(4)	(4)	7	7	-	-
2021	WECC		Colorado River Commission of Nevada	U.S.	3,491	3,491	-	-	3,468	3,468	-	-	(45)	(45)	68	68	-	-
2021	WECC		Colorado Springs Utilities	U.S.	102,492	102,492	-	-	101,797	101,797	-	-	(1,310)	(1,310)	2,005	2,005	-	-
2021	WECC		Constellation New Energy	U.S.	6,631	6,631	-	-	6,586	6,586	-	-	(85)	(85)	130	130	-	-
2021	WECC		CORE Electric Cooperative	U.S.	45,668	45,668	-	-	45,358	45,358	-	-	(584)	(584)	894	894	-	-
2021	WECC		Delta-Montrose Electric Association	U.S.	11,322	11,322	-	-	11,245	11,245	-	-	(145)	(145)	222	222	-	-
2021	WECC		Deseret Generation & Transmission Cooperative - WACM	U.S.	1,591	1,591	-	-	1,581	1,581	-	-	(20)	(20)	31	31	-	-
2021	WECC		Douglas Palisades / PUD No. 1 of DC	U.S.	400	400	-	-	398	398	-	-	(5)	(5)	8	8	-	-
2021	WECC		El Paso Electric Company	U.S.	168,148	168,148	-	-	167,008	167,008	-	-	(2,150)	(2,150)	3,290	3,290	-	-
2021	WECC		Electrical District #2	U.S.	3,982	3,982	-	-	3,955	3,955	-	-	(51)	(51)	78	78	-	-
2021	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	169	169	-	-	168	168	-	-	(2)	(2)	3	3	-	-
2021	WECC		Electrical District No. 6 of Pinal County - APS	U.S.	2	2	-	-	2	2	-	-	(0)	(0)	0	0	-	-
2021	WECC		Electrical District No. 7 of Maricopa County - APS	U.S.	915	915	-	-	909	909	-	-	(12)	(12)	18	18	-	-
2021	WECC		Electrical District No. 8 of Maricopa County - APS	U.S.	8,393	8,393	-	-	8,336	8,336	-	-	(107)	(107)	164	164	-	-
2021	WECC		Francis E. Warren Air Force Base	U.S.	437	437	-	-	434	434	-	-	(6)	(6)	9	9	-	-

Data Year	Regional Entity	NERC ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico
2021	WECC		Georgia-Pacific Gypsum, LLC	U.S.	468	468	-	-	465	465	-	-	(6)	(6)	9	9	-	-
2021	WECC		Grand Valley Power	U.S.	5,094	5,094	-	-	5,060	5,060	-	-	(65)	(65)	100	100	-	-
2021	WECC		Harquahala Valley Power Districts - APS	U.S.	2,229	2,229	-	-	2,214	2,214	-	-	(29)	(29)	44	44	-	-
2021	WECC		Holy Cross Energy	U.S.	11,093	11,093	-	-	11,018	11,018	-	-	(142)	(142)	217	217	-	-
2021	WECC		Idaho Power Company	U.S.	322,016	322,016	-	-	319,833	319,833	-	-	(4,117)	(4,117)	6,301	6,301	-	-
2021	WECC		Imperial Irrigation District	U.S.	74,625	74,625	-	-	74,119	74,119	-	-	(954)	(954)	1,460	1,460	-	-
2021	WECC		Jicarilla Apache Nation Power Authority	U.S.	470	470	-	-	467	467	-	-	(6)	(6)	9	9	-	-
2021	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	5,553	5,553	-	-	5,516	5,516	-	-	(71)	(71)	109	109	-	-
2021	WECC		Kit Carson Electric Inc	U.S.	5,787	5,787	-	-	5,747	5,747	-	-	(74)	(74)	113	113	-	-
2021	WECC		Las Vegas Valley Water District	U.S.	2,315	2,315	-	-	2,299	2,299	-	-	(30)	(30)	45	45	-	-
2021	WECC		Los Angeles Department of Water and Power	U.S.	493,101	493,101	-	-	489,757	489,757	-	-	(6,305)	(6,305)	9,648	9,648	-	-
2021	WECC		Maricopa County Municipal Water Conservation Dist No. 1 - APS	U.S.	872	872	-	-	866	866	-	-	(11)	(11)	17	17	-	-
2021	WECC		McMullen Valley Water Conservation & Drainage District - APS	U.S.	3,067	3,067	-	-	3,046	3,046	-	-	(39)	(39)	60	60	-	-
2021	WECC		Merced Irrigation District	U.S.	10,331	10,331	-	-	10,261	10,261	-	-	(132)	(132)	202	202	-	-
2021	WECC		MGM Resorts Design and Development	U.S.	14,877	14,877	-	-	14,776	14,776	-	-	(190)	(190)	291	291	-	-
2021	WECC		Modesto Irrigation District	U.S.	52,882	52,882	-	-	52,523	52,523	-	-	(676)	(676)	1,035	1,035	-	-
2021	WECC		Montana-Dakota Utilities Co.	U.S.	385	385	-	-	382	382	-	-	(5)	(5)	8	8	-	-
2021	WECC		Mt. Wheeler Power	U.S.	11,795	11,795	-	-	11,715	11,715	-	-	(151)	(151)	231	231	-	-
2021	WECC		Municipal Energy Agency of Nebraska - PSCO	U.S.	3,881	3,881	-	-	3,854	3,854	-	-	(50)	(50)	76	76	-	-
2021	WECC		Municipal Energy Agency of Nebraska - WACM	U.S.	12,679	12,679	-	-	12,593	12,593	-	-	(162)	(162)	248	248	-	-
2021	WECC		Navajo Tribal Utility Authority - APS	U.S.	913	913	-	-	907	907	-	-	(12)	(12)	18	18	-	-
2021	WECC		Navajo Tribal Utility Authority - PNM	U.S.	4,422	4,422	-	-	4,392	4,392	-	-	(57)	(57)	87	87	-	-
2021	WECC		Navajo Tribal Utility Authority - WACM	U.S.	5,613	5,613	-	-	5,575	5,575	-	-	(72)	(72)	110	110	-	-
2021	WECC		Nebraska Public Power Marketing	U.S.	70	70	-	-	70	70	-	-	(1)	(1)	1	1	-	-
2021	WECC		Needles Public Utilities Authority	U.S.	1,078	1,078	-	-	1,071	1,071	-	-	(14)	(14)	21	21	-	-
2021	WECC		Nevada Power Company dba NV Energy	U.S.	627,960	627,960	-	-	623,702	623,702	-	-	(8,029)	(8,029)	12,287	12,287	-	-
2021	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	187,904	187,904	-	-	186,630	186,630	-	-	(2,403)	(2,403)	3,677	3,677	-	-
2021	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC - WAUW	U.S.	5,726	5,726	-	-	5,687	5,687	-	-	(73)	(73)	112	112	-	-
2021	WECC		Okanogan PUD	U.S.	12,816	12,816	-	-	12,729	12,729	-	-	(164)	(164)	251	251	-	-
2021	WECC		Overton Power District No. 5	U.S.	8,153	8,153	-	-	8,098	8,098	-	-	(104)	(104)	160	160	-	-
2021	WECC		PacifiCorp	U.S.	997,642	997,642	-	-	990,878	990,878	-	-	(12,756)	(12,756)	19,520	19,520	-	-
2021	WECC		PacifiCorp - IPC	U.S.	41	41	-	-	41	41	-	-	(1)	(1)	1	1	-	-
2021	WECC		PacifiCorp - Portland General	U.S.	68	68	-	-	67	67	-	-	(1)	(1)	1	1	-	-
2021	WECC		PacifiCorp - WACM	U.S.	2,032	2,032	-	-	2,018	2,018	-	-	(26)	(26)	40	40	-	-
2021	WECC		PacifiCorp West	U.S.	422,364	422,364	-	-	419,500	419,500	-	-	(5,400)	(5,400)	8,264	8,264	-	-
2021	WECC		Pend Oreille County PUD No. 1	U.S.	5,863	5,863	-	-	5,823	5,823	-	-	(75)	(75)	115	115	-	-
2021	WECC		Peppermill Hotel Casino	U.S.	983	983	-	-	977	977	-	-	(13)	(13)	19	19	-	-
2021	WECC		Platte River Power Authority	U.S.	63,323	63,323	-	-	62,893	62,893	-	-	(810)	(810)	1,239	1,239	-	-
2021	WECC		Portland General Electric Company	U.S.	365,349	365,349	-	-	362,872	362,872	-	-	(4,671)	(4,671)	7,148	7,148	-	-
2021	WECC		Public Service Company of Colorado (Xcel)	U.S.	624,764	624,764	-	-	620,528	620,528	-	-	(7,988)	(7,988)	12,224	12,224	-	-
2021	WECC		Public Service Company of Colorado (Xcel) - WACM	U.S.	1,284	1,284	-	-	1,276	1,276	-	-	(16)	(16)	25	25	-	-
2021	WECC		Public Service Company of New Mexico	U.S.	188,134	188,134	-	-	186,859	186,859	-	-	(2,405)	(2,405)	3,681	3,681	-	-
2021	WECC		Public Utility District No. 1 of Chelan County	U.S.	36,137	36,137	-	-	35,892	35,892	-	-	(462)	(462)	707	707	-	-
2021	WECC		PUD No. 1 of Douglas County	U.S.	23,625	23,625	-	-	23,465	23,465	-	-	(302)	(302)	462	462	-	-
2021	WECC		PUD No. 2 of Grant County	U.S.	105,860	105,860	-	-	105,143	105,143	-	-	(1,354)	(1,354)	2,071	2,071	-	-
2021	WECC		PUD No. 2 of Grant County - Avista	U.S.	1,981	1,981	-	-	1,968	1,968	-	-	(25)	(25)	39	39	-	-
2021	WECC		Puget Sound Energy, Inc.	U.S.	474,625	474,625	-	-	471,407	471,407	-	-	(6,068)	(6,068)	9,287	9,287	-	-
2021	WECC		Raton Public Service	U.S.	864	864	-	-	858	858	-	-	(11)	(11)	17	17	-	-
2021	WECC		Reno City Center	U.S.	189	189	-	-	188	188	-	-	(2)	(2)	4	4	-	-
2021	WECC		Roosevelt Irrigation District - APS	U.S.	914	914	-	-	908	908	-	-	(12)	(12)	18	18	-	-
2021	WECC		Sacramento Municipal Utility District	U.S.	218,959	218,959	-	-	217,474	217,474	-	-	(2,800)	(2,800)	4,284	4,284	-	-
2021	WECC		Sahara Las Vegas	U.S.	533	533	-	-	530	530	-	-	(7)	(7)	10	10	-	-
2021	WECC		Salt River Project	U.S.	610,760	610,760	-	-	606,619	606,619	-	-	(7,809)	(7,809)	11,950	11,950	-	-
2021	WECC		Seattle City Light	U.S.	185,191	185,191	-	-	183,935	183,935	-	-	(2,368)	(2,368)	3,623	3,623	-	-
2021	WECC		Shell Energy North America	U.S.	4,807	4,807	-	-	4,774	4,774	-	-	(61)	(61)	94	94	-	-
2021	WECC		Silver State Energy Association	U.S.	12,576	12,576	-	-	12,491	12,491	-	-	(161)	(161)	246	246	-	-
2021	WECC		Southern Nevada Water Authority	U.S.	2,610	2,610	-	-	2,593	2,593	-	-	(33)	(33)	51	51	-	-
2021	WECC		Switch-North	U.S.	3,888	3,888	-	-	3,861	3,861	-	-	(50)	(50)	76	76	-	-
2021	WECC		Switch-South	U.S.	13,263	13,263	-	-	13,173	13,173	-	-	(170)	(170)	259	259	-	-
2021	WECC		The Incorporated County of Los Alamos	U.S.	11,519	11,519	-	-	11,440	11,440	-	-	(147)	(147)	225	225	-	-
2021	WECC		Tohono O'Odham Utility Authority	U.S.	1,212	1,212	-	-	1,203	1,203	-	-	(15)	(15)	24	24	-	-
2021	WECC		Tonopah Irrigation District - APS	U.S.	737	737	-	-	732	732	-	-	(9)	(9)	14	14	-	-
2021	WECC		Town of Fredonia - WACM	U.S.	79	79	-	-	78	78	-	-	(1)	(1)	2	2	-	-
2021	WECC		Town of Fredonia - WALC	U.S.	1	1	-	-	1	1	-	-	(0)	(0)	0	0	-	-
2021	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability - PSCO	U.S.	59,140	59,140	-	-	58,739	58,739	-	-	(756)	(756)	1,157	1,157	-	-
2021	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability - WACM	U.S.	158,665	158,665	-	-	157,589	157,589	-	-	(2,029)	(2,029)	3,104	3,104	-	-
2021	WECC		Tri-State Generation & Transmission Association, Inc. - PNM	U.S.	49,659	49,659	-	-	49,322	49,322	-	-	(635)	(635)	972	972	-	-
2021	WECC		Truckee Donner Public Utility District	U.S.	3,309	3,309	-	-	3,286	3,286	-	-	(42)	(42)	65	65	-	-
2021	WECC		Tucson Electric Power Company	U.S.	281,408	281,408	-	-	279,500	279,500	-	-	(3,598)	(3,598)	5,506	5,506	-	-
2021	WECC		Turlock Irrigation District	U.S.	46,113	46,113	-	-	45,800	45,800	-	-	(590)	(590)	902	902	-	-
2021	WECC		U.S. Army Yuma Proving Ground	U.S.	332	332	-	-	330	330	-	-	(4)	(4)	6	6	-	-
2021	WECC		US Dept of Energy - Kirtland AFB	U.S.	8,781	8,781	-	-	8,722	8,722	-	-	(112)	(112)	172	172	-	-
2021	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	5	5	-	-	5	5	-	-	(0)	(0)	0	0	-	-

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico
2021	WECC		Western Area Power - Loveland, CO - PSCO	U.S.	3,403	3,403	-	-	3,380	3,380	-	-	(44)	(44)	67	67	-	-
2021	WECC		Western Area Power - Loveland, CO - WACM	U.S.	24,972	24,972	-	-	24,803	24,803	-	-	(319)	(319)	489	489	-	-
2021	WECC		Western Area Power Administration - CRSP	U.S.	28,492	28,492	-	-	28,299	28,299	-	-	(364)	(364)	557	557	-	-
2021	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	26,584	26,584	-	-	26,404	26,404	-	-	(340)	(340)	520	520	-	-
2021	WECC		Western Area Power Administration-Desert Southwest Region - W/	U.S.	45,570	45,570	-	-	45,261	45,261	-	-	(583)	(583)	892	892	-	-
2021	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	7,510	7,510	-	-	7,459	7,459	-	-	(96)	(96)	147	147	-	-
2021	WECC		Western Area Power Administration-Upper Great Plains Region - N	U.S.	166	166	-	-	165	165	-	-	(2)	(2)	3	3	-	-
2021	WECC		Wynn Las Vegas	U.S.	3,260	3,260	-	-	3,238	3,238	-	-	(42)	(42)	64	64	-	-
2021	WECC		Yampa Valley Electric Association	U.S.	10,273	10,273	-	-	10,203	10,203	-	-	(131)	(131)	201	201	-	-
TOTAL WECC					16,588,169	14,113,483	2,168,424	306,262	16,740,646	14,017,791	2,422,510	300,346	(180,453)	(180,453)	27,976	276,145	(254,086)	5,917
TOTAL ERO					87,074,681	78,211,559	8,556,859	306,262	88,074,681	77,681,270	10,093,065	300,346	(1,000,000)	(1,000,000)	-	1,530,289	(1,536,206)	5,917

Current Year NEL Summary by Regional Entity

2021	MRO				9,691,894	8,665,041	1,026,853	-	9,613,305	8,606,290	1,007,015	-	(110,790)	(110,790)	189,378	169,540	19,838	-
2021	NPCC				10,629,550	5,267,968	5,361,582	-	11,895,790	5,232,250	6,663,540	-	(67,355)	(67,355)	(1,198,885)	103,073	(1,301,958)	-
2021	RF				17,132,702	17,132,702	-	-	17,016,539	17,016,539	-	-	(219,056)	(219,056)	335,219	335,219	-	-
2021	SERC				25,388,321	25,388,321	-	-	25,216,183	25,216,183	-	-	(324,611)	(324,611)	496,749	496,749	-	-
2021	Texas RE				7,644,045	7,644,045	-	-	7,592,217	7,592,217	-	-	(97,735)	(97,735)	149,564	149,564	-	-
2021	WECC				16,588,169	14,113,483	2,168,424	306,262	16,740,646	14,017,791	2,422,510	300,346	(180,453)	(180,453)	27,976	276,145	(254,086)	5,917
Total					87,074,681	78,211,559	8,556,859	306,262	88,074,681	77,681,270	10,093,065	300,346	(1,000,000)	(1,000,000)	-	1,530,289	(1,536,206)	5,917

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2021	MRO	C-1473	Roosevelt County Electric Cooperative	U.S.	7,160	7,160	-	-	7,289	7,289	-	-	(130)	(130)	-	-	-	-	-	-	-	-	-		
2021	MRO	C-1236	Southern Minnesota Municipal Power Agency (SMMPA)	U.S.	114,496	114,496	-	-	116,573	116,573	-	-	(2,077)	(2,077)	-	-	-	-	-	-	-	-			
2021	MRO	C-1257	Southwestern Public Service Co. Xcel Energy (SPS)	U.S.	948,424	948,424	-	-	965,626	965,626	-	-	(17,202)	(17,202)	-	-	-	-	-	-	-	-			
2021	MRO	C-1256	Sunflower Electric Cooperative (SEC)	U.S.	192,630	192,630	-	-	196,124	196,124	-	-	(3,494)	(3,494)	-	-	-	-	-	-	-	-			
2021	MRO	C-1665	Upper Peninsula Power Co (UPPC)	U.S.	32,173	32,173	-	-	32,757	32,757	-	-	(584)	(584)	-	-	-	-	-	-	-	-			
2021	MRO	C-1714	Village of Cadott	U.S.	533	533	-	-	543	543	-	-	(10)	(10)	-	-	-	-	-	-	-	-			
2021	MRO	C-1260	Energy Kansas Central, Inc.	U.S.	998,731	998,731	-	-	1,016,845	1,016,845	-	-	(18,114)	(18,114)	-	-	-	-	-	-	-	-			
2021	MRO	C-1239	Western Area Power Administration Rocky Mountain Region (LM)	U.S.	1,845	1,845	-	-	1,878	1,878	-	-	(33)	(33)	-	-	-	-	-	-	-	-			
2021	MRO	C-1240	Western Area Power Administration Upper Great Plains (UM) (WA)	U.S.	370,860	370,860	-	-	377,586	377,586	-	-	(6,726)	(6,726)	-	-	-	-	-	-	-	-			
2021	MRO	C-1259	Western Farmers Electric Cooperative (WFEC)	U.S.	380,818	380,818	-	-	387,725	387,725	-	-	(6,907)	(6,907)	-	-	-	-	-	-	-	-			
2021	MRO	C-1501	West Texas Municipal Power Agency (WTMPA)	U.S.	5,051	5,051	-	-	5,143	5,143	-	-	(92)	(92)	-	-	-	-	-	-	-	-			
2021	MRO	C-1242	Wisconsin Public Power, Inc. (East and West regions) (WPP)	U.S.	214,082	214,082	-	-	217,965	217,965	-	-	(3,883)	(3,883)	-	-	-	-	-	-	-	-			
2021	MRO	C-1983	Wolverine Power Marketing Cooperative	U.S.	3,060	3,060	-	-	3,116	3,116	-	-	(56)	(56)	-	-	-	-	-	-	-	-			
2021	MRO	C-1244	Xcel Energy Company Northern States Power (NSP)	U.S.	1,742,801	1,742,801	-	-	1,774,410	1,774,410	-	-	(31,609)	(31,609)	-	-	-	-	-	-	-	-			
TOTAL MRO					20,507,276	18,324,279	2,182,997	-	20,839,623	18,656,626	2,182,997	-	2,186,604	(32,347)	(32,347)	-	-	-	-	-	-	-	-		
2021	NPCC	C-1336	New England	U.S.	4,796,397	4,796,397	-	-	4,442,491	4,442,491	-	-	(353,906)	(353,906)	3,485,500	3,485,500	-	-	-	-	-	-	-		
2021	NPCC	C-1339	New York	U.S.	6,173,310	6,173,310	-	-	1,846,012	1,846,012	-	-	(168,406)	(168,406)	4,495,704	4,495,704	-	-	-	-	-	-	-		
2021	NPCC	C-1337	Ontario	Canada	2,501,324	-	2,501,324	-	1,625,746	-	1,625,746	-	-	-	-	875,578	-	875,578	-	-	-	-			
2021	NPCC	C-1341	Quebec	Canada	3,877,929	-	3,877,929	-	2,255,619	-	2,255,619	-	-	-	-	1,622,310	-	1,622,310	-	-	-	-			
2021	NPCC	C-1572	Regie	Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	NPCC	C-1340	Hydro Quebec	Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	NPCC	C-1340	New Brunswick	Canada	488,376	-	488,376	-	172,020	-	172,020	-	-	-	-	316,356	-	316,356	-	-	-	-			
2021	NPCC	C-1340	Nova Scotia	Canada	302,702	-	302,702	-	134,693	-	134,693	-	-	-	-	168,009	-	168,009	-	-	-	-			
TOTAL NPCC					18,140,037	10,969,706	7,170,331	-	7,476,580	3,288,502	4,188,078	-	(300,000)	(300,000)	10,963,457	7,981,204	2,982,253	-	-	-	-	-			
2021	RF	C-1102	Cannelton Utilities	U.S.	364	364	-	-	424	424	-	-	(61)	(61)	-	-	-	-	-	-	-	-			
2021	RF	C-1106	City of Crosswell	U.S.	865	865	-	-	1,009	1,009	-	-	(144)	(144)	-	-	-	-	-	-	-	-			
2021	RF	C-1490	City of Lansing	U.S.	58,184	58,184	-	-	67,893	67,893	-	-	(9,709)	(9,709)	-	-	-	-	-	-	-	-			
2021	RF	C-1120	Cloverland Electric Cooperative	U.S.	20,159	20,159	-	-	23,523	23,523	-	-	(3,364)	(3,364)	-	-	-	-	-	-	-	-			
2021	RF	C-1122	CMS ERM Michigan LLC	U.S.	4,923	4,923	-	-	5,745	5,745	-	-	(822)	(822)	-	-	-	-	-	-	-	-			
2021	RF	C-1124	Constellation New Energy (MECS-CONS)	U.S.	53,815	53,815	-	-	62,795	62,795	-	-	(8,980)	(8,980)	-	-	-	-	-	-	-	-			
2021	RF	C-1123	Constellation New Energy (MECS-DET)	U.S.	62,166	62,166	-	-	72,540	72,540	-	-	(10,374)	(10,374)	-	-	-	-	-	-	-	-			
2021	RF	C-1126	Consumers Energy Company	U.S.	901,811	901,811	-	-	1,052,297	1,052,297	-	-	(150,486)	(150,486)	-	-	-	-	-	-	-	-			
2021	RF	C-1128	DTE Electric Company	U.S.	1,367,885	1,367,885	-	-	1,596,145	1,596,145	-	-	(228,260)	(228,260)	-	-	-	-	-	-	-	-			
2021	RF	C-1166	Duke Energy Indiana	U.S.	787,078	787,078	-	-	918,419	918,419	-	-	(131,340)	(131,340)	-	-	-	-	-	-	-	-			
2021	RF	C-1135	Ferdinand Municipal Light & Water	U.S.	1,307	1,307	-	-	1,526	1,526	-	-	(218)	(218)	-	-	-	-	-	-	-	-			
2021	RF	C-1646	Energy Harbor LLC (MECS-CONS)	U.S.	17,503	17,503	-	-	20,424	20,424	-	-	(2,921)	(2,921)	-	-	-	-	-	-	-	-			
2021	RF	C-1549	Energy Harbor LLC (MECS-DET)	U.S.	2,730	2,730	-	-	3,185	3,185	-	-	(456)	(456)	-	-	-	-	-	-	-	-			
2021	RF	C-1145	Hoosier Energy	U.S.	217,465	217,465	-	-	253,754	253,754	-	-	(36,289)	(36,289)	-	-	-	-	-	-	-	-			
2021	RF	C-1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	83,358	83,358	-	-	97,268	97,268	-	-	(13,910)	(13,910)	-	-	-	-	-	-	-	-			
2021	RF	C-1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	11,161	11,161	-	-	13,024	13,024	-	-	(1,863)	(1,863)	-	-	-	-	-	-	-	-			
2021	RF	C-1486	Indiana Municipal Power Agency (SIGE)	U.S.	15,631	15,631	-	-	18,239	18,239	-	-	(2,608)	(2,608)	-	-	-	-	-	-	-	-			
2021	RF	C-1149	Indianapolis Power & Light Co.	U.S.	372,246	372,246	-	-	440,197	440,197	-	-	(67,951)	(67,951)	-	-	-	-	-	-	-	-			
2021	RF	C-2050	Logansport Municipal Utility (LMU)	U.S.	11,649	11,649	-	-	13,593	13,593	-	-	(1,944)	(1,944)	-	-	-	-	-	-	-	-			
2021	RF	C-1666	Constellation New Energy (MIUP)	U.S.	9,222	9,222	-	-	10,761	10,761	-	-	(1,539)	(1,539)	-	-	-	-	-	-	-	-			
2021	RF	C-1614	Just Energy	U.S.	155	155	-	-	180	180	-	-	(26)	(26)	-	-	-	-	-	-	-	-			
2021	RF	C-1154	Michigan Public Power Agency	U.S.	104,196	104,196	-	-	121,583	121,583	-	-	(17,387)	(17,387)	-	-	-	-	-	-	-	-			
2021	RF	C-1155	Michigan South Central Power Agency	U.S.	20,742	20,742	-	-	24,203	24,203	-	-	(3,461)	(3,461)	-	-	-	-	-	-	-	-			
2021	RF	C-1163	Northern Indiana Public Service Co.	U.S.	454,672	454,672	-	-	530,544	530,544	-	-	(75,872)	(75,872)	-	-	-	-	-	-	-	-			
2021	RF	C-1164	Ontonagon County Rural Electrification Assoc.	U.S.	813	813	-	-	949	949	-	-	(136)	(136)	-	-	-	-	-	-	-	-			
2021	RF	C-1265	PJM Interconnection, LLC	U.S.	18,506,252	18,506,252	-	-	21,594,409	21,594,409	-	-	(3,088,156)	(3,088,156)	-	-	-	-	-	-	-	-			
2021	RF	C-1172	Calpine Energy Solutions, LLC (MECS-CONS)	U.S.	9,894	9,894	-	-	11,545	11,545	-	-	(1,651)	(1,651)	-	-	-	-	-	-	-	-			
2021	RF	C-1171	Calpine Energy Solutions, LLC (MECS-DET)	U.S.	17,152	17,152	-	-	20,014	20,014	-	-	(2,862)	(2,862)	-	-	-	-	-	-	-	-			
2021	RF	C-1176	Direct Energy	U.S.	734	734	-	-	856	856	-	-	(122)	(122)	-	-	-	-	-	-	-	-			
2021	RF	C-1174	Direct Energy	U.S.	25,799	25,799	-	-	30,104	30,104	-	-	(4,305)	(4,305)	-	-	-	-	-	-	-	-			
2021	RF	C-1581	Spartan Renewable Energy	U.S.	4,054	4,054	-	-	4,730	4,730	-	-	(676)	(676)	-	-	-	-	-	-	-	-			
2021	RF	C-1985	Spartan Renewable Energy (MI UP)	U.S.	2,191	2,191	-	-	2,556	2,556	-	-	(365)	(365)	-	-	-	-	-	-	-	-			
2021	RF	C-1180	Thumb Electric Cooperative	U.S.	5,687	5,687	-	-	6,636	6,636	-	-	(949)	(949)	-	-	-	-	-	-	-	-			
2021	RF	C-2074	Union City Michigan	U.S.	418	418	-	-	487	487	-	-	(70)	(70)	-	-	-	-	-	-	-	-			
2021	RF	C-2027	Upper Michigan Energy Resources	U.S.	55,007	55,007	-	-	64,186	64,186	-	-	(9,179)	(9,179)	-	-	-	-	-	-	-	-			
2021	RF	C-1181	Vectren, a CenterPoint Energy Company	U.S.	138,148	138,148	-	-	161,201	161,201	-	-	(23,053)	(23,05											

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC CORC Program			WECC Compliance Assessments (ex.AES0)				WIRAB Assessments													
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Total	US	Canada	Mexico	Total	US	Canada	Mexico										
2021	SERC	C-1561	Public Service Commission of Yazoo City of Mississippi	U.S.	2,360	2,360	-	-	2,476	2,476	-	-	(116)	(116)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1654	Sikeston Board of Municipal Utilities	U.S.	7,950	7,950	-	-	8,342	8,342	-	-	(392)	(392)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1074	Alachua, City of	U.S.	2,662	2,662	-	-	2,793	2,793	-	-	(131)	(131)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1075	Bartow, City of	U.S.	6,100	6,100	-	-	6,401	6,401	-	-	(301)	(301)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1076	Chattahoochee, City of	U.S.	760	760	-	-	797	797	-	-	(37)	(37)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1078	Florida Power & Light Co.	U.S.	2,512,922	2,512,922	-	-	2,636,812	2,636,812	-	-	(123,890)	(123,890)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1079	Florida Public Utilities Company	U.S.	7,306	7,306	-	-	7,666	7,666	-	-	(360)	(360)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1080	Gainesville Regional Utilities	U.S.	39,178	39,178	-	-	41,110	41,110	-	-	(1,932)	(1,932)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1081	Homestead, City of	U.S.	14,996	14,996	-	-	15,735	15,735	-	-	(739)	(739)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1082	JEK	U.S.	251,736	251,736	-	-	264,147	264,147	-	-	(12,411)	(12,411)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1083	Lakeland Electric	U.S.	62,030	62,030	-	-	65,088	65,088	-	-	(3,058)	(3,058)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1626	Lee County Electric Cooperative, Inc	U.S.	90,663	90,663	-	-	95,132	95,132	-	-	(4,470)	(4,470)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1661	City of Lake Worth	U.S.	9,491	9,491	-	-	9,959	9,959	-	-	(468)	(468)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021	SERC	C-1084	Mount Dora, City of	U.S.	1,875	1,875	-	-	1,967	1,967	-	-	(92)	(92)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1085	New Smyrna Beach, Utilities Commission of	U.S.	9,380	9,380	-	-	9,843	9,843	-	-	(462)	(462)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1086	Orlando Utilities Commission	U.S.	152,844	152,844	-	-	160,379	160,379	-	-	(7,535)	(7,535)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1087	Duke Energy Florida	U.S.	785,822	785,822	-	-	824,564	824,564	-	-	(38,742)	(38,742)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1088	Quincy, City of	U.S.	3,054	3,054	-	-	3,204	3,204	-	-	(151)	(151)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1089	Reedy Creek Improvement District	U.S.	22,419	22,419	-	-	23,525	23,525	-	-	(1,105)	(1,105)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1090	St. Cloud, City of (OUC)	U.S.	17,981	17,981	-	-	18,868	18,868	-	-	(886)	(886)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1091	Tallahassee, City of	U.S.	54,301	54,301	-	-	56,978	56,978	-	-	(2,677)	(2,677)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1092	Tampa Electric Company	U.S.	422,233	422,233	-	-	443,049	443,049	-	-	(20,817)	(20,817)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1093	Wauchula, City of	U.S.	1,348	1,348	-	-	1,414	1,414	-	-	(66)	(66)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1094	Williston, City of	U.S.	709	709	-	-	744	744	-	-	(35)	(35)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1095	Winter Park, City of	U.S.	9,357	9,357	-	-	9,818	9,818	-	-	(461)	(461)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1072	Florida Municipal Power Agency	U.S.	139,268	139,268	-	-	146,134	146,134	-	-	(6,866)	(6,866)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	SERC	C-1073	Seminole Electric Cooperative	U.S.	311,987	311,987	-	-	327,369	327,369	-	-	(15,381)	(15,381)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
TOTAL SERC					26,192,877	26,192,877	-	-	27,484,214	27,484,214	-	-	(1,291,337)	(1,291,337)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	Texas RE	C-1019	ERCOT	U.S.	17,155,278	17,155,278	-	-	17,731,466	17,731,466	-	-	(576,188)	(576,188)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
TOTAL ERCOT					17,155,278	17,155,278	-	-	17,731,466	17,731,466	-	-	(576,188)	(576,188)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	WECC		Alberta Electric System Operator	Canada	1,056,585	-	1,056,585	-	2,157,636	-	2,157,636	-	-	-	-	-	-	-	-	(1,148,561)	-	(1,148,561)	-	-	-	47,510	-	47,510	-	-	-	-	-	-	
2021	WECC		British Columbia Hydro & Power Authority	Canada	2,467,670	-	2,467,670	-	2,323,860	-	2,323,860	-	-	-	-	-	-	-	-	92,640	-	92,640	-	-	-	51,170	-	51,170	-	-	-	-	-	-	
2021	WECC		Centro Nacional de Control de Energia Mexico	Mexico	590,005	-	-	590,005	555,621	-	-	555,621	-	-	-	-	-	-	-	22,150	-	-	22,150	-	-	12,234	-	-	-	-	-	-	-	12,234	
2021	WECC		Aguila Irrigation District - APS	U.S.	914	914	-	-	1,453	1,453	-	-	(629)	(629)	-	-	-	-	58	58	-	-	-	-	32	32	-	-	-	-	-	-	-	-	
2021	WECC		Aha Macav Power Service	U.S.	501	501	-	-	796	796	-	-	(344)	(344)	-	-	-	-	32	32	-	-	-	-	18	18	-	-	-	-	-	-	-	-	
2021	WECC		Ajo Improvement District	U.S.	247	247	-	-	393	393	-	-	(170)	(170)	-	-	-	-	16	16	-	-	-	-	9	9	-	-	-	-	-	-	-	-	
2021	WECC		Arizona Electric Power Cooperative, Inc	U.S.	83,235	83,235	-	-	132,272	132,272	-	-	(57,223)	(57,223)	-	-	-	-	5,273	5,273	-	-	-	-	2,913	2,913	-	-	-	-	-	-	-	-	
2021	WECC		Arizona Public Service Company	U.S.	668,377	668,377	-	-	1,062,151	1,062,151	-	-	(459,504)	(459,504)	-	-	-	-	42,342	42,342	-	-	-	-	23,388	23,388	-	-	-	-	-	-	-	-	
2021	WECC		Arkansas River Power Authority (ARPA)	U.S.	5,736	5,736	-	-	9,115	9,115	-	-	(3,943)	(3,943)	-	-	-	-	363	363	-	-	-	-	201	201	-	-	-	-	-	-	-	-	
2021	WECC		Avangrid Renewables	U.S.	2,627	2,627	-	-	4,175	4,175	-	-	(1,806)	(1,806)	-	-	-	-	166	166	-	-	-	-	92	92	-	-	-	-	-	-	-	-	
2021	WECC		Avista Corporation	U.S.	218,222	218,222	-	-	346,788	346,788	-	-	(150,026)	(150,026)	-	-	-	-	13,825	13,825	-	-	-	-	7,636	7,636	-	-	-	-	-	-	-	-	
2021	WECC		Barrick Goldstrike Mines Inc.	U.S.	30,773	30,773	-	-	48,902	48,902	-	-	(21,156)	(21,156)	-	-	-	-	1,949	1,949	-	-	-	-	1,077	1,077	-	-	-	-	-	-	-	-	
2021	WECC		Basin Electric Power Cooperative - NorthWestern	U.S.	19,572	19,572	-	-	31,102	31,102	-	-	(13,455)	(13,455)	-	-	-	-	1,240	1,240	-	-	-	-	685	685	-	-	-	-	-	-	-	-	
2021	WECC		Basin Electric Power Cooperative - WACM	U.S.	49,748	49,748	-	-	79,057	79,057	-	-	(34,201)	(34,201)	-	-	-	-	3,152	3,152	-	-	-	-	1,741	1,741	-	-	-	-	-	-	-	-	
2021	WECC		Basin Electric Power Cooperative - WACW	U.S.	3,656	3,656	-	-	5,810	5,810	-	-	(2,513)	(2,513)	-	-	-	-	232	232	-	-	-	-	128	128	-	-	-	-	-	-	-	-	
2021	WECC		Beartooth Electric Cooperative	U.S.	1,911	1,911	-	-	3,038	3,038	-	-	(1,314)	(1,314)	-	-	-	-	121	121	-	-	-	-	67	67	-	-	-	-	-	-	-	-	
2021	WECC		Big Horn County Electric Cooperative	U.S.	1,634	1,634	-	-	2,596	2,596	-	-	(1,123)	(1,123)	-	-	-	-	104	104	-	-	-	-	57	57	-	-	-	-	-	-	-	-	
2021	WECC		Black Hills Energy	U.S.	46,219	46,219	-	-	73,449	73,449	-	-	(31,775)	(31,775)	-	-	-	-	2,928	2,928	-	-	-	-	1,617	1,617	-	-	-	-	-	-	-	-	
2021	WECC		Black Hills Power	U.S.	100,348	100,348	-	-	159,468	159,468	-	-	(68,989)	(68,989)	-	-	-	-	6,357	6,357	-	-	-	-	3,511	3,511	-	-	-	-	-	-	-	-	
2021	WECC		Black Hills State University South Dakota	U.S.	381	381	-	-	606	606	-	-	(262)	(262)	-	-	-	-	24	24	-	-	-	-	13	13	-	-	-	-	-	-	-	-	
2021	WECC		Bonneville Power Administration-Transmission	U.S.	1,256,189	1,256,189	-	-	1,996,274	1,996,274	-	-	(863,621)	(863,621)	-	-	-	-	79,581	79,581	-	-	-	-	43,957	43,957	-	-	-	-	-	-	-	-	
2021	WECC		Bonneville Power Administration-Power Services	U.S.	150,512	150,512	-	-	239,186	239,186	-	-	(103,476)	(103,476)	-	-	-	-	9,535	9,535	-	-													

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

APPENDIX 2-D

Data Year	Regional Entity	NERC ID	Entity	Country	Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC CORC Program			WECC Compliance Assessments (ex.AES0)				WIRAB Assessments															
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Total	US	Canada	Mexico	Total	US	Canada	Mexico												
2021	WECC		Electrical District No. 6 of Pinal County - APS	U.S.	2	2	-	-	4	4	-	-	(2)	(2)	-	-	-	0	0	-	-	0	0	-	-	-	-	-	-	-	-	-	-				
2021	WECC		Electrical District No. 7 of Maricopa County - APS	U.S.	1,058	1,058	-	-	1,681	1,681	-	-	(727)	(727)	-	-	-	67	67	-	-	37	37	-	-	-	-	-	-	-	-	-					
2021	WECC		Electrical District No. 8 of Maricopa County - APS	U.S.	9,704	9,704	-	-	15,422	15,422	-	-	(6,672)	(6,672)	-	-	-	615	615	-	-	340	340	-	-	-	-	-	-	-	-	-	-				
2021	WECC		Francis E. Warren Air Force Base	U.S.	505	505	-	-	803	803	-	-	(347)	(347)	-	-	-	32	32	-	-	18	18	-	-	-	-	-	-	-	-	-	-				
2021	WECC		Georgia-Pacific Gypsum, LLC	U.S.	542	542	-	-	861	861	-	-	(372)	(372)	-	-	-	34	34	-	-	19	19	-	-	-	-	-	-	-	-	-	-	-			
2021	WECC		Grand Valley Power	U.S.	5,890	5,890	-	-	9,361	9,361	-	-	(4,050)	(4,050)	-	-	-	373	373	-	-	206	206	-	-	-	-	-	-	-	-	-	-	-			
2021	WECC		Harquahala Valley Power Districts - APS	U.S.	2,578	2,578	-	-	4,096	4,096	-	-	(1,772)	(1,772)	-	-	-	163	163	-	-	90	90	-	-	-	-	-	-	-	-	-	-	-			
2021	WECC		Holy Cross Energy	U.S.	12,826	12,826	-	-	20,382	20,382	-	-	(8,818)	(8,818)	-	-	-	813	813	-	-	449	449	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		Idaho Power Company	U.S.	372,319	372,319	-	-	591,671	591,671	-	-	(255,967)	(255,967)	-	-	-	23,587	23,587	-	-	13,028	13,028	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		Imperial Irrigation District	U.S.	86,282	86,282	-	-	137,115	137,115	-	-	(59,318)	(59,318)	-	-	-	5,466	5,466	-	-	3,019	3,019	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		Jicarilla Apache Nation Power Authority	U.S.	543	543	-	-	863	863	-	-	(373)	(373)	-	-	-	34	34	-	-	19	19	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	6,421	6,421	-	-	10,204	10,204	-	-	(4,414)	(4,414)	-	-	-	407	407	-	-	225	225	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		Kit Carson Electric Inc	U.S.	6,690	6,690	-	-	10,632	10,632	-	-	(4,600)	(4,600)	-	-	-	424	424	-	-	234	234	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		Las Vegas Valley Water District	U.S.	2,676	2,676	-	-	4,253	4,253	-	-	(1,840)	(1,840)	-	-	-	170	170	-	-	94	94	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		Los Angeles Department of Water and Power	U.S.	570,129	570,129	-	-	906,021	906,021	-	-	(391,960)	(391,960)	-	-	-	36,118	36,118	-	-	19,950	19,950	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		Maricopa County Municipal Water Conservation Dist No. 1 - APS	U.S.	1,008	1,008	-	-	1,602	1,602	-	-	(693)	(693)	-	-	-	64	64	-	-	35	35	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		McMullen Valley Water Conservation & Drainage District - APS	U.S.	3,546	3,546	-	-	5,635	5,635	-	-	(2,438)	(2,438)	-	-	-	225	225	-	-	124	124	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		Merced Irrigation District	U.S.	11,945	11,945	-	-	18,983	18,983	-	-	(8,212)	(8,212)	-	-	-	757	757	-	-	418	418	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		MGM Resorts Design and Development	U.S.	17,201	17,201	-	-	27,335	27,335	-	-	(11,826)	(11,826)	-	-	-	1,090	1,090	-	-	602	602	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Modesto Irrigation District	U.S.	61,143	61,143	-	-	97,165	97,165	-	-	(42,035)	(42,035)	-	-	-	3,873	3,873	-	-	2,140	2,140	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Montana-Dakota Utilities Co.	U.S.	445	445	-	-	707	707	-	-	(306)	(306)	-	-	-	28	28	-	-	16	16	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		Mt. Wheeler Power	U.S.	13,638	13,638	-	-	21,672	21,672	-	-	(9,376)	(9,376)	-	-	-	864	864	-	-	477	477	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Municipal Energy Agency of Nebraska - PSCO	U.S.	4,487	4,487	-	-	7,130	7,130	-	-	(3,085)	(3,085)	-	-	-	284	284	-	-	157	157	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Municipal Energy Agency of Nebraska - WACM	U.S.	14,659	14,659	-	-	23,296	23,296	-	-	(10,078)	(10,078)	-	-	-	929	929	-	-	513	513	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Navajo Tribal Utility Authority - APS	U.S.	1,056	1,056	-	-	1,678	1,678	-	-	(726)	(726)	-	-	-	67	67	-	-	37	37	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Navajo Tribal Utility Authority - PNM	U.S.	5,112	5,112	-	-	8,124	8,124	-	-	(3,515)	(3,515)	-	-	-	324	324	-	-	179	179	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Navajo Tribal Utility Authority - WACM	U.S.	6,490	6,490	-	-	10,314	10,314	-	-	(4,462)	(4,462)	-	-	-	411	411	-	-	227	227	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Nebraska Public Power Marketing	U.S.	81	81	-	-	129	129	-	-	(56)	(56)	-	-	-	5	5	-	-	3	3	-	-	-	-	-	-	-	-	-	-	-	-		
2021	WECC		Needles Public Utilities Authority	U.S.	1,246	1,246	-	-	1,981	1,981	-	-	(857)	(857)	-	-	-	79	79	-	-	44	44	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Nevada Power Company dba NV Energy	U.S.	726,056	726,056	-	-	1,153,812	1,153,812	-	-	(499,158)	(499,158)	-	-	-	45,996	45,996	-	-	25,406	25,406	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	217,257	217,257	-	-	345,254	345,254	-	-	(149,363)	(149,363)	-	-	-	13,763	13,763	-	-	7,602	7,602	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC - WAUW	U.S.	6,620	6,620	-	-	10,520	10,520	-	-	(4,551)	(4,551)	-	-	-	419	419	-	-	232	232	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Okoganan PUD	U.S.	14,818	14,818	-	-	23,548	23,548	-	-	(10,187)	(10,187)	-	-	-	939	939	-	-	519	519	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Overton Power District No. 5	U.S.	9,427	9,427	-	-	14,980	14,980	-	-	(6,481)	(6,481)	-	-	-	597	597	-	-	330	330	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		PacificCorp	U.S.	1,153,487	1,153,487	-	-	1,833,064	1,833,064	-	-	(793,014)	(793,014)	-	-	-	73,074	73,074	-	-	40,363	40,363	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	WECC		PacificCorp - IPC	U.S.	48	48	-	-	76	76	-	-	(33)	(33)	-	-	-	3	3	-	-	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		PacificCorp - Portland General	U.S.	78	78	-	-	124	124	-	-	(54)	(54)	-	-	-	3	3	-	-	3	3	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		PacificCorp - WACM	U.S.	2,349	2,349	-	-	3,733	3,733	-	-	(1,615)	(1,615)	-	-	-	149	149	-	-	82	82	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		PacificCorp West	U.S.	488,343	488,343	-	-	776,050	776,050	-	-	(335,732)	(335,732)	-	-	-	30,937	30,937	-	-	17,088	17,088	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Pend Oreille County PUD No. 1	U.S.	6,779	6,779	-	-	10,773	10,773	-	-	(4,660)	(4,660)	-	-	-	429	429	-	-	237	237	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Peppermill Hotel Casino	U.S.	1,137	1,137	-	-	1,807	1,807	-	-	(782)	(782)	-	-	-	72	72	-	-	40	40	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Platte River Power Authority	U.S.	73,214	73,214	-	-	116,349	116,349	-	-	(50,334)	(50,334)	-	-	-	4,638	4,638	-	-	2,562	2,562	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	WECC		Portland General Electric Company	U.S.	422,421	422,421	-	-	671,291																												

2021 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2023 NERC and RE Assessments

Data Year	Regional Entity	NERC ID	Entity	Country	Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments												
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Total	US	Canada	Mexico	Total	US	Canada	Mexico									
Current Year NEL Summary by Regional Entity																																		
2021	MRO				20,507,276	18,324,279	2,182,997	-	20,839,623	18,656,626	2,182,997	-	(332,347)	(332,347)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	NPCC				18,140,037	10,969,706	7,170,331	-	7,476,580	3,288,502	4,188,078	-	(300,000)	(300,000)	10,963,457	7,981,204	2,982,253	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2021	RF				24,620,339	24,620,339	-	-	28,728,759	28,728,759	-	-	(4,108,420)	(4,108,420)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	SERC				26,192,877	26,192,877	-	-	27,484,214	27,484,214	-	-	(1,291,337)	(1,291,337)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	Texas RE				17,155,278	17,155,278	-	-	17,731,466	17,731,466	-	-	(576,188)	(576,188)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	WECC				20,432,457	16,318,197	3,524,255	590,005	30,969,183	25,932,065	4,481,497	555,621	(11,218,646)	(11,218,646)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total				127,048,264	113,580,677	12,877,582	590,005	133,229,825	121,821,633	10,852,571	555,621	(17,826,938)	(17,826,938)	10,963,457	7,981,204	2,982,253	-	1,033,772	(1,055,921)	22,150	681,920	571,006	98,679	12,234	681,920	571,006	98,679	12,234	12,234	12,234	12,234	12,234	

DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 3

MIDWEST RELIABILITY ORGANIZATION

PROPOSED 2023 BUSINESS PLAN AND BUDGET



Midwest Reliability Organization

2023 Business Plan and Budget

Approved by MRO Board of Directors: June 23, 2022

TABLE OF CONTENTS

Introduction

- Organizational Overview 3
- Membership and Governance 5
- Business Plan and Budget Development..... 6
- Organizational Structure and Staffing 7
- 2022 Key Strategic Goals and Supporting Activities 9
- ERO Enterprise Long-Term Strategy 10
- 2022 Overview of Cost Impacts 12
- Comparison of 2022 and 2021 Statutory Budgets 14

Section A – Statutory Programs 18

- Reliability Standards Program 18
- Compliance Monitoring and Enforcement Program..... 21
- Compliance Monitoring and Enforcement Program Budget Detail 23
- Reliability Analysis and Organization Registration Program..... 24
- Training and Education Budget Detail..... 29
- Situation Awareness and Infrastructure Security Program 30
- Situation Awareness and Infrastructure Security Budget Detail 32
- Administrative Services 33
- General and Administrative 34
- General and Administrative Budget Detail 35
- Legal 36
- Legal Budget Detail 37
- Information Technology 38
- Information Technology Budget Detail 39
- Human Resources..... 40
- Human Resources Budget Detail..... 42
- Finance and Accounting 43
- Finance, and Accounting Budget Detail 44

Section B – Supplemental Financial Information 46

- Reserve Balance 46
- Breakdown by Statement of Activity Sections 47
- Penalty Sanctions..... 47

Section C – Non-Statutory Activities..... 60

- 2022 Non-Statutory Business Plan and Budget 60

Section D – Additional Consolidated Financial Statements 62

2022 Consolidated Statement of Activities by Program, Statutory and Non-Statutory62
Statement of Financial Position63
Appendix A
 Organization Chart64
Appendix B
 Acronyms.....65
Appendix C
 Index of Figures and Tables67

Introduction

The following table summarizes the 2023 Midwest Reliability Organization (MRO) budget.

TOTAL RESOURCES (in whole dollars)				
	2023 Budget	U.S.	Canada	Mexico
Statutory FTEs	78.00			
Non-statutory FTEs				
Total FTEs	78.00			
Statutory Expenses	\$ 22,833,869			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 22,833,869			
Statutory Inc(Dec) in Fixed Assets	\$ 248,500			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 248,500			
Assessment Stabilization Adjustment	\$ (2,575,094)			
Non-Statutory Stabilization Adjustment				
Total Assessment Stabilization Adjustment	\$ (2,575,094)			
Total Statutory Funding Requirement	\$ 20,507,276			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 20,507,276			
Statutory Funding Assessments	\$ 20,507,276	\$ 18,324,279	\$ 2,182,997	-
Non-Statutory Fees				
NEL	497,426,188	445,319,688	52,106,500	-
NEL%	100.00%	89.52%	10.48%	0.00%

Table 1. MRO 2023 Budget

Organizational Overview

MRO is a Delaware nonprofit¹ corporation that is a cross-border Regional Entity² operating under a delegation agreement (Delegation Agreement) with the North American Electric Reliability Corporation (NERC)³ and in accordance with the MRO Bylaws. The MRO region

¹ MRO is tax exempt under Internal Revenue Service Section 501(c)(3) and under applicable State of Minnesota provisions.

² 16 U.S.C. § 824o(a)(7)

³ The Commission certified NERC as the Electric Reliability Organization (ERO) in accordance with Section 215 of the Federal Power Act on July 20, 2006. *N. Am. Elec. Reliability Corp.*, 116 FERC ¶ 61, 062 (2006) (“ERO Certification Order”), *order on reh’g and compliance*, 117 FERC ¶ 61, 126 (2006), *aff’d sub nom. Alcoa Inc. v. FERC*, 564 F.3d 342 (D.C. Cir. 2009).

covers central North America and includes all or portions of 16 states within the United States,⁴ and the Canadian provinces of Saskatchewan and Manitoba. MRO's current Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC)⁵ pursuant to FERC's authority under the Federal Power Act (FPA)⁶ and is effective through December 31, 2025.

MRO's vision is:

"A highly reliable and secure North American bulk power system."

MRO's mission is:

"To identify, prioritize and assure effective and efficient mitigation of risks to the reliability and security of the North American bulk power system by promoting Highly Effective Reliability Organizations® (HEROs)."

MRO's vision and mission align with, and support, the Electric Reliability Organization (ERO) Enterprise's⁷ vision and mission.⁸

Further, MRO supports the ERO Enterprise Long-Term Strategy.⁹ Working closely with registered entities and subject matter experts in the region, MRO continually identifies and assesses risks to reliability and security of the regional bulk power system. Region-specific activities to support the direction of the ERO Enterprise and address regional risks are reflected in MRO's 2022-2024 Strategic Plan (MRO Strategic Plan).

In the MRO Strategic Plan, MRO adopted the ERO Enterprise Core Principles¹⁰ to guide its conduct and behaviors.

MRO Core Principles

We are accountable for results, providing clarity and assurance of procedures, processes and controls to improve the reliability of the bulk power system. The following core principles guide our conduct and behavior:

- **Accountability**
 - *Maintain the public trust in fulfilling responsibilities and use our funding wisely.*
 - *Act in a timely manner on the basis of facts to address issues related to events, emerging reliability risks, the needs of stakeholders, and the public interest.*
- **Independence**

⁴ The MRO Region covers the states of Iowa, Kansas, Nebraska, Minnesota, North Dakota, and Oklahoma; and portions of Arkansas, Illinois, Louisiana, Michigan, Missouri, Montana, New Mexico, South Dakota, Texas, and Wisconsin.

⁵ *Order Conditionally Approving Revised Pro Forma Delegation Agreement and Revised Delegation Agreements with Regional Entities*, 173 FERC ¶61,277 (December 2020).

⁶ 16 U.S.C. 824 o (e)(4)

⁷ The ERO Enterprise refers to NERC and the Regional Entities collectively.

⁸ MRO expands upon the ERO Enterprise mission statement *"To assure the effective and efficient reduction of risks to the reliability and security of the grid"* adding the concepts of identifying and prioritizing mitigation of risks and to include the High Reliability Organization (HRO) theory and principles, which MRO brands as "HERO." Although this is not explicitly included in the ERO Enterprise mission statement, NERC also promotes the HRO theory.

⁹ ERO Enterprise Long-Term Strategy as approved by the NERC Board of Trustees December 12, 2019.

¹⁰ MRO made three additions in keeping with the ERO Enterprise Core Principles: 1) the addition of accountability for clarity, assurance, and results; 2) an addition to articulate using funding wisely; and 3) a description of how to strive for operational excellence.

- *Be impartial, objective, fair, and intellectually honest.*
- *Ensure governance practices that provide both regulatory independence and inclusion of stakeholder expertise to address reliability and security matters.*
- ***Inclusiveness and Transparency***
 - *Create opportunities for stakeholder engagement.*
 - *Consider and balance the diverse interests of all stakeholders, including costs imposed to the consumer.*
 - *Leverage industry expertise and avoid unnecessary duplication.*
- ***Innovation***
 - *Assess emerging risks and adapt to change.*
 - *Encourage new ideas and prioritize efforts that contribute to improving productivity and reliable operations.*
- ***Excellence***
 - *Strive for operational excellence by being rigorous, accurate, and exacting.*
 - *Promote the active participation of the best technical experts.*
 - *Make informed decisions regarding efficient use and allocation of resources.*
- ***Integrity***
 - *Maintain the highest levels of ethical conduct.*
 - *Maintain respectful relationships.*
 - *Protect the security of confidential information.*

Membership and Governance

MRO membership¹¹ consists of members and adjunct members. As of April 2022, MRO had 93 members, nine of which are non-voting, adjunct members. Each voting member organization belongs to one of seven industry sectors:

- Transmission System Operator
- Generator and/or Power Marketer
- Investor Owned Utility
- Cooperative
- Municipal Utility
- Federal Power Marketing Agency
- Canadian Utility

MRO's Board of Directors is a hybrid board consisting of a combination of independent and balanced stakeholder board members. The MRO Board consists of 17 stakeholder directors elected by members from the seven industry sectors, plus 4 independent directors and 2 regional directors elected by all members. Pursuant to MRO's Bylaws, no two industry sectors can control a vote. In addition, the board has adopted procedures to ensure it carries out its responsibilities free of conflicts of interest.

The board has three committees that provide functional oversight of MRO's operations:

- Finance and Audit Committee (FAC)
- Governance and Personnel Committee (GPC)
- Organizational Group Oversight Committee (OGOC)

The board has established three advisory councils comprised of stakeholder members:

- Compliance Monitoring and Enforcement Program Advisory Council (CMEPAC)

¹¹ Membership is voluntary and provides members with voting rights. There is no fee for membership.

- Reliability Advisory Council (RAC)
- Security Advisory Council (SAC)

The advisory councils are comprised of industry subject matter experts from MRO member companies tasked with identifying risks to the reliability and security of the regional bulk power system, developing mitigation strategies, and expanding outreach efforts to help registered entities become more aware of and reduce risk to their individual systems. In addition to producing educational material for the region in the form of newsletter articles and webinars, each of the advisory councils is responsible for one major outreach conference annually. The advisory councils also contribute to MRO's annual Regional Risk Assessment.

Each advisory council may have subgroups that it oversees. All organizational group charters are published on MRO's website. Board-approved *Policy and Procedure 3: Establishment, Responsibilities, and Procedures of Organizational Groups and MRO Sponsored Representatives on NERC Organizational Groups* sets out the processes for the organizational groups and MRO sponsored NERC Representatives. The three most active subgroups are the NERC Standards Review Forum (NSRF), which meets weekly to discuss ongoing NERC Standards projects, the Protective Relay Subgroup (PRS), which focuses on protection system misoperations and reviews power system events in the Region, and the Security Advisory Council Threat Forum (SACTF), which meets weekly in a trusted forum with Electricity - Information Sharing and Analysis Center (E-ISAC) staff to discuss timely threat information for the power industry.

The advisory councils also work with MRO staff and the MRO Board's OGOC to interface with NERC technical committees to ensure awareness and avoid duplication of efforts. MRO sponsors staff from member companies to participate in NERC technical committee meetings that are focused on risks most material to the MRO region. MRO reimburses the travel cost for those sponsored representatives, and the representatives report back in to one of MRO's advisory councils. Each sponsored representative is also assigned an MRO staff member to assist with these efforts. MRO also reimburses travel costs associated with participation on MRO organizational groups.

Business Plan and Budget Development

Each year, MRO prepares a Business Plan and Budget for the following calendar year. The Business Plan and Budget takes into account the ERO Enterprise Long-Term Strategy and the MRO Strategic Plan. MRO staff develops the Business Plan and Budget with board and stakeholder input. The Business Plan and Budget process is a coordinated effort with NERC and the other Regional Entities.

NERC and the Regional Entities implement revisions to the Statement of Activities (SOA) report from time-to-time to address compliance with changing accounting standards in accordance with General Accepted Accounting Principles (GAAP). The report is also presented in a fashion that improves the effectiveness of the report to the reader and to provide a total budget amount that more closely reflects the amount of annual revenues required from assessments and other funding sources.

The draft Business Plan and Budget is reviewed by the MRO FAC and the board, and is subsequently posted for stakeholder comment. After consideration of stakeholder comments, but prior to obtaining final approval from its board of directors, MRO seeks NERC input. The MRO Board considers the final version of the Business Plan and Budget at its second quarter meeting, and upon approval, staff submits it to NERC for approval by NERC's Board of

Trustees. Upon approval of NERC's Business Plan and Budget and all six Regional Entities' Business Plans and Budgets, a filing is submitted to FERC for approval, which is typically obtained in October or November of the year preceding the budget year.

Financial Policies and Controls

MRO adheres to internal financial controls and policies that govern its financial stewardship and guide its financial practices. MRO's board-approved *Policy and Procedure 12: General Finance* is used to guide prudent and sound judgement in managing the financial and physical resources of MRO.

In addition to its operating expenses, MRO's budget includes a cash reserve as specified in *Policy and Procedure 13: Reserves Policy*.

Accounting and Recordkeeping

MRO uses GAAP to consistently record its financial transactions, and uses a Chart of Accounts based on NERC's System of Accounts, as required in the Delegation Agreement. Additionally, MRO maintains an accounting manual to provide instructions to accounting staff on accounting transactions and functions. MRO maintains its books on an accrual basis with monthly closings, recognizing revenues when earned and expenses when incurred. The majority of MRO expenses are labor and benefit costs. General and Administrative costs are allocated to each MRO statutory program area based on the number of full-time equivalents (FTEs) in each statutory program area.

Organizational Structure and Staffing

MRO has five statutory departments, each of which is dedicated to one or more statutory function or program area, and five general and administrative departments. Each of the statutory departments also contributes to the Training and Education program, which provides outreach to MRO registered entities and stakeholders through MRO's newsletter and publications, workshops, webinars and conferences, as well as presentation opportunities at other industry events.

Statutory Programs and Departments

- The Compliance Monitoring Department encompasses MRO's oversight activities (including the development of Compliance Oversight Plans (COPs)) and conducts oversight activities such as audits, spot checks, and self-certifications. This department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.
- MRO's Risk Assessment and Mitigation (RAM) Department is responsible for providing an independent review of all identified potential noncompliances in the MRO region. RAM assesses the risk that potential noncompliances pose to the bulk power system and ensures that mitigation activities not only address the immediate issue, but also prevent recurrence. The department also has oversight of the Reliability Standards Program, which is responsible for monitoring NERC Reliability Standards projects, supporting the NSRF, coordinating SME teams as necessary, and providing MRO representation in the balloting of standards. The RAM Department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.
- The Enforcement Department is responsible for the disposition and enforcement of noncompliance with NERC Reliability Standards and is managed by a director who reports to the Vice President, General Counsel and Corporate Secretary.

- The Reliability Analysis Department is responsible for reliability assessments, performance analysis, event analysis, situational awareness, and organization registration and certification. This department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.
- The Security Department focuses on activities to promote identification, assessment, mitigation, and communication of cyber, physical, and operational security risks to the North American bulk power system. This department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.

General and Administrative Departments

- The Information Technology (IT) Department is responsible for providing a secure network infrastructure and information technology systems that support the users. Systems include IT, cyber, and physical security. This department is managed by a director who reports to the Vice President and Engineer for Strategy, Innovation, and Finance.
- The Legal Department is responsible for providing advice to MRO on legal and regulatory matters. The department is led by the Vice President, General Counsel and Corporate Secretary who, along with the Assistant Corporate Secretary and Senior Counsel, provides legal advice to MRO. Internal and external MRO communication matters and industry outreach are overseen by a director who reports to the Vice President, General Counsel and Corporate Secretary.
- The Human Resource Department performs all employee-related functions, including benefits administration, recruitment, retention, and talent management. This department includes a director who reports to the Vice President, General Counsel and Corporate Secretary.
- The Finance and Accounting Department performs accounting, finance, budget, facilities management, internal compliance, ethics, and corporate risk management, and treasury functions and reports to the Vice President and Engineer for Strategy, Innovation, and Finance, who is also the Corporate Compliance Officer and Treasurer.
- The General and Administrative Department is led by MRO's President and CEO and performs corporate administrative functions.

2023 Key Strategic Goals and Supporting Activities

MRO's President and CEO has established three strategic priorities for MRO staff in 2023. The following strategic priorities support MRO's vision and mission and the ERO Enterprise Long-Term Strategy. They are forward-looking and serve to guide the key objective and support activities found within MRO's Strategic Plan:

- *Ensure that MRO remains an innovative, resilient, and high-performing organization with an increased emphasis on leadership development and culture;*
- *Drive operational excellence throughout MRO in all processes and procedures, while emphasizing effectiveness and efficiency; and*
- *Develop a nimble, adaptive, and collaborative culture that allows MRO to carry out its mission as a trusted and valued member of the ERO Enterprise.*

Priority 1:

Ensure that MRO remains an innovative, resilient, and high performing organization with an increased emphasis on leadership development and culture. The future of MRO relies upon developing the next generation of leaders that will continue to advance the organization's vision and mission. Improving staff training, creating career advancement and development

opportunities, focusing on soft skills (in addition to technical competency), and fostering a culture of diversity, equity and inclusion are objectives in this area.

Key Objectives:

1. Ensure continuous learning, growth, and career development opportunities.
2. Foster a culture of diversity, equity, inclusion, honesty, and trust through constructive feedback, empowerment, and clarity of roles.
3. Promote opportunities for cross-departmental and inter-ERO collaboration.
4. Formalize processes to ensure continuity of leadership and a skilled and engaged workforce.

Goals:

1. Refine performance review process to reflect current best practice.
2. Implement succession planning for directors and key positions.
3. Support staff's transition to hybrid work model by providing training and assessing effectiveness of MRO communication and collaboration tools.
4. Develop and implement a multifaceted leadership development program.

Priority 2:

Drive operational excellence throughout MRO in all processes and procedures, while emphasizing effectiveness and efficiency. Amazing results can be achieved through a mindset of continuous improvement and the ability to imagine an invented future. Leveraging the skills of futuristic thinkers at MRO, across the ERO, and within industry, is critical to addressing complex and evolving risk. Planning for the future must be integrated with delegated responsibilities and MRO's public trust obligation to be an effective and efficient regulator, and to use funding wisely.

Key Objectives

1. Focus on identifying, assessing, and mitigating corporate risks and ensure expenditure of resources are prioritized and appropriately deployed.
2. Foster a culture of continued improvement and innovation through forward thinking and futuristic visioning.
3. Leverage Key Performance Indicators (KPIs) to measure operational effectiveness.
4. Develop a process to assess and prioritize work.

Goals:

1. Establish a corporate risk management program.
2. Resource, develop and implement appropriate management action plans for NERC audits of MRO.
3. Implement an updated comprehensive data retention and classification program.
4. Establish innovation and a continuous improvement framework.
5. Evaluate processes and/or tools to assist with prioritization of work.

Priority 3:

Develop a nimble, adaptive, and collaborative culture that allows MRO to carry out its mission as a trusted and valued member of the ERO Enterprise. The electricity industry is facing numerous, dynamic challenges that require forward-thinking insight and analysis to develop and support initiatives that ensure a highly reliable and secure bulk power system into

the future. Increased coordination across all industry stakeholders, as well as other critical infrastructure sectors, is critical to MRO's success.

Key Objectives:

1. Focus on advanced methods for identifying, assessing, and actively mitigating new and emerging risks to the bulk power system and ensure resources are deployed appropriately.
2. Lead and support ERO transformation efforts.
3. Expand collaborative relationships with federal, state, and provincial regulators, independent system operators, industry leadership, and the broader reliability and security ecosystem.
4. Ensure security and confidentiality of our partners' data and information.
5. Increase capability to support mitigation of increasing frequency and sophistication of cyber risks for corporate and industry (ransomware, phishing, vulnerabilities, etc.).
6. Be a trusted leader in providing premier and cutting-edge outreach to our stakeholders.

Goals:

1. Lead effort to implement new ERO processes for prioritization of bulk power system risks.
2. Streamline/centralize stakeholder outreach program.
3. Expand outreach/external affair efforts to be a regional industry voice.
4. Implement at least one project focused on each high and extreme risk identified in the 2022 MRO RRA.

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American bulk power system. Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;

- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.

Building upon these commitments, the ERO Enterprise is now engaging in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



ERO Enterprise Strategic and Operational Planning

NERC and the Regional Entities are continually refining individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regional entities, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the ***ERO Enterprise Long-Term Strategy*** as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified bulk power system risks. This strategy, which was approved by the NERC Board of Trustees (Board) on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial ***ERO Reliability Risk Priorities Report***;
3. Build a strong E-ISAC based security capability;

4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities.

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each organization's Business Plan and Budget may reference how activities support each of the strategic focus areas.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.¹²

2023 Overview of Cost Impacts

In developing MRO's 2023 Business Plan and Budget (2023 BP&B), MRO used shared enterprise-wide assumptions, internal strategic assumptions, and risk assumptions. Prior to obtaining final approval from its board of directors, MRO seeks NERC input and review of its annual Business Plan and Budget, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

The MRO 2023 total budget (\$23.1M) increased by 15.2 percent from the 2022 total budget (\$20.0M). The 2023 statutory assessment (\$20.5M) represents a 15 percent increase from the 2022 assessment. In preceding years and as a result of the pandemic, significant draws of MRO's reserve balance were used to offset the variance between the budgeted expenditures and assessments in prior years. Increasing budget costs and fewer reserves results in higher assessments. MRO proposes to use the majority of its remaining assessment stabilization reserves to manage the variance between the budgeted expenditures and the assessments.

Other significant statutory expense changes (including capital expenditures) in the 2023 BP&B compared to the 2022 budget include:

- **Increase in FTEs.** An evaluation of MRO's personnel resources identified a need for seven additional staff to support the priorities identified in the board-approved strategic plan. Based on actual headcount, six staff persons will be added to support technical programs in the areas of enforcement, training and education, and reliability analysis. One staff person will be added to information technology to address internal infrastructure security initiatives. Reorganization of existing staff moved one FTE from finance to training and education. Total FTEs increase from 71 to 78 in the 2023 BP&B. The allocation of FTEs is represented on page 15. An explanation of the FTE variances is included in the Resource Requirements section in each program area in Section A.
- **Increase in Salaries.** A comprehensive review was completed of all staff positions according to MRO's pay philosophy, the current job market, and competition for talent. The 2023 BP&B reflects an increase in salaries of 3 percent with an additional 1.5 percent allotted for promotions and market adjustments.

¹² The 2022 ERO Work Plan Priorities were approved by the Board in November 2021. NERC management and the Board evaluate annual work plan priorities throughout the year.

- **Increase in Benefits.** MRO measured the average cost related to health premiums per employee based on premium cost assumptions provided by MRO's benefit provider, which are higher than budgeted in 2022. A proposed increase to FTEs also results in benefit costs being higher than in the 2022 budget. The per-employee cost is applied to each department based on FTEs.
- **Meetings and Travel.**¹³ MRO will host the majority of its outreach events that support the strategic plan at its Saint Paul office. There is one off-site workshop planned in the southern area of MRO's regional footprint in the 2023 BP&B. Continued use of virtual platforms for meetings and events will hold travel flat for MRO staff as compared with 2022. This estimate is based on historic costs and emerging trends related to use of virtual technology.
- **Increase in Consultant and Contract Support.** The majority of MRO's consultants and contracts are used in the areas of Information Technology and Compliance Monitoring. These areas utilize additional technical support to maintain MRO's IT infrastructure and support newly implemented ERO-wide applications and tools.
- **Decrease in Office Rent.** Office rent is adjusted as a result of an estimated cost reduction due to the adoption of lease accounting standard ASC 842.
- **Other Operating Expenses.** Other operating expenses are increasing as a result of a hybrid return to the office and the increase in FTEs. These increases are reflected in internal staff training, office and computer supplies, temporary staffing, recruitment costs, and other legal and professional services.

¹³ The extent to which COVID-19 assumptions impact meetings and travel in 2023 is based on current trends in travel and use of virtual technology. Meetings and travel are not presumed to return to pre-COVID-19 levels in 2023.

Comparison of 2023 and 2022 Statutory Budgets

The following table and figure summarize and illustrate MRO’s 2023 BP&B by program area.

Base Operating Budget	Budget 2022	Projection 2022	Budget 2023	Variance	
				2023 Budget v 2022 Budget	Variance %
Reliability Standards	158,553	158,553	236,912	78,359	49.4%
Compliance Enforcement	14,238,948	14,238,948	14,921,687	682,739	4.8%
Reliability Analysis and Organization Registration	3,692,737	3,692,737	4,846,985	1,154,248	31.3%
Training, Education and Operator Certification	858,992	858,992	1,950,941	1,091,949	127.1%
Situation Awareness and Infrastructure Security	1,085,132	1,085,132	1,125,944	40,812	3.8%
Total	20,034,361	20,034,361	23,082,469	3,048,108	15.2%

This table combines Compliance Monitoring, Risk Assessment and Mitigation, and Enforcement into Compliance Enforcement.

Table 2. Budget by Program Area

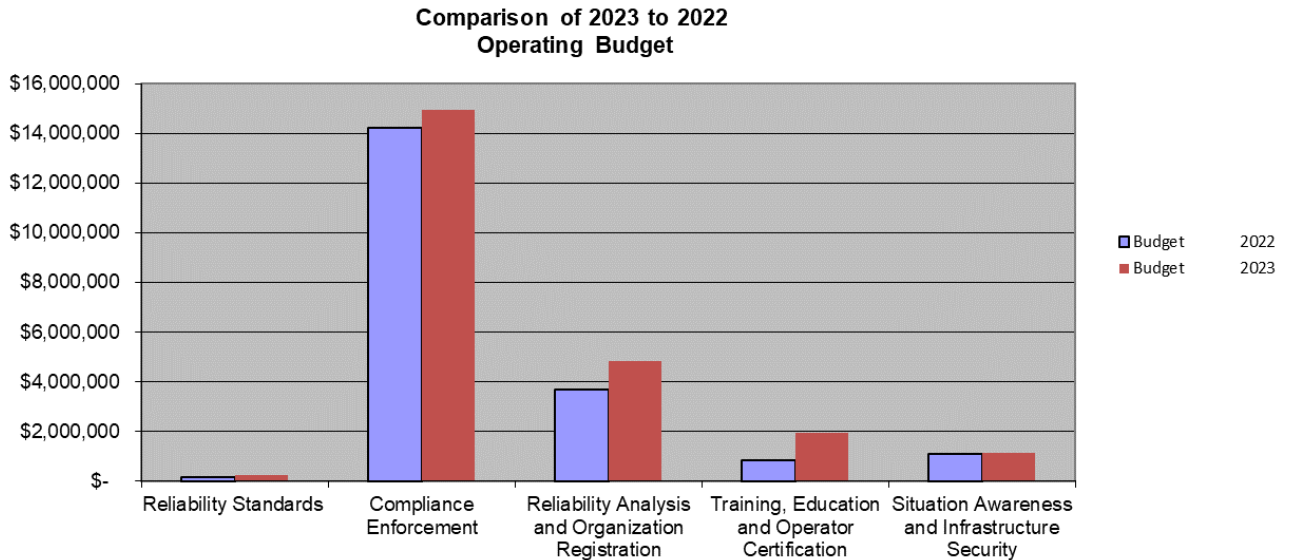


Figure 1. Budget by Program Area Chart

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget 2022	Budget 2023	Variance from 2022 Budget
STATUTORY			
Operational Programs			
Reliability Standards	0.45	0.63	0.18
Compliance	19.01	18.82	(0.19)
Compliance Risk Assessment and Mitigation	15.68	15.63	(0.05)
Compliance Enforcement	1.87	2.85	0.98
Training and Education	1.89	5.05	3.16
Reliability Analysis and Organization and Certification	9.13	12.07	2.94
Situation Awareness and Infrastructure Security	2.95	2.95	-
Total FTEs Operational Programs	50.98	58.00	7.02
Administrative Programs			
Technical Committees and Member Forums			-
General and Administrative	2.75	2.68	(0.07)
Legal	2.79	2.66	(0.13)
Information Technology	7.98	9.14	1.16
Human Resources	2.15	2.00	(0.15)
Finance and Accounting	4.35	3.52	(0.83)
Total FTEs Administrative Programs	20.02	20.00	(0.02)
Total FTEs	71.00	78.00	7.00

Table 3. Total FTEs by Program Area

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2022 Budget and Projection and 2023 Budget Comparisons

The following table lists the 2022 budget and projection compared to the 2023 budget.

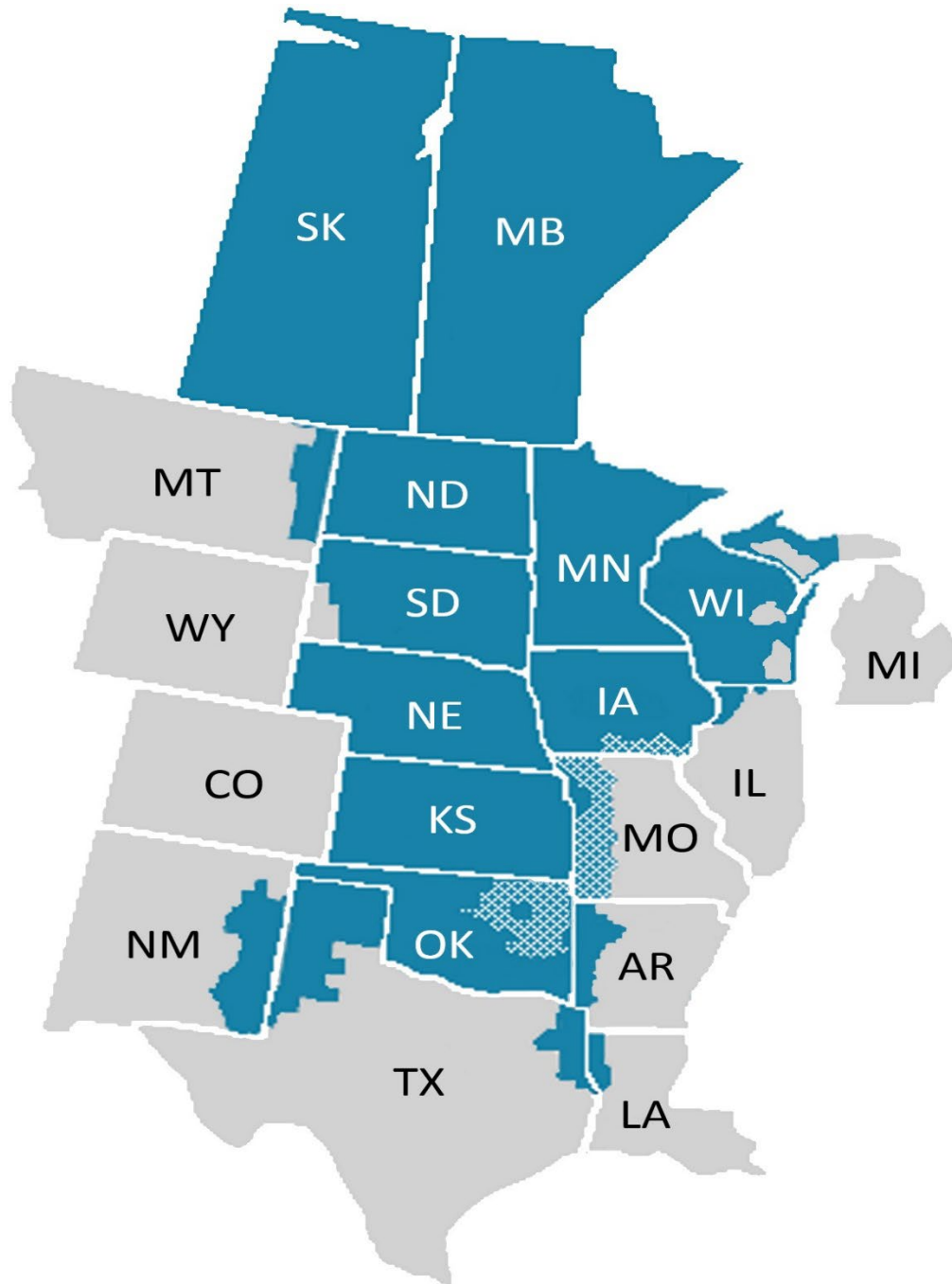
Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
STATUTORY					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 17,832,414	\$ 17,832,414	\$ -	\$ 20,507,276	\$ 2,674,862
Penalties Released*	458,250	458,250	-	331,928	(126,322)
Interest & Investment Income	-	-	-	419	419
Total Funding (A)	\$ 18,290,664	\$ 18,290,664	\$ -	\$ 20,839,623	\$ 2,548,959
Expenses					
Personnel Expenses					
Salaries	\$ 11,416,562	\$ 11,416,562	\$ -	\$ 13,294,284	\$ 1,877,722
Payroll Taxes	\$ 744,165	\$ 744,165	-	863,417	119,252
Benefits	\$ 1,193,996	\$ 1,193,996	-	1,425,181	231,185
Retirement Costs	\$ 1,922,258	\$ 1,922,258	-	2,277,278	355,020
Total Personnel Expenses	\$ 15,276,980	\$ 15,276,980	\$ -	\$ 17,860,160	\$ 2,583,180
Meeting Expenses					
Meetings & Conference Calls	\$ 178,877	\$ 178,877	\$ -	\$ 178,877	\$ -
Travel	\$ 581,670	\$ 581,670	-	581,670	-
Total Meeting Expenses	\$ 760,547	\$ 760,547	\$ -	\$ 760,547	\$ -
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 1,204,800	\$ 1,204,800	\$ -	\$ 1,381,018	\$ 176,218
Office Rent	\$ 1,132,100	\$ 1,132,100	-	1,046,000	(86,100)
Office Costs	\$ 967,934	\$ 967,934	-	1,154,744	186,810
Professional Services	\$ 567,000	\$ 567,000	-	631,500	64,500
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 3,871,834	\$ 3,871,834	\$ -	\$ 4,213,262	\$ 341,428
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 19,909,361	\$ 19,909,361	\$ -	\$ 22,833,969	\$ 2,924,608
Change in Net Assets (=A - B)	\$ (1,618,698)	\$ (1,618,698)	\$ -	\$ (1,994,347)	\$ (375,649)
Fixed Asset Additions, excluding Right of Use Assets (C)	125,000	125,000	-	248,500	123,500
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 20,034,361	\$ 20,034,361	\$ -	\$ 23,082,469	\$ 3,048,108
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ (1,743,698)	\$ (1,743,698)	\$ -	\$ (2,242,847)	
FTEs	71.00	71.00	-	78.00	7.00

Table 4. 2022 Budget and Projection and 2023 Comparisons¹⁴

¹⁴ *Penalties released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the NERC Board of Trustees and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with GAAP.

Section A – Statutory Programs

2023 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards Program

The following table shows funding sources and related expenses for the Reliability Standards Program.

Reliability Standards Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	0.45	0.63	0.18
Direct Expenses	\$ 88,447	\$ 142,117	\$ 53,670
Indirect Expenses	\$ 69,003	\$ 92,096	\$ 23,093
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 1,103	\$ 2,700	\$ 1,596
Total Funding Requirement	\$ 158,553	\$ 236,912	\$ 78,358

Table A-1. Reliability Standards Budget

Program Scope and Functional Description

MRO's efforts related to NERC Reliability Standards support NERC's stakeholder-driven processes to develop and maintain risk-responsive Reliability Standards by providing feedback into the standards process, conducting outreach during standards development, and providing clarity to industry on enforceable standards and requirements. MRO's CMEPAC and its subgroups develop Standard Application Guides (SAGs), comment on NERC Standard projects, and participate in standards development.

Impact on Resource Needs

Staff support of workload and activities in Reliability Standards has a slight increase. Staff and member travel will remain flat to 2022 budgeted values.

Reliability Standards Program Resource Requirements

Overall Budget Change 2023 vs 2022 (Increase \$78.4K, 49.4%)

Overall, increased cost is due to increased staff support of subject matter expert teams that develop SAGs and outreach support in this area.

Personnel Expenses (Increase \$54.7K, 66.7%)

Average salary increases in the 2023 BP&B were budgeted at 3 percent and an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs.

Meeting Expenses (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

Indirect Expenses (Increase \$23.1K, 33.5%)

There is an overall increase in administrative services allocated to operational programs in the 2023 BP&B.

Reliability Standards Budget Details

The following table shows funding sources and related expenses for the Reliability Standards Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
STANDARDS					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget v 2022 Projection Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 154,508	\$ 154,508	\$ -	\$ 233,286	\$ 78,778
Penalties Released	4,045	4,045	-	3,605	(440)
Interest	-	-	-	5	5
Total Funding (A)	\$ 158,553	\$ 158,553		\$ 236,896	\$ 78,343
Expenses					
Personnel Expenses					
Salaries	\$ 58,474	\$ 58,474	\$ -	\$ 98,403	\$ 39,928
Payroll Taxes	3,914	3,914	-	6,424	2,510
Benefits	7,319	7,319	-	11,598	4,279
Retirement Costs	10,839	10,839	-	17,792	6,953
Total Personnel Expenses	\$ 80,547	\$ 80,547	\$ -	\$ 134,217	\$ 53,670
Meeting Expenses					
Meetings	\$ 1,400	\$ 1,400	\$ -	\$ 1,400	\$ -
Travel	6,500	6,500	-	6,500	-
Total Meeting Expenses	\$ 7,900	\$ 7,900	\$ -	\$ 7,900	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ 69,003	\$ 69,003	\$ -	\$ 92,080	\$ 23,077
Total Expenses (B)	\$ 157,450	\$ 157,450	\$ -	\$ 234,196	\$ 76,747
Change in Net Assets (=A - B)	\$ 1,103	\$ 1,103	\$ -	\$ 2,699	\$ 1,596
Fixed Asset Additions, excluding Right of Use Assets (C)	1,103	1,103	-	2,699	1,596
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 158,553	\$ 158,553	\$ -	\$ 236,896	\$ 78,343
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	
FTEs	0.45	0.45	-	0.63	0.18

Table A-2. Reliability Standards Budget Detail

Compliance Monitoring and Enforcement Program

The following table lists the budget for the Compliance Monitoring and Enforcement Program (CMEP).

Compliance Monitoring and Enforcement Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	36.56	37.30	0.74
Direct Expenses	\$ 8,543,197	\$ 9,309,202	\$ 766,006
Indirect Expenses	\$ 5,606,108	\$ 5,452,647	\$ (153,462)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 89,643	\$ 159,839	\$ 70,196
Total Funding Requirement	\$ 14,238,948	\$ 14,921,687	\$ 682,740

Table A-3. Compliance Monitoring and Enforcement Program Budget

Program Scope and Functional Description

MRO's CMEP work is performed by three departments: Compliance Monitoring, Risk Assessment and Mitigation (RAM), and Enforcement, creating an effective "check and balance" for making decisions about noncompliance and enforcement. MRO's RAM Department develops Inherent Risk Assessments (IRAs) for registered entities to describe the risk to the BPS by the nature of the facilities each entity owns and operates. This information is used to provide a ranking of requirements for monitoring an entity based on risk. Compliance Monitoring uses the IRAs as input, along with historic entity performance, existing internal controls, and other qualitative assessments to develop Compliance Oversight Plans (COP) specific to the risk that each registered entity poses to the regional bulk power system. Oversight activities are customized for each registered entity based on the COP. In addition, RAM conducts risk assessments for registered entity noncompliances and violations and evaluates and monitors related mitigation efforts. RAM processes and submits Compliance Exception notifications to the Enforcement Department for processing. Enforcement independently reviews and processes noncompliances and violations using risk-based disposition methods, including any penalty determinations.

The 2023 BP&B contemplates that staff will perform CMEP activities for approximately 227 registered entities. The Compliance Monitoring Department will conduct approximately 14 audits and will also contribute to audits of registered entities that participate in coordinated oversight where MRO is the Affected Regional Entity. In addition to the activities described above, the Enforcement Department will review registered entity participation in the ERO Enterprise Self-Logging Program. The CMEP departments also support the MRO CMEPAC and its subgroups, and ERO Enterprise CMEP activities. These activities include supporting ERO collaboration groups, ERO outreach and training, and supporting the Align and SEL project rollouts.

Impact on Resource Needs

In addition to regular oversight work, the CMEP departments will dedicate resources to support the implementation of the ERO Enterprise Align and ERO Secure Evidence Locker projects, which are shared technology platforms that provide consistency and alignment of CMEP processes across NERC and the Regional Entities. These initiatives effectively focus on assessment and mitigation of reliability and security risk to the bulk power system involving lower risk registered entities in aggregate.

Compliance Monitoring and Enforcement Program Resource Requirements

Overall Budget Change 2023 vs 2022 (Increase \$682.7K, 4.8%)

The budget increase for 2023 is due to an increase in staff resources in this area as functional activities were expanded such as the aggregated risk initiative.

Personnel Expenses (Increase \$737.5K, 9.5%)

Average salary increases in the 2023 BP&B were budgeted at 3 percent and an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs. An increase of 0.74 FTE will be added to this program area.

Meeting Expenses (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

Indirect Expenses (Decrease \$153K, 2.7%)

The decrease in indirect expenses is due to the allocation of administrative services across all operational programs in the 2023 BP&B. Some programs absorbed more in indirect costs as those programs increased in percentage of total FTE.

Compliance Monitoring and Enforcement Program Budget Detail

The following table shows funding sources and related expenses for the CMEP.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 13,910,317	\$ 13,910,317		\$ 14,706,986	\$ 796,669
Penalties Released	328,631	328,631		213,464	(115,167)
Interest	-	-	-	269	269
Total Funding (A)	\$ 14,238,948	\$ 14,238,948		\$ 14,920,720	\$ 681,772
Expenses					
Personnel Expenses					
Salaries	\$ 5,792,149	\$ 5,792,149	\$ -	\$ 6,323,947	\$ 531,798
Payroll Taxes	399,863	399,863	-	427,795	27,933
Benefits	613,759	613,759	-	685,082	71,323
Retirement Costs	987,129	987,129	-	1,093,595	106,466
Total Personnel Expenses	\$ 7,792,900	\$ 7,792,900	\$ -	\$ 8,530,420	\$ 737,520
Meeting Expenses					
Meetings	\$ 11,500	\$ 11,500	\$ -	\$ 11,500	\$ -
Travel	224,470	224,470	-	224,470	-
Total Meeting Expenses	\$ 235,970	\$ 235,970	\$ -	\$ 235,970	\$ -
Operating Expenses					
Consultants & Contracts	\$ 383,382	\$ 383,382	\$ -	\$ 348,382	\$ (35,000)
Office Rent	-	-	-	-	-
Office Costs	130,945	130,945	-	194,430	63,485
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 514,327	\$ 514,327	\$ -	\$ 542,812	\$ 28,485
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ 5,606,108	\$ 5,606,108	\$ -	\$ 5,451,707	\$ (154,402)
Total Expenses (B)	\$ 14,149,305	\$ 14,149,305	\$ -	\$ 14,760,908	\$ 611,603
Change in Net Assets (=A - B)	\$ 89,643	\$ 89,643	\$ -	\$ 159,811	\$ 70,168
Fixed Asset Additions, excluding Right of Use Assets (C)	89,643	89,643	-	159,811	70,168
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 14,238,948	\$ 14,238,948	\$ -	\$ 14,920,720	\$ 681,772
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	36.56	36.56	-	37.30	0.74

Table A-4. Compliance Monitoring and Enforcement Program Budget Detail

Reliability Analysis and Organization Registration and Certification Program

The following table lists the budget for the Reliability Analysis program.

Reliability Analysis and Organization Registration and Certification (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	9.13	12.07	2.94
Direct Expenses	\$ 2,270,357	\$ 3,030,827	\$ 760,470
Indirect Expenses	\$ 1,399,994	\$ 1,764,436	\$ 364,442
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 22,386	\$ 51,723	\$ 29,336
Total Funding Requirement	\$ 3,692,737	\$ 4,846,985	\$ 1,154,247

Table A-5. Reliability Analysis Department Budget

Program Scope and Functional Description

MRO's Reliability Analysis Department performs reliability assessments, performance analysis, and event analysis in support of related NERC program areas. This work includes: analyses of large-scale bulk power system outages, disturbances, and near misses to determine root causes and lessons learned; the review of quarterly data submissions to assess system performance; and the availability of electric generation and transmission equipment through various NERC reporting systems, such as Transmission Availability Data Systems (TADS), Generating Availability Data Systems (GADS), Demand Response Availability Data Systems (DADS), and Misoperation Information Data Analysis Systems (MIDAS). This information may indicate the need to develop and implement targeted interventions. Reliability Analysis staff participate in the Eastern Interconnection Reliability Assessment Group (ERAG), which facilitates data collection and development of power flow and dynamics simulation models for the Eastern Interconnection. Reliability Analysis also supports MRO's Reliability Advisory Council and its subgroups, and related ERO Enterprise activities.

The Reliability Analysis Department also oversees organization registration and certification, which is required by NERC. This work involves appropriately registering all users, owners, and operators of the bulk power system in MRO's regional footprint and periodically certifying that certain registered entities (Reliability Coordinators, Balancing Authorities, and Transmission Operators) are able to perform associated tasks. All entities registered for any reliability function are required to follow mandatory NERC Reliability Standards.

Impact on Resource Needs

Staffing for this program will increase by 2.94 FTEs. The addition of a power systems engineer and business data analyst will add value and streamline activities for ongoing reliability assessment analysis and the expansion of the Generator Winterization Program. Workload for Organization Registration and Certification is stable in 2023.

Reliability Analysis and Organization Registration and Certification Resource Requirements

Overall Budget Change 2023 vs 2022 (Increase \$1.15M, 31.3%)

The budget increase for 2023 is primarily due to an increase in FTEs.

Personnel Expenses (Increase \$773K, 37.9%)

The average salary increase was budgeted at 3 percent and an additional 1.5 percent in promotion, equity, and market adjustments. Staff resources in this area increased as functional activities were expanded. Benefits increased due to projected increase in medical premium costs.

Meeting Expenses (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

Operating Costs (Decrease \$12.7K, 13.2%)

Reflects flat costs in training and lower contract costs.

Indirect Expenses (Increase \$364K, 26%)

There is an overall increase in administrative services expenditures that are allocated to the operational programs based on the increased FTEs.

Reliability Analysis and Organization Registration and Certification Budget Detail

The following table lists funding sources and related expenses for the Reliability Analysis and Organization Registration and Certification Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
RELIABILITY ANALYSIS and ORGANIZATION REGISTRATION and CERTIFICATION					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 3,610,669	\$ 3,610,669		\$ 4,777,509	\$ 1,166,840
Penalties Released	82,068	82,068		69,075	(12,993)
Interest	-	-	-	87	87
Total Funding (A)	\$ 3,692,737	\$ 3,692,737		\$ 4,846,672	\$ 1,153,935
Expenses					
Personnel Expenses					
Salaries	\$ 1,528,561	\$ 1,528,561	\$ -	\$ 2,101,041	\$ 572,480
Payroll Taxes	100,217	100,217	-	139,972	39,754
Benefits	154,429	154,429	-	217,524	63,095
Retirement Costs	254,449	254,449	-	352,240	97,791
Total Personnel Expenses	\$ 2,037,657	\$ 2,037,657	\$ -	\$ 2,810,777	\$ 773,120
Meeting Expenses					
Meetings	\$ 9,000	\$ 9,000	\$ -	\$ 9,000	\$ -
Travel	127,600	127,600	-	127,600	-
Total Meeting Expenses	\$ 136,600	\$ 136,600	\$ -	\$ 136,600	\$ -
Operating Expenses					
Consultants & Contracts	\$ 71,100	\$ 71,100	\$ -	\$ 41,100	\$ (30,000)
Office Rent	-	-	-	-	-
Office Costs	25,000	25,000	-	42,350	17,350
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 96,100	\$ 96,100	\$ -	\$ 83,450	\$ (12,650)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ 1,399,994	\$ 1,399,994	\$ -	\$ 1,764,131	\$ 364,138
Total Expenses (B)	\$ 3,670,351	\$ 3,670,351	\$ -	\$ 4,794,958	\$ 1,124,608
Change in Net Assets (=A - B)	\$ 22,386	\$ 22,386	\$ -	\$ 51,714	\$ 29,327
Fixed Asset Additions, excluding Right of Use Assets (C)	22,386	22,386	-	51,714	29,327
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 3,692,737	\$ 3,692,737	\$ -	\$ 4,846,672	\$ 1,153,935
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	9.13	9.13	-	12.07	2.94

Table A-6. Reliability Analysis and Organization Registration and Certification Budget Detail

Training and Education Program

The following table summarizes the budget for the Training and Education program.

Training and Education (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	1.89	5.05	3.16
Direct Expenses	\$ 564,545	\$ 1,191,073	\$ 626,529
Indirect Expenses	\$ 289,812	\$ 738,227	\$ 448,414
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 4,634	\$ 21,640	\$ 17,006
Total Funding Requirement	\$ 858,993	\$ 1,950,941	\$ 1,091,949

Table A-7. Training and Education Budget

Program Scope and Functional Description

MRO is committed to its mission “to identify, prioritize and assure effective and efficient mitigation of risks to the reliability and security of the North American bulk power system by promoting Highly Effective Reliability Organizations® (HEROs).” One way we do this is by providing training and education to industry on the implementation of the CMEP, the application of Reliability Standards, and sharing information and best practices related to reliability and security of the bulk power system in MRO’s regional footprint. The Training and Education Program provides outreach to MRO registered entities through various channels like newsletter articles, publications, workshops, webinars, roundtable events, and conferences, as well as presentation opportunities at other industry events. Continuing to provide best practices and lessons learned to stakeholders across MRO’s regional footprint in an effort to reduce risk directly supports MRO’s strategic plan and other ERO Enterprise initiatives.

Impact on Resource Needs

Since the onset of the pandemic, training, education, and outreach have been conducted through virtual mediums. The virtual environment has allowed MRO to expand its audience and enabled industry stakeholders to participate in MRO events with no additional travel costs. While the lifting of pandemic restrictions permit in-person interaction, MRO will continue to provide registered entities the opportunity to attend events virtually for the foreseeable future. This hybrid format allows both in-person and virtual attendance and increases the amount of effort required to host outreach events – essentially offering the best of both worlds. Three additional staff have been added to this area to elevate MRO’s outreach efforts and provide support for hybrid events.

Training and Education Resource Requirements

Overall Budget Change 2023 vs 2022 (Increase \$1.1M, 127.1%)

The budget increase for 2023 is primarily due to an increase in FTEs.

Personnel Expenses (Increase \$614K, 144.8%)

The average salary increase was budgeted at 3 percent and an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in

medical premium costs. Staff resources increased to meet training, education, and outreach initiatives using webinar and virtual courses. This resulted in higher salary costs.

Meeting Expenses (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

Operating Expense

The addition of staff to this program includes staff-related training and other employee-related costs captured in office costs.

Indirect Expenses (Increase \$448K, 154.7%)

There is an overall increase in administrative services expenditures that are allocated to the operational programs based on the increased FTEs.

Training and Education Budget Detail

The following table shows funding sources and related expenses for the Training and Education Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
TRAINING and EDUCATION					
	2022	2022	Variance	2023	Variance
	Budget	Projection	v 2022 Projection	Budget	v 2022 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 842,003	\$ 842,003		\$ 1,921,873	\$ 1,079,870
Penalties Released	16,989	16,989		28,901	11,912
Interest	-	-	-	36	36
Total Funding (A)	\$ 858,992	\$ 858,992	-	\$ 1,950,810	\$ 1,091,818
Expenses					
Personnel Expenses					
Salaries	\$ 319,838	\$ 319,838	-	\$ 765,029	\$ 445,191
Payroll Taxes	20,073	20,073	-	52,590	32,518
Benefits	31,529	31,529	-	89,316	57,787
Retirement Costs	52,605	52,605	-	131,338	78,733
Total Personnel Expenses	\$ 424,045	\$ 424,045	-	\$ 1,038,273	\$ 614,229
Meeting Expenses					
Meetings	\$ 90,000	\$ 90,000	-	\$ 90,000	-
Travel	50,500	50,500	-	50,500	-
Total Meeting Expenses	\$ 140,500	\$ 140,500	-	\$ 140,500	-
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	-	\$ -	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	12,300	12,300
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	-	\$ 12,300	\$ 12,300
Other Non-Operating Expenses	\$ -	\$ -	-	\$ -	-
Indirect Expenses	\$ 289,812	\$ 289,812	-	\$ 738,100	\$ 448,287
Total Expenses (B)	\$ 854,357	\$ 854,357	-	\$ 1,929,173	\$ 1,074,816
Change in Net Assets (=A - B)	\$ 4,634	\$ 4,634	-	\$ 21,637	\$ 17,002
Fixed Asset Additions, excluding Right of Use Assets (C)	4,634	4,634	-	21,637	17,002
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 858,992	\$ 858,992	-	\$ 1,950,810	\$ 1,091,818
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	-	\$ -	-
FTEs	1.89	1.89	-	5.05	3.16

Table A-8. Training and Education Budget Detail

Situation Awareness and Infrastructure Security Program

The following table lists the budget for Situation Awareness and Infrastructure Security.

Situation Awareness and Infrastructure Security (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.95	2.95	-
Direct Expenses	\$ 625,546	\$ 683,566	\$ 58,020
Indirect Expenses	\$ 452,353	\$ 431,167	\$ (21,186)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 7,233	\$ 12,639	\$ 5,406
Total Funding Requirement	\$ 1,085,132	\$ 1,127,372	\$ 42,240

Table A-9. Situation Awareness and Infrastructure Security Budget

Program Scope and Functional Description

MRO, through the regional Reliability Coordinators and other available tools, monitors present conditions on the bulk power system and provides leadership coordination, technical expertise, and assistance to industry and governmental partners in responding to events as necessary. The department also uses data obtained from NERC Alerts to determine which entities may be more susceptible to a specific risk based on the responses. The Security Department sponsors the Security Advisory Council (SAC) and the SAC Threat Forum (SACTF). These organizational groups address cyber, physical, and operational risks to the bulk power system through training, outreach, intelligence briefings, risk assessments, weekly threat calls, and sponsorship of an annual security conference that draws over 500 attendees. The department also develops and maintains strong connections with the E-ISAC and other federal security agencies to further increase the reliability and security of the bulk power system and serves as a resource to MRO's IT department.

Impact on Resource Needs

Situational Awareness Program staff work with stakeholders to identify significant known risks to reliability, mitigate those risks, and promote a culture of reliability excellence. The workload in this area is stable.

The Infrastructure Security Program focuses on activities to promote identification, assessment, mitigation, and communication of cyber, physical, and operational risks to the reliability and security of the North American bulk power system. There is increased activity in this area requiring additional technical and expert level subject matter expertise to address the growing number of security risks, in particular the security risks identified in the Regional Risk Assessment. In addition, the department has increased activity serving as the overall administrator of the MRO Emergency Preparedness Plan, Lead NERC GridEx Planner, NERC Crisis Action Plan Lead, and co-lead for the Insider Threat Program. Additional staff resources were budgeted in 2022.

Situation Awareness and Infrastructure Security Resource Requirements

Overall Budget Change 2023 vs 2022 (Increase \$40.8K, 3.8%)

The portion of budget addressing security increased to realign and dedicate MRO staffing to support increased focus on security.

Personnel Expenses (Increase \$54.3K, 9.4%)

Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. Also, benefits increased due to projected increase in medical premium costs.

Meeting Expenses (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

Indirect Expenses (Decrease \$22.6K, 5.0%)

The decrease in indirect expenses is due to the allocation of administrative services across all operational programs in the 2023 BP&B. Some programs absorbed more in indirect costs as those programs increased in percentage of total FTE.

Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget	Budget	2023 Budget
			v 2022 Projection		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,058,615	\$ 1,058,615	\$ -	\$ 1,110,468	\$ 51,853
Penalties Released	26,517	26,517	-	16,883	(9,634)
Interest	-	-	-	21	21
Total Funding (A)	\$ 1,085,132	\$ 1,085,132		\$ 1,127,372	\$ 42,240
Expenses					
Personnel Expenses					
Salaries	\$ 426,796	\$ 426,796	\$ -	\$ 464,895	\$ 38,098
Payroll Taxes	28,902	28,902	-	30,578	1,676
Benefits	48,790	48,790	-	54,105	5,315
Retirement Costs	74,320	74,320	-	83,501	9,181
Total Personnel Expenses	\$ 578,809	\$ 578,809	\$ -	\$ 633,079	\$ 54,270
Meeting Expenses					
Meetings	\$ 4,277	\$ 4,277	\$ -	\$ 4,277	\$ -
Travel	30,500	30,500	-	30,500	-
Total Meeting Expenses	\$ 34,777	\$ 34,777	\$ -	\$ 34,777	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	11,960	11,960	-	15,710	3,750
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 11,960	\$ 11,960	\$ -	\$ 15,710	\$ 3,750
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ 452,353	\$ 452,353	\$ -	\$ 431,167	\$ (21,186)
Total Expenses (B)	\$ 1,077,899	\$ 1,077,899	\$ -	\$ 1,114,733	\$ 36,834
Change in Net Assets (=A - B)	\$ 7,233	\$ 7,233	\$ -	\$ 12,639	\$ 5,406
Fixed Asset Additions, excluding Right of Use Assets (C)	7,233	7,233	-	12,639	5,406
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 1,085,132	\$ 1,085,132	\$ -	\$ 1,127,372	\$ 42,240
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	
FTEs	2.95	2.95	-	2.95	-

Table A-10. Situation Awareness and Infrastructure Security Budget Detail

Administrative Services

The following table outlines the budget for Administrative Services.

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2022 Budget	2023 Budget	Increase (Decrease)	2022 Budget	2023 Budget	Increase (Decrease)
General and Administrative	\$1,862,449	\$2,997,150	\$1,134,701	2.75	2.68	(0.07)
Legal	\$976,919	\$994,092	\$17,172	2.79	2.66	(0.13)
Information Technology	\$2,298,664	\$2,971,820	\$673,156	7.98	9.14	1.16
Human Resources	\$474,285	\$643,783	\$169,498	2.15	2.00	(0.15)
Finance and Accounting	\$2,329,953	\$1,118,839	-\$1,211,114	4.35	3.52	(0.83)
Total Administrative Services	\$7,942,270	\$8,725,684	\$783,414	20.02	20.00	(0.02)

Table A-11. Administrative Services Budget

Program Scope and Functional Description

MRO's Administrative Services area includes the business and administrative functions of the organization, including legal and regulatory, communications, information technology, human resources, finance and accounting, and general expenses. Costs incurred for these services are allocated as an indirect expense across MRO's other program areas.

Methodology for Allocation of Administrative Services Expenses to Programs

All expenses for the Administrative Services programs, referred to as indirect expenses, are allocated to the delegated program areas based on the respective number of FTEs.

Funding Sources

The expenses related to the indirect program areas are being allocated entirely to the direct programs; therefore, the indirect program areas have no ERO assessment revenue.

General and Administrative

The following table lists the General and Administrative budget.

General and Administrative (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.75	2.68	(0.07)
Total Direct Expenses	\$ 1,862,449	\$ 2,997,150	\$ 1,134,701
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (1,743,698)	\$ (2,242,847)	\$ (499,149)

Table A-12. General and Administrative Budget

Program Scope and Functional Description

The General and Administrative Department is led by MRO's President and CEO. The department ensures that there is appropriate attention to the execution of MRO's strategic priorities and the day-to-day management of the corporation, board governance, policies and procedures to maintain and enhance operation of the corporation, proper record-keeping, and related responsibilities under applicable regulations, as well as MRO's Delegation Agreement.

General and Administrative Services Resource Requirements

Overall Budget Change 2023 vs 2022 (Increase \$1.1M, 60.9%)

The budget increase for 2023 is higher due to the transfer of office rent from the Finance department to general and administrative to align this line item with other Regions.

Personnel Expenses (Decrease \$24K, 2.1%)

Staff resources reflect a slight decline as some time is allocated to other program areas. However, benefits increased due to projected increase in medical premium costs.

Meeting Expenses (Remain flat)

Historic cost trends and emerging trends in use of virtual technology were used to retain travel cost estimates at the 2022 level.

Operating Expenses (Increase \$1.7M, 207.5%)

Costs for recruitment of new independent directors was budgeted to fill vacant seats. Office rent was moved from the Finance and Accounting Department to align with ERO presentation of this line item.

General and Administrative Budget Detail

The following table shows funding sources and related expenses for the General and Administrative Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
GENERAL and ADMINISTRATIVE					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget v 2022 Projection Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (1,743,698)	\$ (1,743,698)	\$ -	\$ (2,242,847)	\$ (499,149)
Penalties Released	-	-	-	-	-
Total Funding (A)	\$ (1,743,698)	\$ (1,743,698)	\$ -	\$ (2,242,847)	\$ (499,149)
Expenses					
Personnel Expenses					
Salaries	\$ 936,453	\$ 936,453	\$ -	\$ 908,838	\$ (27,615)
Payroll Taxes	34,547	34,547	-	33,958	(589)
Benefits	45,829	45,829	-	49,320	3,492
Retirement Costs	116,820	116,820	-	117,584	763
Total Personnel Expenses	\$ 1,133,649	\$ 1,133,649	\$ -	\$ 1,109,700	\$ (23,949)
Meeting Expenses					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Travel	110,300	110,300	-	110,300	-
Total Meeting Expenses	\$ 170,300	\$ 170,300	\$ -	\$ 170,300	\$ -
Operating Expenses					
Consultants & Contracts	\$ 65,000	\$ 65,000	\$ -	\$ 80,000	\$ 15,000
Office Rent	-	-	-	1,046,000	1,046,000
Office Costs	133,000	133,000	-	130,650	(2,350)
Professional Services	360,500	360,500	-	460,500	100,000
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 558,500	\$ 558,500	\$ -	\$ 1,717,150	\$ 1,158,650
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ (1,862,449)	\$ (1,862,449)	\$ -	\$ (2,997,150)	\$ (1,134,701)
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A - B)	\$ (1,743,698)	\$ (1,743,698)	\$ -	\$ (2,242,847)	\$ (499,149)
Fixed Asset Additions, excluding Right of Use Assets (C)	-	-	-	-	-
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ (1,743,698)	\$ (1,743,698)	\$ -	\$ (2,242,847)	\$ (499,149)
FTEs	2.75	2.75	-	2.68	(0.07)

Table A-13. General and Administrative Budget Detail

Legal

The following table lists the Legal budget.

Legal (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.79	2.66	(0.13)
Total Direct Expenses	\$ 976,919	\$ 994,092	\$ 17,172
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-14. Legal Budget

Program Scope and Functional Description

MRO's Legal function is staffed by the Vice President General Counsel and Corporate Secretary, and Assistant Corporate Secretary and Senior Counsel. Advice is provided to the board, the President and CEO, and staff on legal matters affecting MRO; and corporate records for the board and organizational groups are maintained in this area. MRO may use external specialized legal resources on an as-needed basis. This functional area also focuses on and centralizes external and internal communications work.

Legal Resource Requirements

Overall Budget Change 2023 vs 2022 (Increase 17.2K, 1.8%)

The increase in this indirect program area is related to the increase in personnel costs.

Personnel Expenses (Increase \$46K, 6.4%)

Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs.

Meeting Expense (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

Operating Expense (Decrease \$29K, 12.1%)

The decrease in professional service costs is due to elimination of one-time costs associated with MRO's external website redesign that was budgeted in 2022. The redesign included a legal review of MRO's privacy policy and copyrighted materials.

Legal Budget Detail

The following table shows funding sources and related expenses for the Legal Department.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
LEGAL					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget v 2022 Projection Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 552,889	\$ 552,889	\$ -	\$ 591,987	\$ 39,098
Payroll Taxes	33,056	33,056	-	33,224	169
Benefits	47,452	47,452	-	48,952	1,500
Retirement Costs	85,019	85,019	-	90,199	5,180
Total Personnel Expenses	\$ 718,415	\$ 718,415	\$ -	\$ 764,363	\$ 45,947
Meeting Expenses					
Meetings	\$ 500	\$ 500	\$ -	\$ 500	\$ -
Travel	19,800	19,800	-	19,800	-
Total Meeting Expenses	\$ 20,300	\$ 20,300	\$ -	\$ 20,300	\$ -
Operating Expenses					
Consultants & Contracts	\$ 54,900	\$ 54,900	\$ -	\$ 54,900	\$ -
Office Rent	-	-	-	-	-
Office Costs	35,804	35,804	-	39,529	3,725
Professional Services	147,500	147,500	-	115,000	(32,500)
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 238,204	\$ 238,204	\$ -	\$ 209,429	\$ (28,775)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ (976,919)	\$ (976,919)	\$ -	\$ (994,092)	\$ (17,172)
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ (0)
Change in Net Assets (=A - B)	\$ -	\$ -	\$ -	\$ -	\$ 0
Fixed Asset Additions, excluding Right of Use Assets (C)	-	-	-	-	-
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ -	\$ -	\$ -	\$ -	\$ (0)
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 0
FTEs	2.79	2.79	-	2.66	(0.13)

Table A-15. Legal Budget Detail

Information Technology

The following table lists the Information Technology budget.

Information Technology (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	7.98	9.14	1.16
Total Direct Expenses	\$ 2,298,664	\$ 2,971,820	\$ 673,156
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-16. Information Technology Budget

Program Scope and Functional Description

MRO's Information Technology function is responsible for providing technology and communications tools for staff to perform Regional Entity and other corporate functions. As part of this, the Information Technology function is responsible for managing and securing the IT infrastructure of the company. This includes providing ways for the company to preserve and protect the confidentiality, integrity, and availability of company data, and responding in a timely manner to the ever evolving cyber threats faced by organization. As the complexity of the security risks and tools utilized to meet staff needs continues to evolve, this function at times also utilizes highly specialized external technical resources.

Information Technology Resource Requirements

Overall Budget Change 2023 vs 2022 (Increase \$673K, 29.3%)

The increase in indirect programs is due to a combination of IT staff and consulting and contract costs related to mitigation of cyber security threats and risks.

Personnel Expenses (Increase \$372.3K, 28.5%)

Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. There is an increase of one FTE in this program area. Additionally, benefits increased due to projected increase in medical premium costs.

Meeting Expenses (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

Operating Expenses (Increase \$177K, 20.6%)

This increase reflects costs in cyber security software and applications, as well as office costs related to staff training and other expenses for additional FTEs.

Fixed Asset (Increase \$123.5K, 99%)

Increased capital asset costs are due to scheduled replacement of end-of-life assets.

Information Technology Budget Detail

The following table shows funding sources and related expenses for the Information Technology Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
INFORMATION TECHNOLOGY					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget v 2022 Projection	Budget	2023 Budget v 2022 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 921,491	\$ 921,491	\$ -	\$ 1,187,790	\$ 266,299
Payroll Taxes	67,927	67,927	-	85,342	17,415
Benefits	135,988	135,988	-	167,699	31,710
Retirement Costs	179,140	179,140	-	236,004	56,864
Total Personnel Expenses	\$ 1,304,546	\$ 1,304,546	\$ -	\$ 1,676,834	\$ 372,288
Meeting Expenses					
Meetings	\$ 1,200	\$ 1,200	\$ -	\$ 1,200	\$ -
Travel	5,000	5,000	-	5,000	-
Total Meeting Expenses	\$ 6,200	\$ 6,200	\$ -	\$ 6,200	\$ -
Operating Expenses					
Consultants & Contracts	\$ 549,568	\$ 549,568	\$ -	\$ 670,636	\$ 121,068
Office Rent	-	-	-	-	-
Office Costs	313,350	313,350	-	369,650	56,300
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 862,918	\$ 862,918	\$ -	\$ 1,040,286	\$ 177,368
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ (2,173,664)	\$ (2,173,664)	\$ -	\$ (2,723,320)	\$ (549,656)
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A - B)	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Asset Additions, excluding Right of Use Assets	\$ 125,000	\$ 125,000	-	\$ 248,500	\$ 123,500
Allocation of Fixed Assets	(125,000)	(125,000)	-	(248,500)	(123,500)
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	7.98	7.98	-	9.14	1.16

Table A-17. Information Technology Budget Detail

Human Resources

The following table lists the Human Resources budget.

Human Resources (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.15	2.00	(0.15)
Total Direct Expenses	\$ 474,285	\$ 643,783	\$ 169,498
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-18. Human Resources Budget

Program Scope and Functional Description

Human Resources

The Human Resources function designs, plans, and implements employee related policies and procedures in adherence with applicable federal and state laws. This function also facilitates the recruitment and retention efforts of the organization by coordinating tasks associated with the employee life cycle activities including onboarding, training, professional development, and best practice employee retention initiatives. The department engages in Diversity, Equity, and Inclusion (DEI) initiatives within the organization alongside the staff-led DEI Committee and works closely with the ERO Enterprise on similar efforts, and undertakes or supports several other important initiatives as directed by MRO's Governance and Personnel Committee.

MRO has developed a culture and talent management program that features intentional connection, communication, and training for all levels of staff. Training initiatives and opportunities for employee collaboration are planned to create peer-to-peer mentorship and information and knowledge sharing, theme-focused learning, and dedicated team building. MRO continues to review and enhance its employee engagement and culture enrichment activities in an effort to positively impact all stages of the employee life cycle from candidate identification, the onboarding experience of new employees, as well as the overall corporate culture to be an "employer of choice" that attracts and retains qualified staff.

Human Resources Resource Requirements

Overall Budget Change 2023 vs 2022 (Increase \$169.5K, 35.7%)

The budget change in this administrative area is primarily due to the added cost of recruiter fees and a scheduled compensation study.

Personnel Expense (Increase \$7.8K, 2.1%)

Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs. This is partially offset by the slight decline in FTE.

Operating Expense (Increase \$161.7K, 169%)

Budgeted amounts in office costs increased to address recruiter fees and compensation consulting.

Human Resources Budget Detail

The following table shows funding sources and related expenses for the Human Resources Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
HUMAN RESOURCES					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 273,690	\$ 273,690	\$ -	\$ 275,529	\$ 1,839
Payroll Taxes	18,244	18,244	-	18,801	557
Benefits	34,323	34,323	-	36,806	2,483
Retirement Costs	50,353	50,353	-	53,322	2,969
Total Personnel Expenses	\$ 376,610	\$ 376,610	\$ -	\$ 384,458	\$ 7,848
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,000	2,000	-	2,000	-
Total Meeting Expenses	\$ 2,000	\$ 2,000	\$ -	\$ 2,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ 27,000	\$ 27,000	\$ -	\$ 125,000	\$ 98,000
Office Rent	-	-	-	-	-
Office Costs	68,675	68,675	-	132,325	63,650
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 95,675	\$ 95,675	\$ -	\$ 257,325	\$ 161,650
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ (474,285)	\$ (474,285)	\$ -	\$ (643,783)	\$ (169,498)
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A - B)	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Asset Additions, excluding Right of Use Assets (C)	-	-	-	-	-
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	2.15	2.15		2.00	(0.15)

Table A-19. Human Resources Budget Detail

Finance and Accounting

The following table lists the Finance and Accounting budget.

Finance and Accounting (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	4.35	3.52	(0.83)
Total Direct Expenses	\$ 2,329,953	\$ 1,118,839	\$ (1,211,114)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-20. Finance and Accounting Budget

Program Scope and Functional Description

Finance and Accounting

The Finance and Accounting function directs the overall financial planning and accounting practices of the organization, oversees treasury, accounting, budget, tax, and audit activities, as well as the financial and accounting system controls and standards. The Finance and Accounting function also administers employee benefit plans, including the 401(k) and Retiree Medical Trust, and reports the overall outcome of MRO's annual activities to the MRO Board of Directors.

Finance and Accounting Resource Requirements

Overall Budget Change 2023 vs 2022 (Decrease \$1.2M, 52.0%)

The decreased costs in the Finance and Accounting area is a result of moving office rent to the General and Administrative program.

Personnel Expenses (Decrease 51.8K, 6.2%)

Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs. The increase is offset by the reduced FTE in this program.

Meeting Expenses (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

Operating Expenses (Decrease \$1.16M, 77.6%)

The decrease in this area is due to moving office rent to the General and Administrative program.

Finance and Accounting Budget Detail

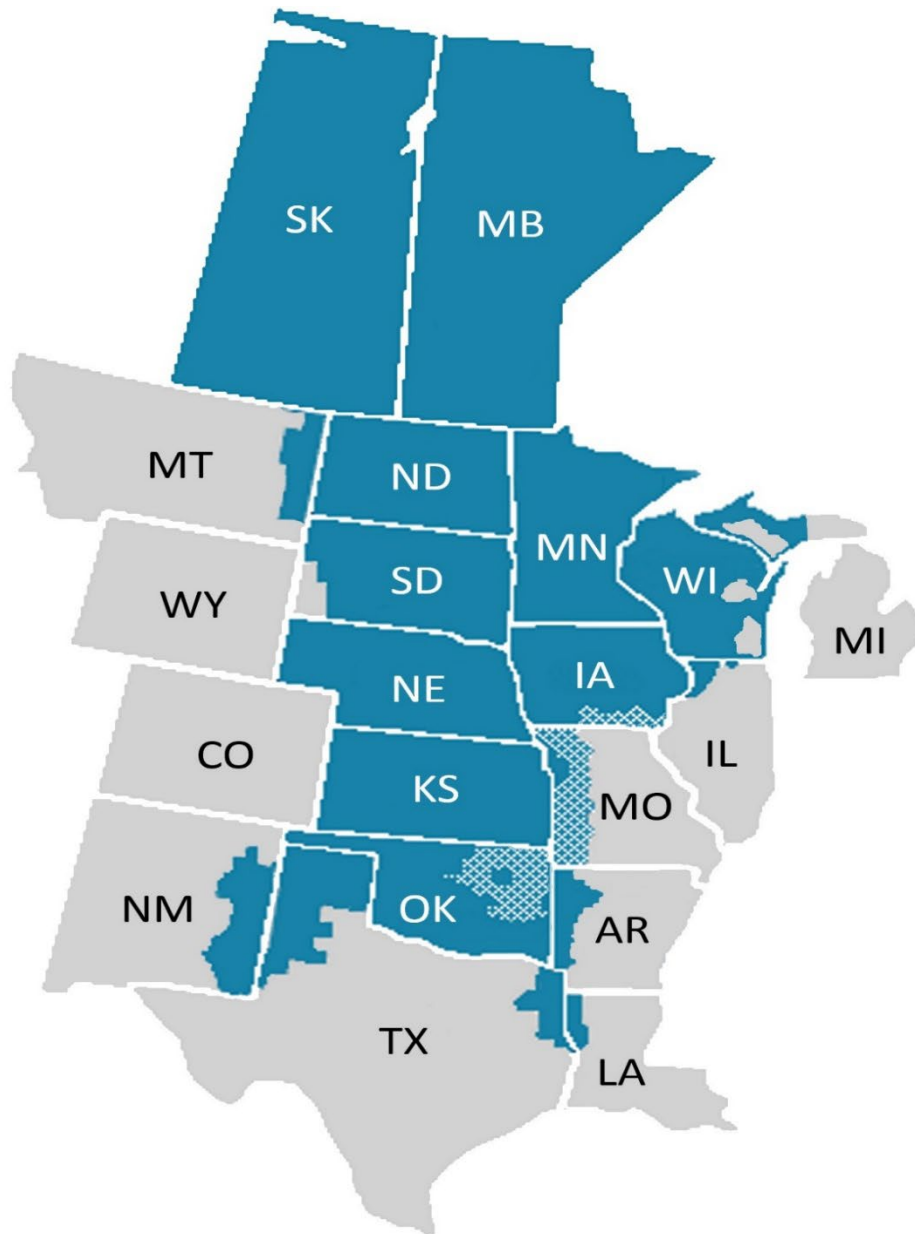
The following table shows funding sources and related expenses for the Finance and Accounting Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
FINANCE and ACCOUNTING					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget v 2022 Projection Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 606,220	\$ 606,220	\$ -	\$ 576,825	\$ (29,395)
Payroll Taxes	37,423	37,423	-	34,733	(2,690)
Benefits	74,578	74,578	-	64,779	(9,799)
Retirement Costs	111,583	111,583	-	101,703	(9,880)
Total Personnel Expenses	\$ 829,803	\$ 829,803	\$ -	\$ 778,039	\$ (51,764)
Meeting Expenses					
Meetings	\$ 1,000	\$ 1,000	\$ -	\$ 1,000	\$ -
Travel	5,000	5,000	-	5,000	-
Total Meeting Expenses	\$ 6,000	\$ 6,000	\$ -	\$ 6,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ 53,850	\$ 53,850	\$ -	\$ 61,000	\$ 7,150
Office Rent	1,132,100	1,132,100	-	-	(1,132,100)
Office Costs	249,200	249,200	-	217,800	(31,400)
Professional Services	59,000	59,000	-	56,000	(3,000)
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 1,494,150	\$ 1,494,150	\$ -	\$ 334,800	\$ (1,159,350)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ (2,329,953)	\$ (2,329,953)	\$ -	\$ (1,118,839)	\$ 1,211,114
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A - B)	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Asset Additions, excluding Right of Use Assets	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	4.35	4.35	-	3.52	(0.83)

Table A-21. Finance and Accounting Budget Detail

Section B – Supplemental Financial Information

2023 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the reserve for 2022 through 2023.

Reserve Analysis 2021-2023				
	Total Reserves	Working Capital Reserves	30-Day Reserves	Assessment Stabilization Reserves (ASR)
Beginning, January 1, 2021	8,512,161	5,904,677.00		2,607,484
Plus: Penalty Sanctions ¹	517,497			517,497
Plus: Release from ASR	-	(1,500,000.00)		1,500,000
Plus: 2021 Assessments	16,983,251	16,983,251.00		
Adjustment for targeted 30-day reserves		(1,513,332.00)	1,513,332.00	
Less: 2021 Projected Expenditures	(17,634,982)	(17,634,982.00)		
Final Reserves December 31, 2021	8,377,927	2,239,614	1,513,332	4,624,981
Beginning, January 1, 2022	8,377,927	2,239,614	1,513,332	4,624,981
Plus: Penalty Sanctions ¹	273,100	458,250		(185,150)
Plus: Release from ASR	-	1,743,698		(1,743,698)
Plus: 2022 Assessments	17,832,414	17,832,414		
Adjustment for targeted 30-day reserves		(156,198)	156,198.12	
Less: 2022 Projected Expenditures	(20,034,361)	(20,034,361)		
Projected Reserves December 31, 2022	6,449,079	2,083,416	1,669,530	2,696,133
Beginning, January 1, 2023	6,449,079	2,083,416	1,669,530	2,696,133
Plus: Penalty Sanctions ¹	-	332,347		(332,347)
Plus: Release from ASR	-	2,242,847		(2,242,847)
Plus: 2023 Assessments	20,507,276	20,507,276		
Adjustment for targeted 30-day reserves		(254,009)	254,008.97	
Less: 2023 Budgeted Expenditures	(23,082,469)	(23,082,469)		
Projected Reserves December 31, 2023	3,873,886	1,829,407	1,923,539	120,940

¹ Penalties collected between July 1 of the previous year through June 30 of the current budget year are released in the following budget year

Table B-1. Reserve Analysis 2022 - 2023

Explanation of Significant Variances from 2022

Per Policy and Procedure 13, MRO's reserves are identified and quantified each year in the Business Plan and Budget. MRO resets its reserves at the beginning of each year. MRO's FAC resolved that a 30-day reserve of cash is sufficient based on MRO's cash flow risk. The FAC and the board determined that the certainty of MRO's funding stream supports the resolution that a 30-day reserve is reasonable for sustaining short-term contingencies.

Policy and Procedure 13 also addresses additional cash-on-hand necessary to meet unplanned, short-term financial needs resulting from changes in the level of expenditures that would adversely affect the company's total annual operating budget during the budget year. The policy combines penalties received and surplus working capital. MRO staff may propose to set aside these funds in a separate reserve account to be released in future periods to mitigate year-over-year variations in assessments. MRO proposes to release \$2,575,194 from assessment stabilization reserves to offset assessment increases.

Breakdown by Statement of Activity Sections

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2022.

Penalty Sanctions Received On or Prior to June 30, 2022	Date Received	Amount Received
	Nov-21	\$ 58,828
	Jun-22	273,100
Total Penalties Received		\$ 331,928

Table B-2. Penalty Sanctions Received

Penalty Sanctions

All penalties received after July 1, 2021, and prior to June 30, 2022, are listed above, including the amount and date received.

Allocation Method: Penalty sanctions received have been combined with surplus working capital (if any). MRO staff may set aside these funds in a separate reserve account to be released in future budget periods to mitigate year-over-year variations in budget assessments. Assuming no additional penalties are collected, all remaining penalty dollars will be released in the 2023 budget year as part of assessment stabilization. Interest earned on penalties collected will also be added to the total amount released.

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget
Reliability Standards				
Interest Income	\$ -	\$ -	\$ 5	\$ 5
Other	-	-	-	-
Total	\$ -	\$ -	\$ 5	\$ 5
Compliance Monitoring, Enforcement & Org. Registration				
Interest Income	\$ -	\$ -	\$ 269	\$ 269
Other	-	-	-	-
Total	\$ -	\$ -	\$ 269	\$ 269
Reliability Assessment and Performance Analysis				
Interest Income	\$ -	\$ -	\$ 87	\$ 87
Other	-	-	-	-
Total	\$ -	\$ -	\$ 87	\$ 87
Training and Education				
Interest Income	\$ -	\$ -	\$ 36	\$ 36
Other	-	-	-	-
Total	\$ -	\$ -	\$ 36	\$ 36
Situation Awareness and Infrastructure Security				
Interest Income	\$ -	\$ -	\$ 21	\$ 21
Other	-	-	-	-
Total	\$ -	\$ -	\$ 21	\$ 21
General and Administrative				
Interest Income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ 419	\$ 419

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

MRO does not earn interest income on general cash held. Interest income on penalties received are held for future budget years. All interest earned is applied to reserves for the reduction of future assessments.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Total Salaries	\$ 11,416,562	\$ 11,416,562	\$ 13,294,284	\$ 1,877,722	16.4%
Total Payroll Taxes	744,165	744,165	863,417	119,252	16.0%
Total Benefits	1,193,996	1,193,996	1,425,181	231,185	19.4%
Total Retirement	1,922,258	1,922,258	2,277,278	355,020	18.5%
Total Personnel Costs	<u>\$ 15,276,980</u>	<u>\$ 15,276,980</u>	<u>\$ 17,860,160</u>	<u>\$ 2,583,180</u>	<u>16.9%</u>
FTEs	71.00	71.00	78.00	7.00	9.9%
Cost per FTE					
Salaries	160,797	\$ 160,797	\$ 170,440	9,643	6.0%
Payroll Taxes	10,481	10,481	11,069	588	5.6%
Benefits	16,817	16,817	18,272	1,455	8.7%
Retirement	27,074	27,074	29,196	2,122	7.8%
Total Cost per FTE	\$ 215,169	\$ 215,169	\$ 228,976	\$ 13,808	6.4%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Personnel Expenses (Increase \$2.6M, 16.9%)

The following assumptions were used to determine the 2023 MRO budget:

- Total personnel expenses were increased to include the addition of 7 FTEs to support the statutory and administrative programs.
- Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. Benefit costs are projected to increase by 12 percent.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Meeting Expenses	\$ 178,877	\$ 178,877	\$ 178,877	\$ -	0.0%
Travel	581,670	\$ 581,670	581,670	-	0.0%
Total Meeting Expenses	\$ 760,547	\$ 760,547	\$ 760,547	\$ -	0.0%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Meeting Expenses

Meeting expenses remain flat and reflects increased use of virtual meetings.

Travel Expenses

Travel expenses remain flat for both staff travel and member reimbursement. Travel dollars for participation on ERO collaboration groups, the Align project, and member travel for organizational group face-to-face meetings trended very low in prior years and it is anticipated that there will be a slow return to travel as pandemic restrictions ease. These costs will not be as high as in prior years, as MRO has adopted a hybrid approach of virtual and in-person meetings. The increased use of virtual technology is a key factor for maintaining low costs.

Table B-6 lists the budget for Consultants and Contracts.

Consultants	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance	165,000	165,000	130,000	(35,000)	-21%
Reliability Analysis and Organization Registration and Certification	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
General and Administrative	65,000	65,000	80,000	15,000	23%
Legal	54,900	54,900	54,900	-	0%
Information Technology	165,200	165,200	165,200	-	0%
Human Resources	-	-	-	-	
Accounting and Finance	7,500	7,500	9,000	1,500	20%
Consultants Total	\$ 457,600	\$ 457,600	\$ 439,100	\$ (18,500)	-4%

Contracts	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance	218,382	218,382	218,382	-	0%
Reliability Analysis and Organization Registration and Certification	71,100	71,100	41,100	(30,000)	-42%
Event Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal	-	-	-	-	
Information Technology	384,368	384,368	505,436	121,068	31%
Human Resources	27,000	27,000	125,000	98,000	363%
Accounting and Finance	46,350	46,350	52,000	5,650	12%
Contracts Total	\$ 747,200	\$ 747,200	\$ 941,918	\$ 194,718	26%

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Consultants for Compliance (Decrease \$35K, 21%)

Consultants used in the compliance area were historically budgeted to perform CMEP activities in case staffing levels were not adequate to perform delegated work. MRO is projecting a decreased need for consultants in 2023. The scope of consulting work for compliance in the 2023 BP&B is to seek outside expertise in process efficiencies around the new Align tool.

Consultants for General and Administrative (Increase \$15K, 23%)

The increase in this area includes recruiter fees for independent director search fees due to scheduled seat vacancies in 2023.

Contracts for Reliability Analysis (Decrease \$30K, 42%)

Contracts consist of external modeling software that is being discontinued. New software will be managed by MRO's Information Technology Department. Internal staff will coordinate with external technical support for this software.

Contracts for Information Technology (Increase \$121K, 31%)

This increase is due to contract costs for new security software, applications, and data analytics. It also includes a modeling software contract previously managed by the Reliability Analysis Department.

Contracts for Human Resources (Increase \$98K, 363%)

Human resource contracts consist primarily of the engagement of recruiting firms to source specialized candidates with bulk power system or related engineering and security expertise.

Table B-7 lists the budget for Office Rent.

Office Rent	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Office Rent	\$ 1,086,100	\$ 1,086,100	\$ 1,000,000	\$ (86,100)	-7.9%
Utilities	11,000	\$ 11,000	11,000	-	0.0%
Maintenance	35,000	\$ 35,000	35,000	-	0.0%
Total Office Rent	\$ 1,132,100	\$ 1,132,100	\$ 1,046,000	\$ (86,100)	-7.61%

Table B-7. Office Rent

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Rent is lower due to adjusted occupancy costs from prior years and anticipated adjustments resulting from the adoption of new accounting standards for leases.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Phone Service					
Data Circuit (qmoe)	\$ 60,000	\$ 60,000	\$ 60,000	\$ -	0.00%
Webex	19,200	19,200	30,000	10,800	56.25%
Voice Circuits	18,000	18,000	18,000	-	0.00%
Business Cable	3,250	3,250	3,250	-	0.00%
Disaster Recovery Site	-	-	-	-	-
Internet/Cell	63,854	63,854	117,030	53,176	83.28%
Office Supplies	36,700	36,700	36,700	-	0.00%
Employee Member Events	34,000	34,000	39,000	5,000	14.71%
Employee Related Expense	27,400	27,400	30,900	3,500	12.77%
Computer Supplies and Maintenance	138,500	138,500	180,500	42,000	30.32%
Publications & Subscriptions	23,675	23,675	26,525	2,850	12.04%
Professional Dues	23,560	23,560	27,489	3,929	16.68%
Postage	4,200	4,200	3,200	(1,000)	-23.81%
Temporary Services	55,000	55,000	55,000	-	0.00%
Finance-Filing/Reg Fees	4,400	4,400	4,400	-	0.00%
Equipment Repair/Service Contracts	39,000	39,000	39,000	-	0.00%
Bank Charges	20,000	20,000	20,000	-	0.00%
Presentation, Publicity, & Supplies Promotional	25,000	25,000	25,000	-	0.00%
Departmental Functional Training	282,195	282,195	328,750	46,555	16.50%
Insurance Expense	90,000	90,000	110,000	20,000	22.22%
Total Office Costs	\$ 967,934	\$ 967,934	\$ 1,154,744	\$ 186,810	19.30%

Table B-8. Office Costs

Explanation of Significant Variances – 2023 Budget versus 2022 Budget (Increase \$187K, 19.3%)

The increase in Office Costs is primarily the result of seven additional FTEs. This is reflected in functional training, computer supplies and maintenance, internet/cell phone, and WebEx license expenses. Adding to this increase is the expected rise in cyber liability insurance premiums as a result of the rise in cyber crime across the country.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2022	Projection 2022	Budget 2023	Variance	
				2023 Budget v 2022 Budget	Variance %
Independent Trustee Fees	\$ 330,500	\$ 330,500	\$ 430,500	\$ 100,000	30.26%
Independent Trustee Travel Reimbursement	30,000	30,000	30,000	-	0.00%
Outside Legal	100,000	100,000	100,000	-	0.00%
Branding and Videography	47,500		15,000	(32,500)	-68.42%
Accounting and Auditing Fees	36,000	36,000	36,000	-	0.00%
Actuarial Fees	23,000	23,000	20,000	(3,000)	-13.04%
Total Services	\$ 567,000	\$ 519,500	\$ 631,500	\$ 64,500	11.38%

Table B-9. Professional Services

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

This increase includes recruiter fees for an independent director search due to scheduled seat vacancies in 2023.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
	\$ -	\$ -	\$ -	\$ -	-
					-
					-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	0.00%

Table B-10. Miscellaneous

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

MRO has not budgeted any Miscellaneous Expenses in 2023.

Table B-11 lists the budget for other Non-Operating Expenses.

Other Non-Operating Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment					
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	0.00%

Table B-11. Other Non-Operating Expenses

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

MRO has not budgeted any Non-Operating Expenses in 2023.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Computer Equipment	125,000	125,000	248,500	123,500	98.8%
Capitalized Software	-	-	-	-	
Furniture and Equipment	-	-	-	-	
Leasehold Improvements	-	-	-	-	
Total Change in Fixed Assets	\$ 125,000	\$ 125,000	\$ 248,500	\$ 123,500	98.8%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

MRO's capital asset costs average \$250K per year for the replacement of end-of life assets. MRO experienced an office expansion in 2020-2021 that included \$125K towards the replacement of end-of-life capital assets scheduled for 2022. Leaving the remainder of those costs fulfilled in 2022 at \$125K. The budgeted 2023 capital assets return to normal at the \$250K level for the replacement of end-of-life assets scheduled for 2023.

Table B-13 compares the 2023 budget with projections for 2024 - 2025.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2024-2025 Projections								
	2023	2024	\$ Change	% Change	2025	\$ Change	% Change	
	Budget	Projection	23 v 24	23 v 24	Projection	24 v 25	24 v 25	
Funding								
ERO Funding								
NERC Assessments	\$ 20,507,276	\$ 23,583,367	\$ 3,076,091	15.00%	\$ 26,885,038	\$ 3,301,671	14.00%	
Assessment Stabilization Reserves	2,575,194	120,940	(2,454,254)	-95.30%	-	-		
Membership Dues	-	-	-	-	-	-		
Testing Fees	-	-	-	-	-	-		
Services & Software	-	-	-	-	-	-		
Workshop Fees & Miscellaneous	-	-	-	-	-	-		
Interest & Investment Income	-	-	-	-	-	-		
Total Funding (A)	\$ 23,082,469	\$ 23,704,307	\$ 621,837	2.7%	\$ 26,885,038	\$ 3,301,671		
Expenses								
Personnel Expenses								
Salaries	\$ 13,294,284	\$ 14,712,343	\$ 1,418,059	10.7%	\$ 15,655,352	\$ 943,009	6.4%	
Payroll Taxes	863,417	955,803	92,386	10.7%	1,016,974	61,171	6.4%	
Benefits	1,425,181	1,596,203	171,022	12.0%	1,739,861	143,658	9.0%	
Retirement Costs	2,277,278	2,550,552	273,273	12.0%	2,805,607	255,055	10.0%	
Total Personnel Expenses	\$ 17,860,160	\$ 19,814,900	\$ 1,954,740	10.9%	\$ 21,217,794	\$ 1,402,894		
Meeting Expenses								
Meetings & Conference Calls	\$ 178,877	\$ 186,032	7,155	4.0%	\$ 193,473	7,441	4.0%	
Travel	581,670	604,937	23,267	4.0%	629,134	24,197	4.0%	
Total Meeting Expenses	\$ 760,547	\$ 790,969	\$ 30,422	4.0%	\$ 822,608	\$ 31,639		
Operating Expenses, excluding Depreciation								
Consultants & Contracts	\$ 1,381,018	\$ 1,450,069	69,051	5.0%	\$ 1,508,072	58,003	4.0%	
Office Rent	1,046,000	1,077,380	31,380	3.0%	1,120,475	43,095	4.0%	
Office Costs	1,154,744	1,212,481	57,737	5.0%	1,260,980	48,499	4.0%	
Professional Services	631,500	650,445	18,945	3.0%	676,463	26,018	4.0%	
Miscellaneous	-	-	-	-	-	-		
Total Operating Expenses	\$ 4,213,262	\$ 4,390,375	\$ 177,113	4.2%	\$ 4,565,990	\$ 175,615		
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Total Expenses (B)	\$ 22,833,969	24,996,244	2,162,275	9.5%	26,606,392	1,610,147		
Change in Net Assets (=A - B)	\$ 248,500	\$ (1,291,938)	(1,540,438)	-619.9%	\$ 278,647	1,691,524		
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 248,500	\$ 250,000	\$ 1,500	0.6%	\$ 250,000	\$ 250,000		
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 23,082,469	\$ 25,246,244	\$ 2,163,775	9.4%	\$ 26,856,392	\$ 1,860,147	6.4%	
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ (1,541,938)	\$ -	\$ -	\$ 28,647	\$ -		
FTEs	78.00	83.00	5.00		85.00	2.00		

Table B-13. Budget 2023 Compared with 2024-2025 Projections

Explanation of 2024-2025 Projections

MRO has a strategic plan that addresses resource changes resulting from the implementation of the Align tool, increased risk focus in cyber and infrastructure security, and stakeholder and industry outreach.

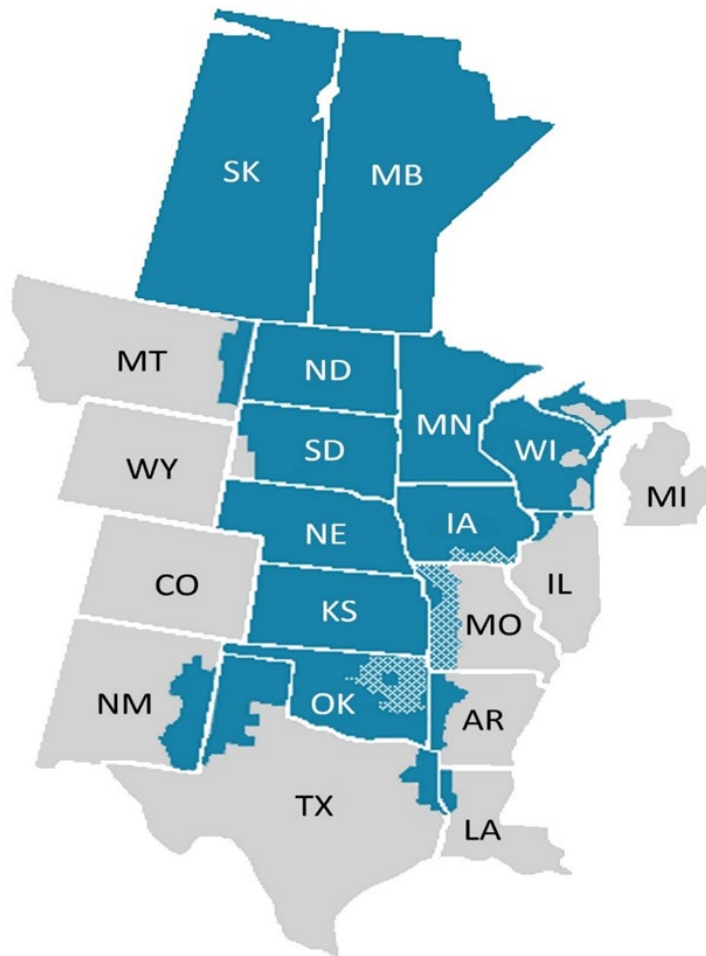
- FTEs increase by seven year-over-year
- Meeting expenses increase four percent year-over-year
- Four percent escalation rate applied to operating expense categories
- Total budget increase of \$2.2MK in 2024
- Total budget increase of \$1.9M in 2025
- Zero penalties budgeted

Section C – Non-Statutory Activities

2023 Business Plan and Budget

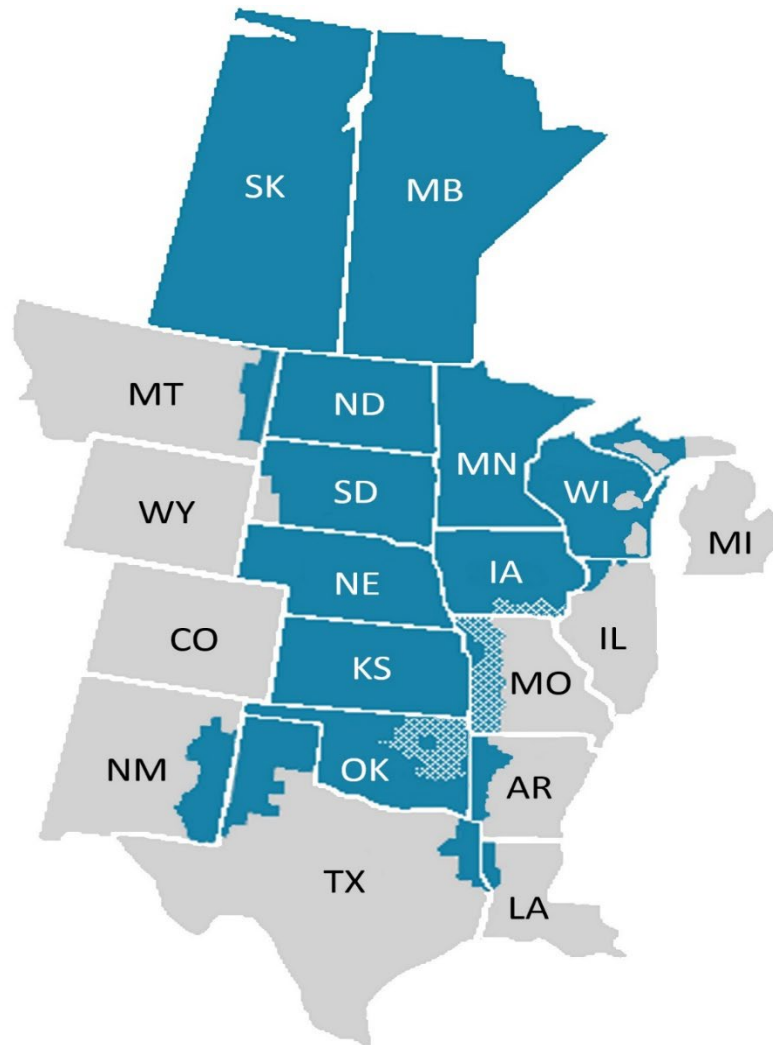
Section C – Non-Statutory Activities

2023 Non-Statutory Business Plan and Budget
MRO has no non-statutory activities.



Section D – Additional Consolidated Financial Statements

2023 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2023 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2023 Business Plan and Budget	Functions in Delegation Agreement											
	Statutory Total	Reliability Standards (Section 300)	Compliance (Section 400)	Reliability Analysis and Organization Registration and Certification (Section 800 & 500)	Training and Education (Section 600&900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding												
ERO Funding												
NERC Assessments	20,507,276	233,301	14,707,917	4,777,811	1,921,999	1,109,095		(2,242,847)				
Assessment Stabilization Adjustment	332,347	3,611	213,770	69,174	28,942	16,849						
Membership Dues	-	-	-	-	-	-						
Testing Fees	-	-	-	-	-	-						
Services & Software	-	-	-	-	-	-						
Workshops & Miscellaneous Revenue	-	-	-	-	-	-						
Interest & Investment Income	-	-	-	-	-	-						
Total Funding (A)	20,839,623	236,912	14,921,687	4,846,985	1,950,941	1,125,944		(2,242,847)				
Expenses												
Personnel Expenses												
Salaries	13,294,284	98,403	6,323,947	2,101,041	765,029	464,895	-	908,838	591,987	1,187,790	275,529	576,825
Payroll Taxes	863,417	6,424	427,795	139,972	52,590	30,578	-	33,958	33,224	85,342	18,801	34,733
Benefits	1,425,181	11,598	685,082	217,524	89,316	54,105	-	49,320	48,952	167,699	36,806	64,779
Retirement Costs	2,277,278	17,792	1,093,595	352,240	131,338	83,501	-	117,584	90,199	236,004	53,322	101,703
Total Personnel Expenses	17,860,160	134,217	8,530,420	2,810,777	1,038,273	633,079		1,109,700	764,363	1,676,834	384,458	778,039
Meeting Expenses												
Meetings	178,877	1,400	11,500	9,000	90,000	4,277	-	60,000	500	1,200	-	1,000
Travel	581,670	6,500	224,470	127,600	50,500	30,500	-	110,300	19,800	5,000	2,000	5,000
Total Meeting Expenses	760,547	7,900	235,970	136,600	140,500	34,777		170,300	20,300	6,200	2,000	6,000
Operating Expenses												
Consultants & Contracts	1,381,018	-	348,382	41,100	-	-	-	80,000	54,900	670,636	125,000	61,000
Office Rent	1,046,000	-	-	-	-	-	-	1,046,000	-	-	-	-
Office Costs	1,154,744	-	194,430	42,350	12,300	15,710	-	130,650	39,529	369,650	132,325	217,800
Professional Services	631,500	-	-	-	-	-	-	460,500	115,000	-	-	56,000
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	4,213,262	-	542,812	83,450	12,300	15,710		1,717,150	209,429	1,040,286	257,325	334,800
Total Direct Expenses	22,833,969	142,117	9,309,202	3,030,827	1,191,073	683,566		2,997,150	994,092	2,723,320	643,783	1,118,839
Indirect Expenses												
	-	92,096	5,452,647	1,764,436	738,227	429,780	-	(2,997,150)	(994,092)	(2,723,320)	(643,783)	(1,118,839)
Other Non-Operating Expenses												
	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	22,833,969	234,212	14,761,849	4,795,262	1,929,300	1,113,345		-	-	-	-	-
Change in Net Assets	(1,994,347)	2,700	159,839	51,723	21,640	12,599		(2,242,847)	-	-	-	-
Fixed Assets												
Computer & Software CapEx	248,500	-	-	-	-	-	-	-	-	248,500	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	2,700	159,839	51,723	21,640	12,599	-	-	-	(248,500)	-	-
Inc(Dec) in Fixed Assets (C)	248,500	2,700	159,839	51,723	21,640	12,599		-	-	-	-	-
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	23,082,469	236,912	14,921,687	4,846,985	1,950,941	1,125,944		-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(2,242,847)	0	(0)	(0)	(0)	0		(2,242,847)	-	-	-	-
FTEs	77.99	0.63	37.30	12.07	5.05	2.94		2.68	2.66	9.14	2.00	3.52

Table D-1. Consolidated Statement of Activities by Program, Statutory and Non-Statutory

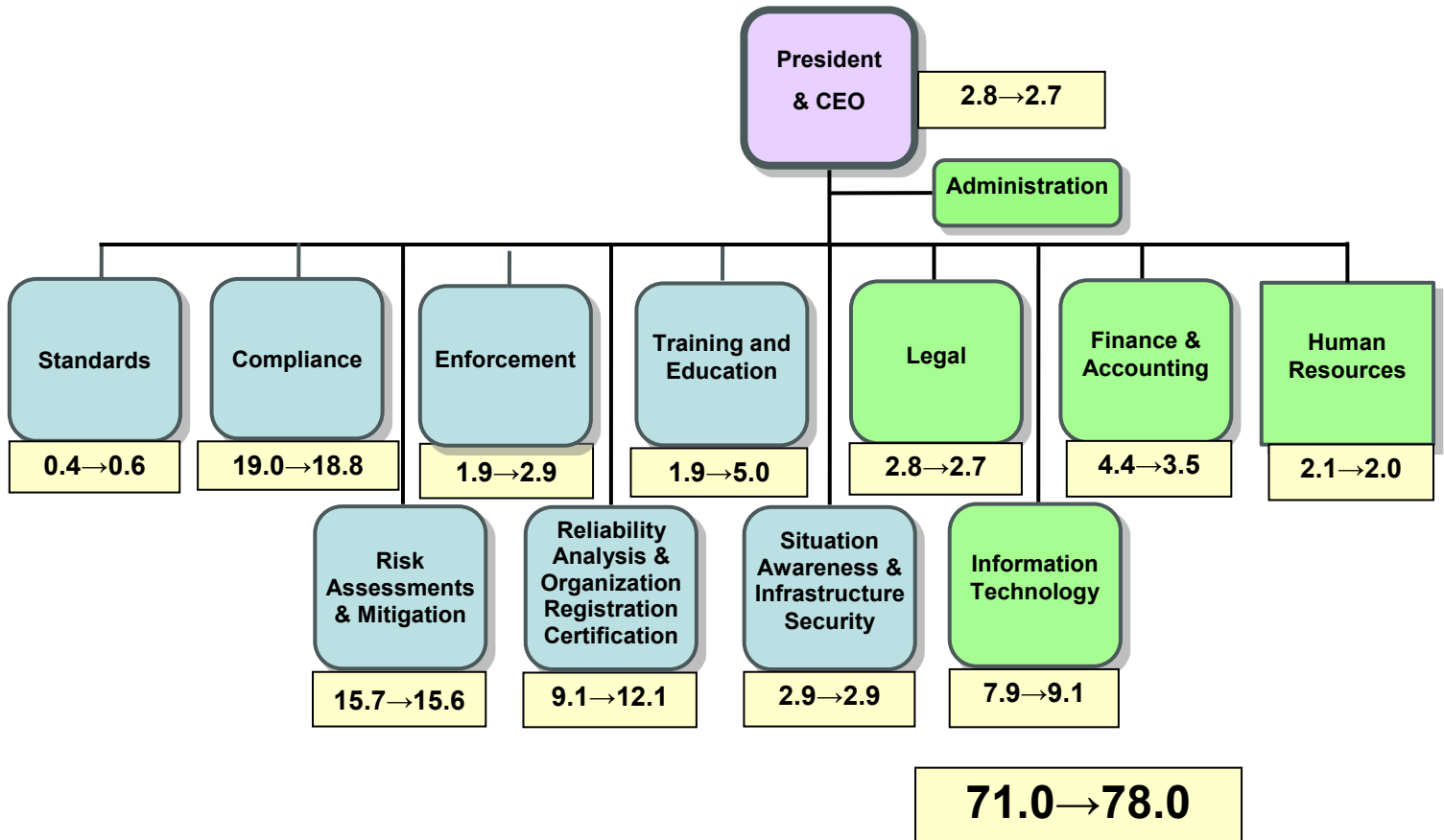
Table D-2. Three-Year Comparison

Appendix A

Organization Chart

The MRO Organization Chart is shown below.

2022 to 2023 Full Time Equivalent (FTE) Comparison Organization Chart



FTE Trend from 2021 to 2025

2021	2022	2023	2024 Estimate	2025 Estimate
66.0	71.0	78.0	83.0	85.0

Figure 2. Organization Chart and FTE Trend

Appendix B

This section lists acronyms used in this document.

Acronym	Definition
ASR	Assessment Stabilization Reserve
BES	Bulk Electric System
BPS	Bulk Power System
CMEP	Compliance Monitoring and Enforcement Program
CMEPAC	Compliance Monitoring and Enforcement Program Advisory Council
COP	Compliance Oversight Plan
DADS	Demand Response Availability Data System
E-ISAC	Electricity Information Sharing and Analysis Center
ERAG	Eastern Interconnection Reliability Assessment Group
ERO	Electric Reliability Organization
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FTE	Full-Time Equivalent
GAAP	Generally Accepted Accounting Principles
GADS	Generating Availability Data System
GPC	Governance & Personnel Committee
HERO	Highly Effective Reliability Organization
HRO	Highly Reliable Organization
IRA	Inherent Risk Assessment
IT	Information Technology
MRO	Midwest Reliability Organization
NEL	Net-Energy-for-Load
NERC	North American Electric Reliability Corporation
OGOC	Organizational Group Oversight Committee
RAC	Reliability Advisory Council
RAM	Risk Assessment and Mitigation
RE	Regional Entity
RISC	Reliability Issues Steering Committee
SAC	Security Advisory Council

SAG	Standard Application Guide
SOA	Statement of Activities
TADS	Transmission Availability Data System

Appendix C

Index of Figures and Tables

List of Figures

Figure 1.	Budget by Program Area Chart	14
Figure 2.	Organization Chart.....	64

List of Tables

Table 1.	MRO Budget for 2021.....	3
Table 2.	Budget by Program Area	15
Table 3.	Total FTEs by Program Area.....	15
Table 4.	Budget and Projection Comparison, 2020 to 2021	16
Table A-1.	Reliability Standards Budget	19
Table A-2.	Reliability Standards, Organization Registration and Certification Budget Detail	20
Table A-3.	Compliance Monitoring and Enforcement Program Budget.....	21
Table A-4.	Compliance Monitoring and Enforcement Program Budget Detail	23
Table A-5.	Reliability Assessments and Performance Analysis (RAPA) Budget.....	24
Table A-6.	Reliability Assessment and Performance Analysis Budget Detail	26
Table A-7.	Training and Education Budget	27
Table A-8.	Training and Education Budget Detail.....	29
Table A-9.	Situation Awareness and Infrastructure Security Budget.....	30
Table A-10.	Situation Awareness and Infrastructure Security Budget Detail	32
Table A-11.	Administrative Services Budget.....	33
Table A-12.	General and Administrative Budget	34
Table A-13.	General and Administrative Budget Detail.....	35
Table A-14.	Legal Budget.....	36
Table A-15.	Legal Budget Detail	37
Table A-16.	Information Technology Budget.....	39
Table A-17.	Information Technology Budget Detail	39
Table A-18.	Human Resources Budget.....	43
Table A-19.	Human Resources Budget Detail	43
Table A-20.	Finance and Accounting Budget.....	45
Table A-21.	Finance and Accounting Budget Detail.....	46
Table B-1.	Reserve Analysis 2020-2021	46
Table B-2.	Penalty Sanctions Received	49
Table B-3.	Supplemental Funding.....	48
Table B-4.	Personnel Expenses	49
Table B-5.	Meeting Expenses.....	50
Table B-6.	Consultants and Contracts.....	51
Table B-7.	Office Rent.....	53
Table B-8.	Office Costs	54
Table B-9.	Professional Services	55
Table B-10.	Miscellaneous	56
Table B-11.	Other Non-Operating Expenses	59
Table B-12.	Fixed Assets	58
Table B-13.	Budget 2021 Compared with 2021-2023 Projections	59
Table D-1.	Consolidated Statements of Activities by Program, Statutory and Non-Statutory	62
Table D-2.	Statement of Financial Position, Three-Year Comparison	63

DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 4

NORTHEAST POWER COORDINATING COUNCIL, INC.

PROPOSED 2023 BUSINESS PLAN AND BUDGET



**Northeast Power Coordinating Council, Inc.
(NPCC)**

2023 Business Plan and Budget

**Approved by
NPCC Board of Directors
at its June 29, 2022 Meeting**

Table of Contents

Introduction.....	4
Organizational Overview.....	4
Membership and Governance	5
ERO Enterprise Model and Transformation.....	7
ERO Enterprise Strategic and Operational Planning	8
2023 Key Goals and Key Deliverables	8
Regional Entity Division Functional Scope	9
2023 Overview of Cost Impacts	9
Summary of Budget by Program Area	10
Comparison of 2023 to 2022 Budgeted Funding Requirements.....	10
Personnel Analysis	11
2022 Budget and Projection and 2023 Budget Comparisons	12
Section A — Regional Entity Division.....	13
Reliability Standards Program.....	14
Compliance Monitoring and Enforcement and Organization Registration and Certification Program	18
Reliability Assessment and Performance Analysis Program	23
Training, Education, and Operator Certification Program	27
Situation Awareness and Infrastructure Security Program	30
Administrative Services.....	35
Administrative Services.....	36
Technical Committees and Member Forums.....	37
General and Administrative	39
Legal and Regulatory.....	40
Information Technology	41
Human Resources	43
Accounting and Finance.....	44
Regional Entity Assessment Analysis	45
Section B — Supplemental Financial Information.....	48
Section C — Criteria Services Division Activities	57
NPCC Regionally-Specific Criteria Services Background.....	58
Membership.....	59
Criteria Services Division Functional Scope	59

2023 Key Assumptions.....	59
2023 Goals and Objectives.....	60
NPCC Reliability Directory Maintenance and Development.....	60
NPCC Operations and Planning Directories.....	61
NPCC Criteria Compliance and Enforcement Program (CCEP).....	62
Criteria Services Resource Requirements.....	62
2022 Budget and Projection and 2023 Budget Comparisons.....	63
Personnel Analysis.....	64
Reserve Analysis.....	65
Section D — Additional Consolidated Financial Statements.....	66
Statement of Financial Position.....	67
Appendix A.....	70
Staff Allocations.....	70
Appendix B.....	71
Acronyms.....	71
Appendix C.....	73
Index of Figures and Tables.....	73

Introduction

Total NPCC Resources				
(in whole dollars)				
	2023 Budget	U.S.	Canada	Mexico
Regional Entity Division FTEs	56.90			
Criteria Services Division FTEs	2.10			
Total FTEs	59.00			
Regional Entity Division Expenses	\$19,355,195			
Criteria Services Division Expenses	\$1,003,905			
Total Expenses	\$20,359,100			
Regional Entity Division Inc(Dec) in Fixed Assets	\$68,400			
Criteria Services Division Inc(Dec) in Fixed Assets	\$3,600			
Total Inc(Dec) in Fixed Assets	\$72,000			
Regional Entity Division Working Capital Requirement**	(\$930,720)			
Criteria Services Division Working Capital Requirement***	(\$208,943)			
Total Working Capital Requirement	(\$1,139,663)			
Total Regional Entity Division Funding Requirement	\$18,492,876			
Total Criteria Services Division Funding Requirement	\$798,561			
Total Funding Requirement	\$19,291,437			
Regional Entity Division Assessments	\$18,140,037	\$10,969,706	\$7,170,331	
Regional Entity Division Assessments Percentage	100%	60%	40%	
Criteria Services Division Assessments	\$797,195	\$350,638	\$446,556	
Total NPCC Assessments	\$18,937,232	\$11,320,345	\$7,616,887	
NEL (MWh)	615,530,000	270,735,000	344,795,000	
NEL %	100%	44%	56%	

Table 1: NPCC Budget

** Refer to Table B-1 on page 49 in Section B.

*** Refer to the Reserve Analysis on page 65 in Section C.

2023 Overview of Total NPCC Resource Requirements

Due to the international nature of the NPCC footprint, the total resource requirements including both Regional Entity division and Criteria Services division are identified above. Resources to support NPCC's delegated authorities and responsibilities are detailed in subsequent sections.

NPCC proposes a 2023 total budget of \$20,431,100 comprising operating expenses of \$20,359,100 and an increase in fixed assets of \$72,000. This represents an increase of \$2,018,355 or 11.0% over the 2022 budget. The proposed 2023 funding requirement will be satisfied by a Regional Entity division assessment of \$18,140,037 and Criteria Services division membership fees of \$797,195, for a total of \$18,937,232. The total NPCC assessments and membership fees represent an increase of \$2,388,174 or 14.4% compared to the 2022 total assessments and membership fees. The Regional Entity division assessment is equal to the Regional Entity funding requirement (expenses plus change in fixed assets plus change in working capital) reduced by the application of penalty funds, workshop fee revenue, and interest & investment income. The Criteria Services membership fees are equal to the Criteria Services division funding requirement (expenses plus change in fixed assets plus change in working capital) less interest & investment income. Detailed projected statements of activities for the Regional Entity division and Criteria Services division are included on pages 12 and 63, respectively.

Organizational Overview

[Northeast Power Coordinating Council, Inc. \(NPCC\)](#) is a 501(c)(6) not-for-profit corporation in the state of New York responsible for promoting and improving the reliability of the international, interconnected bulk power systems in Northeastern North America through (i) the development of Regional Reliability Standards and compliance assessment and enforcement of continent-wide and Regional Reliability Standards, (ii) coordination of system planning, design and operations, and assessment of reliability (collectively, Regional Entity activities), and (iii) the establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria (collectively, Criteria Services activities). NPCC provides the functions and services for Northeastern North America of a cross-border Regional Entity through a Regional Entity division, as well as Regionally-specific Criteria Services for Northeastern North America through a Criteria Services division.

The NPCC Region covers nearly 1.2 million square miles and is populated by more than 56 million people. NPCC includes seven states (Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont) and four Canadian provinces (New Brunswick, Nova Scotia, Ontario, and Québec). From a net energy for load perspective, NPCC is approximately 44% U.S. and 56% Canadian; while approximately 65% of Canadian net energy for load is within the NPCC Region.

Effective January 1, 2021, NPCC executed an Amended and Restated Regional Delegation Agreement with the North American Electric Reliability Corporation (NERC or Electric Reliability Organization (“ERO”)) that delegates to NPCC certain responsibilities and authorities of a cross-border Regional Entity as defined by Section 215 of the Federal Power Act in the U.S. In addition, NPCC has executed [Memoranda of Understanding \(MOU\) or Agreement](#) with Canadian provincial regulatory and/or governmental authorities in Ontario, Québec, New Brunswick, and Nova Scotia.

NPCC meets all requirements of Section 215 of the Federal Power Act, the ERO Regulations, and the NERC Rules of Procedure as approved by the Federal Energy Regulatory Commission (FERC) necessary to qualify for delegation. This Amended and Restated Regional Delegation Agreement incorporates the benefits of the NPCC and NERC mutual experience and lessons learned while operating under the predecessor agreement regarding NPCC U.S. and thereby provides for efficient and effective execution of respective responsibilities in a transparent manner pursuant to Section 215 and ERO Regulations.

Membership and Governance

Members

NPCC monitors approximately 236 registered entities and some 485 functions for compliance with mandatory NERC Reliability Standards. Not all registered entities are members of NPCC.

Currently, NPCC has 97 members in two categories, Full and General. Full Members of NPCC are subject to compliance with regionally-specific more stringent reliability criteria that are associated with bulk power system design, planning, operations, and maintenance. Organizations such as independent system operators (ISOs), transmission companies, entities that perform the Balancing Authority (BA) function, and state or sub-regional reliability councils are expected to be Full Members.

General Membership is open to any person or entity that has an interest in the reliable operation of the Northeastern North American bulk power system.

Board of Directors

Since January 1, 2012, NPCC has been governed by a Board of Directors consisting of seven stakeholder voting sectors consisting of a maximum of two directors per sector, an independent sector consisting of two independent directors, an independent Board Chair with voting rights to preclude board deadlocks, and the President and CEO. No two sectors can control and no one sector can block action. The voting sectors on the NPCC Board of Directors include:

Sector 1) Transmission Owners

Sector 2) Reliability Coordinators

Sector 3) Transmission Dependent Utilities, Distribution Companies, Load Serving Entities

Sector 4) Generator Owners

Sector 5) Marketers, Brokers and Aggregators

Sector 6) State and Provincial Regulatory and/or Governmental Authorities

Sector 7) Regulators

Sector 8) Independent

There are four Board committees that advise Directors on finance, pension, governance, compensation, and human resource matters consistent with their approved charters.

- Finance and Audit Committee (FAC)
- Pension Committee (PC)
- Corporate Governance and Nominating Committee (CGNC)
- Management Development and Compensation Committee (MDCC)

The Amended and Restated Bylaws establish NPCC's independence from users, owners, and operators of the bulk power system through the enhanced governance structure while providing fair stakeholder representation in the election of the Board of Directors and officers. The members, from each of the seven stakeholder voting sectors, vote to elect directors in their respective sector. The Amended and Restated Bylaws establish criteria for board service for both stakeholder and independent directors. Independent Directors are drawn from diverse backgrounds and possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge to contribute to the effective functioning of a hybrid board structure.

Compliance activities are governed in the U.S. by the Amended and Restated Regional Delegation Agreement between NERC and NPCC, delegating portions of NERC's authority as the ERO to NPCC. NPCC compliance activities in Canada are governed by individual provincial MOU or Agreement with New Brunswick, Nova Scotia, Ontario, and Québec, providing the unique parameters for compliance and enforcement activities.

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American bulk power system (BPS). Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;
- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.



Building upon these commitments, the ERO Enterprise is now engaging in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.

ERO Enterprise Strategic and Operational Planning

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regions, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the NERC Board of Trustees on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial ERO Reliability Risk Priorities Report;
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities.

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each organization's Business Plan and Budget may reference how activities support each of the strategic focus areas.

2023 Key Goals and Key Deliverables

Significant changes in resource mix (some due to regulatory and/or legislative initiatives related to decarbonization), a proliferation of fast-acting digital protection and control technologies, and increased integration of distributed energy resources (DER) and variable energy resources (VER) are rapidly changing the reliability assurance landscape. The proliferation of DER creates jurisdictional challenges as the line blurs at the system interfaces between distribution, sub-transmission, and bulk power transmission which will affect the coordination of system planning, design, and operations. Additionally, aspects of both cyber and physical security are critical and central concerns in maintaining a reliable BPS. These changes in the electricity industry ecosystem have introduced new risks into the reliability equation and have impacted how NPCC measures BPS reliability moving forward. This will require NPCC to adapt to remain an effective provider of Regional Entity and Criteria Services reliability activities and functions while maintaining a culture that is transparent, objective, and effective. As a result, NPCC goals and deliverables are aligned with three Strategic Reliability Focus Areas.

- I. Enhancing System Resilience and Assuring Energy Sufficiency
- II. Reliably Integrating the Resources Brought Forward by Societal Decarbonization Objectives, Including DER and VER
- III. Addressing Cyber and Physical Threats

Regional Entity Division Functional Scope

NPCC's Regional Entity division functions in support of the ERO include:

- Active participation in the development and revision of North American Reliability Standards for the Bulk Electric System (BES), and as needed development of Regional Reliability Standards and Variances applicable within the NPCC footprint.
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed certification of such entities.
- Facilitate the reliable deployment of DER and VER.
- Assessing gas-electric interdependencies, as well as other common mode failure and single points of disruption scenarios involving communications, water, and other interdependent critical infrastructure sectors.
- Assessment of the present and future reliability of the BPS.
- Operational coordination and situation awareness support.
- Event analysis and identification of lessons learned to enhance reliability.
- Effective training and education of reliability personnel.
- Participating in reliability and security activities that enhance resilience of the BPS.
- Coordinate NPCC and NERC activities with local State and Provincial Regulators to facilitate meeting decarbonization goals.

2023 Overview of Cost Impacts

The proposed 2023 Regional Entity division budget of \$19,423,594 represents an increase of \$1,958,462 or 11.2% over the 2022 budget. The proposed Regional Entity assessment of \$18,140,037 represents an increase of \$2,227,724 or 14.0% over the 2022 assessment.

The primary budget drivers are:

- **Personnel** expenses increase of \$1,789,936 associated with the addition of 7.00 FTEs, a budgeted 3% merit pool, and a projected 10% increase in medical premiums. Additional FTEs are required for NPCC to address increasing workload and increasing complexity of initiatives. Changes in staffing by program area are addressed in the Personnel Analysis table on the following page and in subsequent program area sections.
- **Meetings & Travel** expenses increase of \$143,678 due to a measured return to meeting in-person. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.
- **Consultants & Contracts** increase of \$69,350 related to increased number and scope of reliability assessments and studies.

Additional information is provided in the subsequent program area sections.

Summary of Budget by Program Area

Program	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Reliability Standards	\$ 966,823	\$ 966,823	\$ 681,502	\$ (285,321)	-29.5%
Compliance Monitoring and Enforcement and Organization Registration and Certification	\$ 10,119,600	\$ 10,119,600	\$ 11,324,980	\$ 1,205,379	11.9%
Reliability Assessments and Performance Analysis	\$ 3,744,171	\$ 3,744,171	\$ 4,613,108	\$ 868,936	23.2%
Training, Education and Operator Certification	\$ 172,931	\$ 172,931	\$ 151,688	\$ (21,243)	-12.3%
Situation Awareness and Infrastructure Security	\$ 2,461,608	\$ 2,461,608	\$ 2,652,318	\$ 190,710	7.7%
Total	\$ 17,465,133	\$ 17,465,133	\$ 19,423,594	\$ 1,958,461	11.2%

Table 2: Budget by Program Area

This chart does not include allocation of working capital requirements among the program areas.

Comparison of 2023 to 2022 Budgeted Funding Requirements

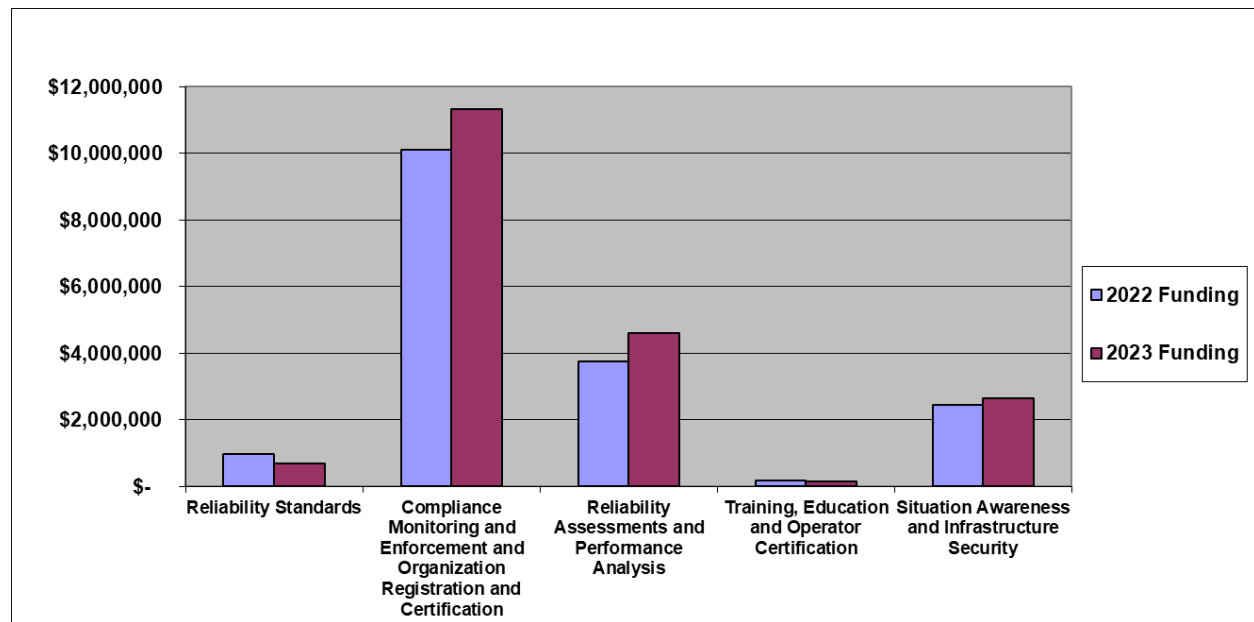


Figure 1: Budget by Program Area Chart

This chart does not include allocation of working capital requirements among the program areas.

Personnel Analysis

Total FTEs by Program Area	Budget 2022	Projection 2022	Direct FTEs 2023 Budget	Shared FTEs 2023 Budget	Total FTEs 2023 Budget	Change from 2022 Budget
REGIONAL ENTITY DIVISION						
Operational Programs						
Reliability Standards	1.85	1.85	0.00	1.50	1.50	-0.35
Compliance Monitoring and Enforcement and Organization Registration and Certification	24.95	24.95	28.00	0.00	28.00	3.05
Training, Education, and Operator Certification	0.10	0.10	0.10	0.00	0.10	0.00
Reliability Assessment and Performance Analysis	6.45	6.45	7.00	1.30	8.30	1.85
Situation Awareness and Infrastructure Security	5.60	5.60	6.10	0.00	6.10	0.50
Total FTEs Operational Programs	38.95	38.95	41.20	2.80	44.00	5.05
Administrative Programs						
Technical Committees and Member Forums	0.10	0.10	0.00	0.10	0.10	0.00
General and Administrative	2.50	2.50	3.50	0.00	3.50	1.00
Information Technology	3.85	3.85	4.80	0.00	4.80	0.95
Legal and Regulatory	2.00	2.00	1.50	0.00	1.50	-0.50
Human Resources	0.50	0.50	1.00	0.00	1.00	0.50
Accounting and Finance	2.00	2.00	2.00	0.00	2.00	0.00
Total FTEs Administrative Programs	10.95	10.95	12.80	0.10	12.90	1.95
Total FTEs	49.90	49.90	54.00	2.90	56.90	7.00

¹A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

Table 3: Regional Entity Personnel Analysis

Increase of 7.00 FTEs to address increasing workload. Changes are addressed within each program area section.

2022 Budget and Projection and 2023 Budget Comparisons

Statement of Activities and Capital Expenditures					
2022 Budget and Projection 2023 Budget					
REGIONAL ENTITY DIVISION					
	2022	2022	Variance⁽²⁾	2023	Variance
	Budget	Projection	2022 Projection	Budget	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 15,912,313	\$ 15,912,313	\$ -	\$ 18,140,037	\$ 2,227,724
Penalties Released ⁽¹⁾	201,132	201,132	-	300,000	98,868
Total ERO Funding	\$ 16,113,445	\$ 16,113,445	\$ -	\$ 18,440,037	\$ 2,326,592
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Misc Revenue	33,750	33,750	-	33,750	-
Interest & Investment Income	28,465	2,000	(26,465)	19,089	(9,376)
Total Funding (A)	\$ 16,175,660	\$ 16,149,195	\$ (26,465)	\$ 18,492,876	\$ 2,317,216
Expenses					
Personnel Expenses					
Salaries	\$ 9,072,408	\$ 8,825,235	\$ (247,173)	\$ 10,411,939	\$ 1,339,532
Payroll Taxes	595,815	592,019	(3,796)	690,561	94,746
Benefits	2,234,738	2,058,244	(176,494)	2,535,986	301,248
Retirement Costs	1,041,405	937,021	(104,384)	1,095,815	54,410
Total Personnel Expenses	\$ 12,944,366	\$ 12,412,519	\$ (531,847)	\$ 14,734,302	\$ 1,789,936
Meeting Expenses					
Meetings & Conference Calls	\$ 230,600	\$ 230,600	\$ -	\$ 237,250	\$ 6,650
Travel	505,572	505,572	-	642,600	137,028
Total Meeting Expenses	\$ 736,172	\$ 736,172	\$ -	\$ 879,850	\$ 143,678
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 839,650	\$ 839,650	\$ -	\$ 909,000	\$ 69,350
Office Rent	906,141	906,141	-	909,500	3,359
Office Costs	1,218,071	1,218,071	-	1,202,900	(15,171)
Professional Services	1,017,000	1,017,000	-	1,030,000	13,000
Computer & Equipment Leases	-	-	-	-	-
Miscellaneous	51,000	51,000	-	30,000	(21,000)
Total Operating Expenses, excluding Depreciation	\$ 4,031,862	\$ 4,031,862	\$ -	\$ 4,081,400	\$ 49,538
Total Direct Expenses	\$ 17,712,400	\$ 17,180,553	\$ (531,847)	\$ 19,695,552	\$ 1,983,152
Indirect Expenses	\$ (358,417)	\$ (358,417)	\$ -	\$ (340,356)	\$ 18,061
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 17,353,983	\$ 16,822,136	\$ (531,847)	\$ 19,355,195	\$ 2,001,212
Change in Net Assets (=A-B)	\$ (1,178,323)	\$ (672,941)	\$ 505,382	\$ (862,320)	\$ 316,003
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 111,150	\$ 111,150	\$ -	\$ 68,400	\$ (42,750)
TOTAL BUDGET (=B+C)	\$ 17,465,133	\$ 16,933,286	\$ (531,847)	\$ 19,423,595	\$ 1,958,462
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,289,473)	\$ (784,091)	\$ 505,382	\$ (930,720)	\$ 358,753

(1) \$300,000 of penalties released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the NPCC Board of Directors, NERC and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

(2) 2022 Projections reflect expectations based on the first quarter statement of activities. It is anticipated that projections could change throughout 2022 and would be reflected in each subsequent quarter's statement of activities.

Table 4: Budget and Current Year Projection Comparison

Section A — Regional Entity Division
2023 Business Plan and Budget

Reliability Standards Program

Reliability Standards Program Resources			
(in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	1.85	1.50	-0.35
Direct Expenses	\$645,796	\$436,058	(\$209,737)
Indirect Expenses	\$315,748	\$243,112	(\$72,637)
Other Non-Operating Expenses	\$0	\$0	\$0
Fixed Asset Additions	\$5,279	\$2,332	(\$2,947)
Total Funding Requirement	\$966,823	\$681,502	(\$285,321)

Table A - 1: Reliability Standards Budget

Program Scope and Functional Description

The NPCC Reliability Standards Program Area supports the NERC Reliability Standards Program and aids in the development of NPCC regionally specific Reliability Standards, NPCC regional Variances to NERC Reliability Standards, and NPCC Criteria.

The NPCC Reliability Standards Program conducts a five-year review of the NPCC Regional Reliability Standard (PRC-006-NPCC-2). These reviews may result in revisions to the Standard, retirement of the Standard, or a finding that no changes are required.

NPCC supports the development of NPCC regional Variances to NERC Reliability Standards when it is necessary to address NPCC regionally specific physical differences in the BPS or a NPCC northeastern North American specific reliability issue.

NPCC’s 2022 – 2025 Strategic Plan ensures alignment with the ERO Enterprise Long-Term Strategy and harmonization of business processes and operations across the ERO Enterprise where appropriate. Deliverables in this program area support both the NPCC and ERO Enterprise long-term strategies.

2023 Key Assumptions

The Reliability Standards Program concentrates on the four key value drivers and long-term focus areas set forth in the ERO Enterprise Long-Term Strategy, the strategic reliability focus areas identified within the NPCC 2022-2025 Working Draft Strategic Plan, and the Regional Standards Committee Work Plan for calendar year 2022-23.

Due to the COVID-19 pandemic, several lower priority reliability standards development projects had been placed “on-hold” due to stresses on industry resources. Concurrently, there have been several standards development opportunities identified by FERC, industry, and NERC technical committees to improve cold weather operations, cyber security, supply chain, data gathering, and modeling of inverter-based resources. It is, therefore, expected that the industry and NERC technical committees will be submitting several Standard Authorization Requests (SARs) to address other known risks as well, e.g., energy assurance, resilience for extreme events, hardening for Electromagnetic Pulse (EMP), and other high impact low frequency events.

- Continent-wide reliability standard development projects will consist primarily of acting on recommendations of the various phases of the Standards Efficiency Review project, Standards Grading activities, conducting periodic reviews on existing ERO Reliability

Standards to improve their content and quality, responding to identified risks to reliability (including those that may be identified through the implementation of risk-based Compliance Monitoring and Enforcement), and addressing any FERC directives.

- NPCC’s Regional Reliability Standards development activity is expected to remain at a stable level, driven by requests that the Regional Entity will receive or reliability issues that are identified and not under consideration by NERC. Creation of Variances to NERC Reliability Standards to address reliability concerns or to recognize the unique topology and reliability considerations of the Northeast (i.e., Québec’s recognition as an asynchronous interconnection within NPCC’s footprint) will be performed as necessary.
- The number of NERC and Regional standards interpretations is expected to remain low. Compliance Implementation Guidance documents, which provide approaches to being compliant with NERC Reliability Standards may be developed using NPCC’s open process and other industry vetting practices. These guidance documents are currently being developed by industry and the Standard Drafting Teams, and the number of requests may increase. The NPCC Reliability Standards Program will assist and facilitate support of these activities.
- Consistent with the NERC Rules of Procedure Sections 312 and 313, as continent-wide standards continue to evolve, NPCC Regional Standards and Criteria will continually be reviewed to ensure they augment but do not add redundancy to the NERC Reliability Standards.
- NPCC outreach activities in support of industry decarbonization will continue with anticipated outreach sessions to State and Provincial Regulators in addition to DER/VER Forums.

2023 Goals and Key Deliverables

- Participate in the annual development and revision of the NERC’s three-year Reliability Standards Development Plan (RSDP) through review, commenting, and other Reliability Standards Committee (RSC) activities.
- Participate in the NERC Standards Committee activities, as a representative for NPCC Regional stakeholders to advance strategic initiatives, to measure the effectiveness and quality of standards, support ERO efforts to address outstanding FERC Directives, and provide input in the prioritization of standards development projects.
- Participate in the ERO Standards Feedback Loop project. The scope of this project includes developing effective feedback mechanisms and processes, along with increasing the visibility of the ERO’s aspirations. This project will challenge the status quo of how work with the ERO will be conducted.
- Support any further development of cost effectiveness principles, processes, and pilots. Continue to provide insights to NERC, based on NPCC experiences, regarding strategy for developing cost effectiveness analysis for standards and identify opportunities to mitigate implementation costs for the draft standards and provide comments on cost effective alternative requirements.
- Participate in the NERC Standards Efficiency Review Project to retire standard requirements that are duplicative, administrative and add no additional benefit to the reliable operation of the BPS and revise NERC process to ensure efficiency and effectiveness of standards development.
- Conduct thorough reviews of all NERC standards under development or revision by leveraging existing NPCC Task Forces and subject matter experts and coordinate NPCC comments for Northeastern North America.

- Participate in the Periodic Review Standing Team’s grading efforts and coordinate and represent the Regional and interregional input.
- Participate in pre-ballot reviews of NERC Reliability Standards and coordinate the development of consensus recommendations to NPCC’s Registered Ballot Body Members and Entities. Develop a list of any unaddressed reliability issues to inform and allow the Members to cast a ballot based on Regional concerns. This will continue to enhance the efficiency of the ERO standards development projects.
- Review and identify issues and concerns raised in FERC Notice of Proposed Rulemakings (NOPRs) and Notice of Inquiries (NOIs) for all standards related issues as appropriate.
- Monitor the NERC RISC and the Reliability and Security Technical Committee (RSTC) activities as they identify emerging risks, develop recommended actions to mitigate such risks, and endorse Standards Authorization Requests (SARs) to initiate standards development. Provide a Regional point of contact for all potential reliability related risks and gaps within the Northeast or as noted by NPCC’s stakeholders (e.g., impact of DERs on BPS planning, operations, and design).
- Participate in and provide support to critical standards projects, such as Cold Weather Standard revisions, Energy Assurance, CIP, Supply Chain, Geomagnetic Disturbances, and changes to standards driven by inverter-based resources.
- Conduct reviews of Regional Standards as necessitated by the revision and approval of any associated Continent-wide NERC reliability standards or further reliability related need.
- Conduct the development of any Québec Interconnection-Wide variances to NERC continent-wide standards using the NPCC Reliability Standards Development Process.
- Conduct ongoing DER/VER Forum activities to solicit and identify both opportunities and challenges to enhancing reliability through education, promotion of awareness and developing guidance, particularly for the interconnection of utility scale DER on the Distribution System and large VER installations on the Transmission system.
- Maintain and revise the NPCC DER/VER guidance document as necessary and promote consistency across the NPCC footprint where appropriate.
- In conjunction with the Reliability Coordinating Committee (RCC), review any DER impacts identified by stakeholders and develop an approach to promote awareness and resolution of any issues.
- Collaborate through outreach with State and Provincial regulatory staff to identify areas where NPCC can support local decarbonization goals.
- Identify opportunities and processes for cost effectiveness analysis activities to determine the need to revise a standard during the Enhanced Periodic Review or Standards Grading activities.

Resource Requirements

Personnel

Decrease of 0.35 FTE resulting from a review of staff to better match staffing with current requirements and responsibilities.

Meetings

In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

Reliability Standards Program Budget Detail

Funding sources and related expenses for the Reliability Standards section of the 2023 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures					
2022 Budget and Projection 2023 Budget					
Reliability Standards					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 957,270	\$ 957,270	\$ -	\$ 671,275	\$ (285,995)
Penalty Sanctions	9,553	9,553	-	10,227	674
Total ERO Funding	\$ 966,823	\$ 966,823	\$ -	\$ 681,502	\$ (285,321)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Misc Revenue	-	-	-	-	-
Interest & Investment Income	-	-	-	-	-
Total Funding (A)	\$ 966,823	\$ 966,823	\$ -	\$ 681,502	\$ (285,321)
Expenses					
Personnel Expenses					
Salaries	\$ 398,873	\$ 186,322	\$ (212,551)	\$ 245,126	\$ (153,747)
Payroll Taxes	23,836	12,643	(11,193)	17,317	(6,519)
Benefits	100,793	51,276	(49,517)	68,626	(32,166)
Retirement Costs	42,512	19,943	(22,569)	22,489	(20,023)
Total Personnel Expenses	\$ 566,014	\$ 270,184	\$ (295,830)	\$ 353,558	\$ (212,455)
Meeting Expenses					
Meetings & Conference Calls	\$ 3,000	\$ 3,000	\$ -	\$ 4,500	\$ 1,500
Travel	54,540	54,540	-	76,000	21,460
Total Meeting Expenses	\$ 57,540	\$ 57,540	\$ -	\$ 80,500	\$ 22,960
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ (20,000)
Office Rent	-	-	-	-	-
Office Costs	2,242	2,242	-	2,000	(242)
Professional Services	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses, excluding Depreciation	\$ 22,242	\$ 22,242	\$ -	\$ 2,000	\$ (20,242)
Total Direct Expenses	\$ 645,796	\$ 349,966	\$ (295,830)	\$ 436,058	\$ (209,737)
Indirect Expenses	\$ 315,748	\$ 315,748	\$ -	\$ 243,112	\$ (72,637)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 961,544	\$ 665,714	\$ (295,830)	\$ 679,170	\$ (282,374)
Change in Net Assets (=A-B)	\$ 5,279	\$ 301,109	\$ 295,830	\$ 2,332	\$ (2,947)
Fixed Asset Additions, excluding Right of Use Assets (C)	5,279	5,279	-	2,332	(2,947)
TOTAL BUDGET (=B+C)	\$ 966,823	\$ 670,993	\$ (295,830)	\$ 681,502	\$ (285,321)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 295,830	\$ 295,830	\$ 0	\$ (0)

Table A - 2: Reliability Standards Budget Detail

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
(in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	24.95	28.00	3.05
Direct Expenses	\$5,790,066	\$6,743,368	\$953,302
Indirect Expenses	\$4,258,335	\$4,538,084	\$279,749
Other Non-Operating Expenses	\$0	\$0	\$0
Fixed Asset Additions	\$71,199	\$43,527	(\$27,672)
Total Funding Requirement	\$10,119,600	\$11,324,980	\$1,205,379

Table A - 3: Compliance Monitoring and Enforcement and Organization Registration and Certification Budget

Program Scope and Functional Description

The NPCC Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CORC) Program Area operates in accordance with NPCC's filed and approved Regional Delegation Agreement, the NERC Rules of Procedure (ROP), and individual Canadian Provincial MOUs and/or Agreements. The program supports Compliance Monitoring and Enforcement (Section 400 of the ROP) and Organization Registration and Certification (Section 500 of the ROP), the ERO Enterprise Long-Term Strategy, and aligns with NPCC Board of Director goals and strategies. NPCC CORC strives to be a credible authority that is independent, objective, and fair while promoting a culture of reliability excellence by performing risk-informed registration, entity risk assessment, compliance monitoring, noncompliance risk assessment, mitigation, and enforcement activities.

The CORC Program Area scope includes:

- Identification, registration, and certification of entities that are required to comply with the NERC Reliability Standards and approved Regional Standards.
- Implementation of the risk-based NERC Compliance Monitoring and Enforcement Program (CMEP) in the U.S., including the compliance monitoring, mitigation assessment and enforcement of NERC Reliability Standards and Regional Reliability Standards.
- Pursuant to the relevant MOUs, the implementation of the risk-based NERC CMEP in Nova Scotia and Ontario, including the assessment and enforcement of NERC Reliability Standards and Regional Reliability Standards effective in those jurisdictions.
- Implementation of the Québec Reliability Standards Compliance Monitoring and Enforcement Program (QCMEP), including the compliance monitoring, assessment and enforcement of NERC Reliability Standards and Regional Reliability Standards effective in Québec.
- Implementation of the New Brunswick Compliance Monitoring and Enforcement Program (NBCMEP) in New Brunswick, including the compliance monitoring, assessment and enforcement recommendations of the NERC Reliability Standards and Regional Reliability Standards effective in New Brunswick.

The CORC Program Area scope is sub-divided into three sub-program areas: Compliance Fundamentals (CF); Compliance Audits and Investigations (AI); and Compliance Mitigation and Enforcement (ME).

Compliance Fundamentals

The CF sub-program area is responsible for registration, certification, entity inherent risk assessments, and compliance oversight plan activities, in addition to general compliance activities that may span across sub-program areas.

- Collaborates across the ERO through participation in the Risk Performance and Monitoring Group (RPMG), Enforcement Group (EG), Organization Registration and Certification Group (ORCG), and the development of the annual ERO CMEP staff workshop.
- Identifies and registers the BES owners, operators, and users that are required to comply with the NERC and Regional Reliability Standards.
- Conducts Certifications and Certification Reviews in accordance with the NERC Rules of Procedure.
- Leads or assists with the development of the annual CMEP implementation plans (ERO Enterprise, New Brunswick, Québec).
- Implements the ERO Enterprise registration tool (CORES-Centralized Organization Registration ERO System) and the ERO Enterprise CMEP data application (Align).
- Responds to any complaints submitted to NPCC.
- Maintains any NPCC specific compliance tools or programs needed.
- Performs outreach, sends relevant communications, and conducts two stakeholder compliance workshops on an annual basis.
- Assesses compliance trends and conducts additional outreach, training, and education to support Reliability Standards implementation.
- Conducts Inherent Risk Assessments (IRAs) on registered entities.
- Develops compliance oversight plans (COPs) for registered entities.

Compliance Audits and Investigations

The AI sub-program area is responsible for conducting all risk-based compliance monitoring activities.

- Conducts NPCC compliance monitoring activities, including audits, spot checks, and guided self-certifications.
- Incorporates the results of entity IRA, COP, and performance data into its compliance monitoring process.
- Assess the maturity of the entity's internal controls and sustainability of the entity processes during compliance audits.
- Engages the entity on the maturity of the internal compliance program.
- Issues audit reports and spot check reports.
- Provides guided self-certification result letters.
- Implements and maintains the Critical Infrastructure Protection (CIP) Standards Technical Feasibility Exceptions process.

Compliance Mitigation and Enforcement

The ME sub-program area is responsible for enforcement activities in accordance with risk-based approaches and conducting technical assessments of registered entities' plans and activities to mitigate noncompliance. Depending on the jurisdiction, ME either makes official recommendations to the appropriate regulatory authority or assists and coordinates with NERC to make such official recommendations.

- Determines the relevant facts and circumstances necessary to assess each noncompliance.
- Evaluates and assigns a risk level to each noncompliance.
- Advises on the mitigation required to prevent recurrence of the issue.
- Evaluates and approves the mitigation activities or Mitigation Plan(s) for each noncompliance.
- Assesses the relevant compliance history for each noncompliance.
- Determines the disposition method for each noncompliance.
- Conducts settlement negotiations.
- Calculates penalty and non-penalty sanctions in a consistent manner.
- Files noncompliance closings with NERC/FERC and applicable Canadian governmental and/or provincial Regulatory authorities.
- Evaluates registered entities for participation in the Self-Logging Program.

2023 Key Assumptions

- The CORC Program concentrates on the four key value drivers and long-term focus areas set forth in the ERO Enterprise Long-Term Strategy, and the strategic reliability focus areas identified within the NPCC 2022-2025 Working Draft Strategic Plan.
- The 2023 Business Plan projects the same number of enforcement processing activities as the 2022 Business Plan, however, the complexity of processing noncompliance is expected to continue to increase as entities' compliance history grows and technology continues to evolve and advance.

2023 Goals and Key Deliverables

- Conduct scheduled compliance monitoring and enforcement activities pursuant to the 2023 Implementation Plans.
- Continue applying risk-based approaches for CMEP, registration, and certification activities.
- Identify potential issues related to NERC Reliability Standards as a result of compliance monitoring, enforcement, and event analysis activities.
- Continue to implement compliance responsibilities in Canada based on the unique regulatory structure specific to each provincial and/or governmental jurisdiction.
- Evaluate and enhance monitoring, violation processing, risk-assessment, registration and certification program for sufficiency and effectiveness.
- Collaborate within the ERO Enterprise to implement Align and the Secure Evidence Locker (SEL) for NPCC staff to:
 - Use Align/SEL and allowed legacy processes for Release 1 and Release 2
 - Support the testing, training, and rollout of Release 3
 - Support the development, testing, training, and rollout of Release 4.
- Provide education and outreach to the registered entities on all CMEP, registration, and certification topics, including the development and implementation of the ERO Enterprise Registration tool (CORES – Centralized Organization Registration ERO System) and the Align/SEL CMEP data application.
- Conduct one in-person and two virtual compliance workshops.
- Develop annual activity reports for CMEP (New Brunswick) and QCMEP (Québec).
- Develop and/or provide input on various 2023 CMEP Implementation Plans (ERO Enterprise, Québec, New Brunswick).

- Attend training necessary and/or beneficial to performing duties (Registration, Certification, Entity Risk Assessment, assessment of internal controls, Monitoring, and Enforcement activities).
- Assure that NPCC staff is appropriately assigned to conduct Certification and Auditing activities.
- Provide detailed responses to oversight activities performed by NERC, FERC, and other relevant authorities.
- Continue to perform and update IRAs and COPs for registered entities as needed.
- Continue to assess and document internal controls during monitoring engagements.
- Conduct 2023 compliance engagement schedule based on budget, risk to the BPS, and number of registered entities.
- Continue to perform comprehensive enforcement activities to determine the relevant facts and circumstances necessary for each noncompliance, assess the risk, and evaluate the mitigation activities or Mitigation Plan. Determine the disposition method in accordance with established risk-based approaches (Compliance Exceptions, FFTs, Simplified Identification Correction Method (Québec), Settlements, etc.).
- Track the progress and verify the completion of each Mitigation Plan.
- As necessary, represent NPCC during any enforcement hearings before the NPCC Hearing Body, the NERC Hearing Body, the Régie, or the New Brunswick Energy & Utilities Board.
- Evaluate registered entities internal compliance programs to determine participation in the Self-Logging Program.
- Analyze noncompliance trends and associated risks to develop guidance to registered entities in support of a culture of reliability.
- Perform outreach (e.g., webinars, workshops) to educate entities on determining noncompliance root causes, techniques for noncompliance assessment, communications associated with self-reporting, and guidance on the development of mitigation activities that will prevent recurrence.
- Assess evolving cybersecurity risks for opportunities to provide entity guidance.

Resource Requirements

Personnel

Increase of 3.05 FTEs in 2023 to support CORC activities. Additional resources are required to address the increasing number and complexity of emerging risks to the BPS. The additional resources will enable NPCC to perform purposeful and impactful BPS risk-reducing interactions with registered entities. Additional FTEs are currently projected to be added in the compliance program over the next three years.

Meetings

In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Budget Detail

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2023 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures					
2022 Budget and Projection 2023 Budget					
Compliance Monitoring and Enforcement and Organization Registration and Certification					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 9,196,118	\$ 9,196,118	\$ -	\$ 10,772,548	\$ 1,576,430
Penalty Sanctions	128,838	128,838	-	190,909	62,071
Total ERO Funding	\$ 9,324,956	\$ 9,324,956	\$ -	\$ 10,963,458	\$ 1,638,501
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Misc Revenue	-	-	-	-	-
Interest & Investment Income	-	-	-	-	-
Total Funding (A)	\$ 9,324,956	\$ 9,324,956	\$ -	\$ 10,963,458	\$ 1,638,501
Expenses					
Personnel Expenses					
Salaries	\$ 3,863,613	\$ 3,972,736	\$ 109,123	\$ 4,583,431	\$ 719,817
Payroll Taxes	286,998	288,520	1,522	333,731	46,733
Benefits	1,001,839	919,314	(82,525)	1,109,937	108,098
Retirement Costs	422,710	405,858	(16,852)	476,669	53,959
Total Personnel Expenses	\$ 5,575,160	\$ 5,586,428	\$ 11,268	\$ 6,503,768	\$ 928,608
Meeting Expenses					
Meetings & Conference Calls	\$ 4,000	\$ 4,000	\$ -	\$ 4,000	\$ -
Travel	161,472	161,472	-	193,000	31,528
Total Meeting Expenses	\$ 165,472	\$ 165,472	\$ -	\$ 197,000	\$ 31,528
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 32,000	\$ 32,000	\$ -	\$ 15,000	\$ (17,000)
Office Rent	-	-	-	-	-
Office Costs	17,434	17,434	-	27,600	10,166
Professional Services	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses, excluding Depreciation	\$ 49,434	\$ 49,434	\$ -	\$ 42,600	\$ (6,834)
Total Direct Expenses	\$ 5,790,066	\$ 5,801,334	\$ 11,268	\$ 6,743,368	\$ 953,302
Indirect Expenses	\$ 4,258,335	\$ 4,258,335	\$ -	\$ 4,538,084	\$ 279,749
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 10,048,401	\$ 10,059,669	\$ 11,268	\$ 11,281,452	\$ 1,233,051
Change in Net Assets (=A-B)	\$ (723,445)	\$ (734,713)	\$ (11,268)	\$ (317,995)	\$ 405,450
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 71,199	\$ 71,199	\$ -	\$ 43,527	\$ (27,672)
TOTAL BUDGET (=B+C)	\$ 10,119,600	\$ 10,130,868	\$ 11,268	\$ 11,324,980	\$ 1,205,379
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (794,644)	\$ (805,912)	\$ (11,268)	\$ (361,522)	\$ 433,122

Table A - 4: Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	6.45	8.30	1.85
Direct Expenses	\$2,624,913	\$3,254,988	\$630,075
Indirect Expenses	\$1,100,852	\$1,345,218	\$244,366
Other Non-Operating Expenses	\$0	\$0	\$0
Fixed Asset Additions	\$18,406	\$12,903	(\$5,503)
Total Funding Requirement	\$3,744,171	\$4,613,109	\$868,937

Table A - 5: Reliability Assessments and Performance Analysis (RAPA) Budget

Program Scope and Functional Description

The NPCC Reliability Assessments and Performance Analysis (RAPA) Program Area independently analyzes, assesses, and reports on the reliability and adequacy of the BPS within the NPCC footprint. The program aides in the identification and assesses risks across the region. The RAPA program activities include: the performance of resource and transmission assessment studies; special analyses and investigations; and the collection and dissemination of data, lessons learned, and other information. The RAPA program provides resources, case studies and data input for the technical analyses, and support of the many risk-based activities. The program also facilitates five technical stakeholder task forces and associated working groups.

2023 Key Assumptions

The RAPA program concentrates on the four key value drivers and long-term focus areas set forth in the ERO Enterprise Long-Term Strategy, the strategic reliability focus areas identified within the NPCC 2022-2025 Working Draft Strategic Plan, and the Reliability Coordinating Committee Work Plan for calendar year 2022-23.

Additionally, NPCC acts collectively and collaboratively through the Eastern Interconnection Reliability Assessment Group (ERAG) to focus on the reliability assessments of the Eastern Interconnection to identify and address potential reliability issues.

2023 Goals and Key Deliverables

- Assessments of Reliability Performance
 - Load, Capacity, Energy, Fuels & Transmission Report (LCEF&T Report): Represent data submitted by NPCC to NERC as part of the annual EIA-411 filing. U.S. data is forwarded by NERC to the U.S. Energy Information Administration (EIA). Data for planned generating unit additions and changes is considered confidential information by the EIA, NERC and NPCC. This report presents actual and ten-year projections for load, capacity, energy, fuel, transmission line construction and transformer additions in the NPCC footprint.
 - NPCC Summer Reliability Assessment: Focuses on the assessment of reliability within the NPCC footprint for the Summer Operating Period.
 - NPCC Winter Reliability Assessment: Focuses on the assessment of reliability within the NPCC footprint for the Winter Operating Period.

- NPCC Tie Benefits Report: Verifies that the current levels of interconnection benefits assumed in each Area’s resource adequacy studies are reasonable and do not overstate the amount of interconnection assistance available.
- NPCC Review of Resource Adequacy: Review for each NPCC Area in accordance with the requirements specified in the NPCC Regional Reliability Reference Directory # 1, Design and Operation of the BPS.
- NPCC Probabilistic Assessment: Provides the NPCC probabilistic reliability metric results specified by NERC for the corresponding LTRA.
- Collect NPCC data and contribute to the production of assessment reports for the NERC long-term, seasonal, and special assessments.
- Provide NPCC regionally specific technical support for the ERO Enterprise expanded and enhanced system studies and analyses, as needed.
- Chair the ERAG in performance of Eastern Interconnection assessment studies, including the update of power-flow and dynamic base cases that represent the BPS within the NPCC footprint for the ERAG Multiregional Modeling Working Group (MMWG).
- Reporting Requirements
 - Collect, verify, and validate NPCC regionally specific data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), Misoperation Information Data Analysis System (MIDAS), and Geomagnetic Disturbance Data System (GMD).
- Other Requirements and Activities
 - Support risk-based activities with the development and review of lessons learned, best practices, and guidance documentation across the ERO Enterprise and industry.
 - Facilitate a peer review process to analyze protective relay misoperation information and track corrective action plans, as reported in the NERC MIDAS system, via the NPCC SP-7 Working Group on Protection Systems Misoperation Review.
 - NPCC has leadership roles in the System Planning Impacts from DER Working Group, Event Analysis Subcommittee, Reliability Assessment Subcommittee and actively participates in NERC committees, subcommittees, task forces, and other technical groups, such as the ERO Reliability Assessment and Performance Analysis Steering Group, Electric Gas Working Group, Performance Analysis Subcommittee, Probabilistic Assessment Working Group, and associated subgroups including the MIDAS User Group, TADS User Group, and GADS User Group.
 - Continue to support stakeholder participation and interaction through various NPCC technical groups, including the RCC, Task Force on Coordination of Operations, Task Force on Coordination of Planning, Task Force on Infrastructure Security & Technology, Task Force on System Protection, Task Force on System Studies and the associated working groups and sub-teams.
 - Work in collaboration with the industry and governmental organization such as the U.S. Department of Energy (DOE), National Laboratories, Institute of Electrical and Electronics Engineers (IEEE), Electric Power Research Institute (EPRI) and Energy Systems Integration Group (ESIG).

Resource Requirements

Personnel

Increase of 1.85 FTEs to support Reliability Assessment and Performance Analysis activities. Additional resources are required to address the increasing number and complexity of emerging risks to the BPS. The additional FTEs will support NPCC, NERC and ERO Enterprise initiatives.

Meetings

In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

Reliability Assessment and Performance Analysis Program Budget Detail

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2023 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures					
2022 Budget and Projection 2023 Budget					
Reliability Assessment and Performance Analysis					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 3,710,864	\$ 3,710,864	\$ -	\$ 4,556,518	\$ 845,653
Penalty Sanctions	33,307	33,307	-	56,591	23,284
Total ERO Funding	\$ 3,744,171	\$ 3,744,171	\$ -	\$ 4,613,109	\$ 868,937
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Misc Revenue	-	-	-	-	-
Interest & Investment Income	-	-	-	-	-
Total Funding (A)	\$ 3,744,171	\$ 3,744,171	\$ -	\$ 4,613,109	\$ 868,937
Expenses					
Personnel Expenses					
Salaries	\$ 1,232,794	\$ 1,318,218	\$ 85,424	\$ 1,549,662	\$ 316,868
Payroll Taxes	79,765	85,941	6,176	103,187	23,422
Benefits	332,187	339,931	7,744	412,120	79,933
Retirement Costs	133,166	138,516	5,350	159,619	26,453
Total Personnel Expenses	\$ 1,777,913	\$ 1,882,606	\$ 104,693	\$ 2,224,588	\$ 446,675
Meeting Expenses					
Meetings & Conference Calls	\$ 17,250	\$ 17,250	\$ -	\$ 24,200	\$ 6,950
Travel	129,720	129,720	-	195,000	65,280
Total Meeting Expenses	\$ 146,970	\$ 146,970	\$ -	\$ 219,200	\$ 72,230
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 692,000	\$ 692,000	\$ -	\$ 803,000	\$ 111,000
Office Rent	-	-	-	-	-
Office Costs	8,030	8,030	-	8,200	170
Professional Services	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses, excluding Depreciation	\$ 700,030	\$ 700,030	\$ -	\$ 811,200	\$ 111,170
Total Direct Expenses	\$ 2,624,913	\$ 2,729,606	\$ 104,693	\$ 3,254,988	\$ 630,075
Indirect Expenses	\$ 1,100,852	\$ 1,100,852	\$ -	\$ 1,345,218	\$ 244,366
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 3,725,765	\$ 3,830,458	\$ 104,693	\$ 4,600,206	\$ 874,441
Change in Net Assets (=A-B)	\$ 18,406	\$ (86,287)	\$ (104,693)	\$ 12,903	\$ (5,503)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 18,406	\$ 18,406	\$ -	\$ 12,903	\$ (5,503)
TOTAL BUDGET (=B+C)	\$ 3,744,171	\$ 3,848,865	\$ 104,693	\$ 4,613,109	\$ 868,937
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ (104,693)	\$ (104,693)	\$ 0	\$ 0

Table A - 6: Reliability Assessments and Performance Analysis (RAPA) Budget Detail

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources			
(in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	0.10	0.10	0.00
Direct Expenses	\$155,578	\$135,325	(\$20,253)
Indirect Expenses	\$17,067	\$16,207	(\$860)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$285	\$155	(\$130)
Total Funding Requirement	\$172,931	\$151,688	(\$21,243)

Table A - 7: Training, Education, and Operator Certification Budget

Program Scope and Functional Description

The NPCC Training, Education, and Operator Certification (TEC) Program Area supports NERC Rules of Procedure Section 900 and other training, education, and outreach activities. The program provides:

- Education and training necessary to understand and operate the BPS.
- Outreach, education, and training on Reliability Standards, compliance topics and improvement of compliance and reliability assurance programs.

The TEC program establishes and coordinates training for system operators relating to inter-Reliability Coordinator area matters, criteria, terminology, standards and operating procedures and instructions. The target audience of the System Operator training program is BPS operating personnel, including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel.

In addition to the semiannual System Operators (SO) seminars, NPCC will conduct Standards and Compliance workshops in 2023 for NPCC Stakeholders, for the express purpose of providing the most current and applicable information related to the development of NERC and Regional Reliability Standards and the implementation of the CMEP. The workshops include targeted/topical breakout classroom sessions and presentations on current industry related activities to provide for the most efficient exchange of information between NPCC Compliance and Standards staff and the NPCC Stakeholders.

To supplement the SO seminars and Standards and Compliance workshops, NPCC may develop webinars on specific topics pertinent to issues related to system operations, compliance program implementation, standards development, cyber or physical security threats and mitigation practices or technical issues.

Additionally, NPCC staff will support future ERO Enterprise human performance engagements in a capacity determined by the RAPA SG as the ERO Enterprise considers how best to address its role in human performance engagement from a regulatory, reliability and resourcing perspective.

2023 Key Assumptions

The TEC Program concentrates on the four key value drivers and long-term focus areas set forth in the ERO Enterprise Long-Term Strategy and the strategic reliability focus areas identified within the NPCC 2022-2025 Working Draft Strategic Plan.

- Build appropriate outreach, training, and education to registered entities through NERC and the Regional Entities to reduce the occurrence of known risks to reliability.
- Nurture relationships with key industry trade associations, as well as those associations representing technology, affiliated sectors, and end users to understand context and leverage their experience and reach.
- Collaborate effectively with other organizations that share the ERO Enterprise’s reliability and security mission and seek and work with representatives of academia, other critical infrastructures, and international experts to broaden the ERO Enterprise’s collective knowledge and awareness of current and unknown risks and strategies to address them.
- Provide the Regional perspective and support with appropriate NPCC Training and Education staff participation on selected NERC groups, including any future ERO Enterprise human performance engagements, as determined by RAPA SG.

2023 Goals and Key Deliverables

- Conduct the 2023 Spring and Fall NPCC SO seminars.
- Continue collaboration and sharing of the intended RC/BA approaches, experiences, and materials to task identification and training development.
- As needed, enhance the NPCC repository of training resources and learning verification activities addressing fundamental power system topics, training methods and operation procedure training exercises, which may be shared as elements of operator training in compliance with NERC Standards PER-003 “Operating Personnel Credentials” and PER-005 “Operations Personnel Training.”
- Develop virtual operational training webinars that focus on specific topics pertinent to compliance program implementation, standards development, or technical issues.
- Conduct one in-person and two virtual Standards and Compliance workshops addressing the development of NERC and Regional Reliability Standards and CMEP implementation.
- Support RAPA SG activities in redevelopment of the approach to future risk mitigating activities related to human performance.
- Monitor and support activities of the Personnel Certification Governance Committee and associated sub-groups and collaborate with the NPCC CO-2 Operations Training WG and other NPCC Members’ training personnel on the activities related to the reliable operation of the BPS.

NPCC staff training and development is incorporated within each respective program area.

Resource Requirements

Meetings

In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access. NPCC began holding virtual Standards and Compliance Workshops during 2020 due to the COVID-19 pandemic. Based on high levels of participation and positive feedback on the virtual workshop format, NPCC plans to hold two virtual workshops and one in-person workshop in 2023.

Training, Education, and Operator Certification Program Budget Detail

Funding sources and related expenses for the training, education, and operator certification section of the 2023 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures					
2022 Budget and Projection 2023 Budget					
Training, Education, and Operator Certification					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 138,664	\$ 138,664	\$ -	\$ 117,256	\$ (21,408)
Penalty Sanctions	516	516	-	682	165
Total ERO Funding	\$ 139,181	\$ 139,181	\$ -	\$ 117,938	\$ (21,243)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Misc Revenue	33,750	33,750	-	33,750	-
Interest & Investment Income	-	-	-	-	-
Total Funding (A)	\$ 172,931	\$ 172,931	\$ -	\$ 151,688	\$ (21,243)
Expenses					
Personnel Expenses					
Salaries	\$ 23,642	\$ 21,032	\$ (2,610)	\$ 21,663	\$ (1,978)
Payroll Taxes	1,471	1,146	(325)	1,175	(295)
Benefits	6,283	4,500	(1,783)	4,786	(1,498)
Retirement Costs	2,434	2,233	(201)	2,300	(134)
Total Personnel Expenses	\$ 33,830	\$ 28,911	\$ (4,919)	\$ 29,925	\$ (3,905)
Meeting Expenses					
Meetings & Conference Calls	\$ 112,400	\$ 112,400	\$ -	\$ 90,000	\$ (22,400)
Travel	9,000	9,000	-	15,000	6,000
Total Meeting Expenses	\$ 121,400	\$ 121,400	\$ -	\$ 105,000	\$ (16,400)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	348	348	-	400	52
Professional Services	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses, excluding Depreciation	\$ 348	\$ 348	\$ -	\$ 400	\$ 52
Total Direct Expenses	\$ 155,578	\$ 150,659	\$ (4,919)	\$ 135,325	\$ (20,253)
Indirect Expenses	\$ 17,067	\$ 17,067	\$ -	\$ 16,207	\$ (860)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 172,645	\$ 167,727	\$ (4,919)	\$ 151,532	\$ (21,113)
Change in Net Assets (=A-B)	\$ 285	\$ 5,204	\$ 4,919	\$ 155	\$ (130)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 285	\$ 285	\$ -	\$ 155	\$ (130)
TOTAL BUDGET (=B+C)	\$ 172,931	\$ 168,012	\$ (4,919)	\$ 151,688	\$ (21,243)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ 4,919	\$ 4,919	\$ 0	\$ 0

Table A - 8: Training, Education, and Operator Certification Budget Detail

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program Resources			
(in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	5.60	6.10	0.50
Direct Expenses	\$1,489,849	\$1,654,181	\$164,332
Indirect Expenses	\$955,779	\$988,654	\$32,875
Other Non-Operating Expenses	\$0	\$0	\$0
Fixed Asset Additions	\$15,980	\$9,483	(\$6,498)
Total Funding Requirement	\$2,461,608	\$2,652,318	\$190,710

Table A - 9: Situation Awareness and Infrastructure Security Budget

Program Scope and Functional Description

The Situation Awareness and Infrastructure Security (SAIS) Program Area activities are performed in accordance with the NERC Rules of Procedure Section 1000 and applicable sub-sections of Section 800. The SAIS program is a combination of near real-time awareness of conditions on the BPS with the programs necessary to increase the physical and cyber security of the electricity infrastructure, including the operation and maintenance of tools and other support services for the benefit of RCs and the system operators within the registered entities. When an event does occur, it is critical to provide a forum for active coordination of reliability and operation among the NPCC RC areas and neighboring NERC Regions. Further, NPCC’s role is to gain and maintain situation awareness and understanding of system issues when they emerge and coordinate with relevant parties (typically NERC and FERC) about the conditions of the BPS and to use an event as a learning opportunity to enhance the reliability, resilience, and security of the interconnected BPS through the lessons learned, which can be gleaned from such an event.

NPCC’s Event Analysis Program resides within the SAIS Program Area and supports the overall goal of promoting the reliability of the BPS in Northeastern North America and the entire North American grid.

NPCC’s critical infrastructure security objectives are defined within the scope of the NPCC Task Force on Infrastructure Security & Technology (TFIST) and its Working Groups, and include, but are not limited to:

- Providing a forum for NPCC review of proposed and posted documents from the NERC Reliability and Security Technical Committee (RSTC) and its subgroups; and
- Representing and advocating NPCC’s position in the activities of NERC groups involved in the development and/or implementation of physical and cyber security.

NPCC’s Security Outreach program will support ERO Enterprise activities aimed at addressing known and emerging security (both cyber and physical) risks to strengthen and enhance industry security posture through active participation and engagement in the ERO Enterprise and industry activities, in partnership with government and law enforcement agencies.

2023 Key Assumptions

The SAIS program concentrates on the four key value drivers and long-term focus areas set forth in the ERO Enterprise Long-Term Strategy, the strategic reliability focus areas identified within the NPCC 2022-2025 Working Draft Strategic Plan, and the Reliability Coordinating Committee Work Plan for calendar year 2022-23.

- Use the full suite of tools, activities, and resources for risk mitigation to provide guidance to industry as to how to mitigate emerging risks, evaluating the effectiveness of such approaches.
- Maintain SA of operations within the region and support NERC and FERC’s efforts for situation awareness of near real-time system conditions.
- Continue to promote, implement, and manage voluntary ERO Event Analysis Process (EAP) and Cause Coding process as part of the ERO Event Analysis Program, including collection and review of disturbance reports, review and analysis of applicable, qualifying events, and development of lessons learned and cause coding of events.
- Collaborate on and support joint activities with FERC and NERC staff and other Regional staff on analysis of known and emerging risks, analysis of major events, and follow-up projects/studies based on the findings and recommendations.
- Strengthen the analysis of cyber impacts on the BPS and mitigate impacts of cyberattacks. Enhance industry’s ability to develop approaches to pre-position the system when under attack and explore recovery strategies.
- Leverage information and cross-sector collaboration with other critical infrastructures that share elements of the ERO Enterprise’s reliability and security mission to facilitate cross-sector information sharing and threat analysis to broaden the ERO Enterprise’s collective knowledge and awareness of current and emerging risks and strategies to address them and communicate these to industry for awareness and mitigation.
- Build/enhance appropriate outreach, training, and education to registered entities through NERC and the Regional Entities to reduce the occurrence of known risks to reliability.
- Ensure the E-ISAC Long-Term Strategic Plan is executed such that the E-ISAC is viewed by industry as meeting its needs as one of its key trusted sources of security information.
- Strengthen proactive outreach, communications, relationships, and intelligence sharing with key regulatory, legislative, and policy bodies, as well as government agencies across North America (U.S. and Canada).
- Nurture relationships with key industry trade associations, as well as those associations representing technology, affiliated sectors, and end users to understand context and leverage their experience and reach.
- Collaborate with technical stakeholder groups to support development of recommendations and risk mitigating activities based on events and identified reliability and security risks.
- Support GridEx-related planning and distributed play activities.
- Provide Regional perspective and support through active participation in appropriate NERC and ERO groups and activities.
- Support DOE-led effort on the development of the North American Energy Resilience Model (NAERM) in collaboration with the National Labs, the industry, and the ERO Enterprise.

2023 Goals and Key Deliverables

Situation Awareness 2023 Goals and Key Deliverables

- Monitor the operational status of the BPS and coordinate normal and pre-emergency communication, awareness, and assistance in addition to the same during an emergency among the RCs within the NPCC footprint.
- Prepare daily reports and conduct daily and weekly conference calls with NPCC and neighboring RCs (MISO and PJM) to serve as a complement to the NPCC Emergency Preparedness Conference Call.
- Coordination and communication with the NERC Bulk Power System Awareness group in preparation for and during ongoing significant events in the NPCC footprint.
- Monitor the status of the BPS through the NERC Situational Awareness-FERC, NERC, Regions version 3 (SAFNRv3) tool and support efforts and work to develop and enhance the use of SAFNR and other tools to further support NPCC and ERO SA.
- Coordinate inter-regional pre-emergency actions in the event of a threat to the security of the Northeastern North American bulk power supply system.
- Review and implementation of applicable recommendations and lessons learned from the planning and distributed play activities of the GridEx VII wide-area exercise.
- Participation in the ERO Enterprise-wide SA and EA activities, including NERC SA and EA Oversight Plan specified goals and deliverables in support of the activities to identify, prioritize, and assure effective and efficient mitigation of risk to the reliability and security of the North American BPS, including such activities as:
 - NERC Bulk Power Situational Awareness calls.
 - Participation in the ERO Enterprise Crisis Action Plan (CAP) tabletop exercises and enhancements to the CAP processes.
 - Participation in the ERO Enterprise CAP activations.
- Support implementation and activities of NPCC’s Emergency Communications Plan.
- Provide the Regional perspective through NPCC staff support of the NERC Reliability and Security Technical Committee and participation on the key related NERC Subcommittees, Task Forces and Working Groups, including the Event Analysis Subcommittee and the ERO EA and SA Collaboration Groups.
- Participate, as appropriate, in periodic ERO Enterprise SA activities wide-area security exercises (e.g., GridEx, Monitoring and Situation Awareness Workshop, NERC Alerts).
- Continue to promote, implement, and manage voluntary ERO Event Analysis Process (EAP) and Cause Coding process as part of the ERO Event Analysis Program, including collection and review of disturbance reports, review and analysis of applicable, qualifying events, development of lessons learned and cause coding of events.
- Work directly with applicable NPCC Task Forces and Working Groups to provide an in-depth assessment of Lessons Learned unique to the NPCC Members and NPCC Criteria and development of Regional Insights, as applicable.

Infrastructure Security 2023 Goals and Deliverables

- Provide physical and cyber security outreach and education services to registered entities.
- Monitor the Homeland Security Information Network (HSIN), E-ISAC, NERC Alerts, Canadian Information Sharing and North American Transmission Forum and share information with appropriate asset owners/operators.

-
- Remain current on all governmental agencies' applicable security recommendations and requirements, and other applicable security and reliability recommendations, and ensure the RCC and its committees are appropriately informed.
 - Provide support and technical input for TFIST and associated Working Groups related to the BPS risks as identified by the NERC Reliability Issues Steering Committee; support, discuss and coordinate activities and approaches identified in the recommendations for mitigating security risks.
 - Support NERC GridEx VII planning and distributed play activities and after-action survey and report development.
 - Review infrastructure security & technologies and provide recommendations to the RCC to enhance physical and cyber security in compliance with NERC guidelines/standards.
 - Sponsor periodic workshop presentations to address timely issues and update NPCC entities associated with infrastructure security and technology.
 - Provide education, awareness, and support for Cross Sector coordination in Entity agreements and response plans with focus upon Telecommunications, Water and Natural Gas, including monitoring and sharing with the E-ISAC.
 - Support ERO Enterprise and industry security initiative and enhance coordination and collaboration with the ERO, E-ISAC, other NERC Regions and U.S. and Canadian applicable authorities.
 - Support Physical Security Working Group activities aimed at promoting the exchange of information regarding approaches to physical security that will enhance the reliability and resiliency of the BPS and further address any physical security threats that could challenge efficient operation of the BPS. The Physical Security Working Group will also support the TFIST's work on issues related to physical security.
 - Through the Telecommunications Working Group, promote and enhance the reliability of the Interconnected Power System in Northeastern North America by assessing adequacy and resilience of organizations' voice communications, and development of recommendations for mitigation of identified risks and sharing of industry best practices.
 - Provide a forum for NPCC members, NPCC Task Forces and Working Groups to identify and discuss cyber security issues and practices related to the BPS, including BES cyber security topics that span one or more Task Force or Working Group.

Resource Requirements

Personnel

Increase of 0.50 FTE to support Situation Awareness and Infrastructure Security activities. Additional FTE resources are required to support additional ERO Enterprise and NPCC cyber security outreach activities to address the increasing number and complexity of emerging risks to the BPS.

Meetings

In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

Situation Awareness and Infrastructure Security Program Budget Detail

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2023 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures					
2022 Budget and Projection 2023 Budget					
Situation Awareness and Infrastructure Security					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 2,432,690	\$ 2,432,690	\$ -	\$ 2,610,727	\$ 178,037
Penalty Sanctions	28,918	28,918	-	41,591	12,673
Total ERO Funding	\$ 2,461,608	\$ 2,461,608	\$ -	\$ 2,652,318	\$ 190,710
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Misc Revenue	-	-	-	-	-
Interest & Investment Income	-	-	-	-	-
Total Funding (A)	\$ 2,461,608	\$ 2,461,608	\$ -	\$ 2,652,318	\$ 190,710
Expenses					
Personnel Expenses					
Salaries	\$ 1,009,298	\$ 909,961	\$ (99,337)	\$ 1,119,178	\$ 109,880
Payroll Taxes	68,007	61,273	(6,734)	74,660	6,653
Benefits	202,785	189,244	(13,541)	222,781	19,996
Retirement Costs	110,066	92,022	(18,044)	113,412	3,347
Total Personnel Expenses	\$ 1,390,155	\$ 1,252,500	\$ (137,655)	\$ 1,530,031	\$ 139,875
Meeting Expenses					
Meetings & Conference Calls	\$ 4,800	\$ 4,800	\$ -	\$ 1,000	\$ (3,800)
Travel	56,580	56,580	-	85,000	28,420
Total Meeting Expenses	\$ 61,380	\$ 61,380	\$ -	\$ 86,000	\$ 24,620
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	8,313	8,313	-	8,150	(163)
Professional Services	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses, excluding Depreciation	\$ 38,313	\$ 38,313	\$ -	\$ 38,150	\$ (163)
Total Direct Expenses	\$ 1,489,849	\$ 1,352,193	\$ (137,655)	\$ 1,654,181	\$ 164,332
Indirect Expenses	\$ 955,779	\$ 955,779	\$ -	\$ 988,654	\$ 32,875
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,445,627	\$ 2,307,972	\$ (137,655)	\$ 2,642,835	\$ 197,208
Change in Net Assets (=A-B)	\$ 15,980	\$ 153,636	\$ 137,655	\$ 9,483	\$ (6,498)
Total Funding (A) Requirement	\$ 2,429,647	\$ 2,429,647	\$ (137,655)	\$ 2,633,352	\$ 203,705
Fixed Asset Additions, excluding Right of Use Assets (C)	15,980	15,980	-	9,483	(6,498)
TOTAL BUDGET (=B+C)	2,461,608	2,323,952	(137,655)	2,652,318	190,710

Table A - 10: Situation Awareness and Infrastructure Security Budget Detail

Administrative Services

Administrative Services Program Resources						
(in whole dollars)						
	Direct Expenses			FTEs		
	2022 Budget	2023 Budget	Increase (Decrease)	2022 Budget	2023 Budget	Increase (Decrease)
Technical Committees and Members Forum	\$43,474	\$56,948	\$13,474	0.10	0.10	0.00
General and Administrative	\$3,367,214	\$3,294,002	(\$73,212)	2.50	3.50	1.00
Legal and Regulatory	\$825,477	\$730,365	(\$95,112)	2.00	1.50	-0.50
Information Technology	\$2,015,000	\$2,413,540	\$398,540	3.85	4.80	0.95
Human Resources	\$76,331	\$188,052	\$111,721	0.50	1.00	0.50
Finance and Accounting	\$789,852	\$857,125	\$67,272	2.00	2.00	0.00
Total Administrative Services ¹	\$7,117,349	\$7,540,032	\$422,683	10.95	12.90	1.95

NPCC's 2023 Administrative Services Direct Expenses and Fixed Assets total \$7,540,032 of which \$340,356 is allocated to NPCC's Criteria Services division, which is a non-statutory function. As a result of the allocation to the Criteria Services division, the Administrative Expenditures included in the 2023 statutory budget are \$7,199,675 which is an increase of \$440,744 from the 2022 budget of \$6,758,932.

Table A - 11: Administrative Services Budget

Program Scope and Functional Description

Administrative services support the previously identified five program areas:

- Reliability Standards;
- Compliance Monitoring and Enforcement Organization Registration and Certification;
- Training, Education, and Operator Certification;
- Reliability Assessment and Performance Analysis; and
- Situation Awareness and Infrastructure Security.

Administrative Services consist of:

- Technical Committees and Members' Forums;
- General and Administrative;
- Legal and Regulatory;
- Information Technology;
- Human Resources; and
- Finance and Accounting.

Methodology for Allocation of Administrative Services Expenses to Programs

NPCC's total overhead expenses, such as office rent and office costs, will be charged to Administrative Services and then reallocated proportionately based on FTE to the programs as Indirect Expenses.

Administrative Services Budget Detail

Funding sources and related expenses for the Administrative Services section of the 2023 business plan are shown in the table below. Explanations of variances by expense category are included within the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures					
2022 Budget and Projection 2023 Budget					
ADMINISTRATIVE SERVICES					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ (523,294)	\$ (523,294)	\$ -	\$ (588,286)	\$ (64,992)
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ (523,294)	\$ (523,294)	\$ -	\$ (588,286)	\$ (64,992)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Misc Revenue	-	-	-	-	-
Interest & Investment Income	28,465	2,000	(26,465)	19,089	(9,376)
Total Funding (A)	\$ (494,829)	\$ (521,294)	\$ (26,465)	\$ (569,198)	\$ (74,369)
Expenses					
Personnel Expenses					
Salaries	\$ 2,544,187	\$ 2,416,966	\$ (127,221)	\$ 2,892,879	\$ 348,692
Payroll Taxes	135,739	142,496	6,757	160,491	24,752
Benefits	590,851	553,979	(36,872)	717,736	126,885
Retirement Costs	330,517	278,449	(52,068)	321,326	(9,192)
Total Personnel Expenses	\$ 3,601,294	\$ 3,391,890	\$ (209,404)	\$ 4,092,432	\$ 491,138
Meeting Expenses					
Meetings & Conference Calls	\$ 89,150	\$ 89,150	\$ -	\$ 113,550	\$ 24,400
Travel	94,260	94,260	-	78,600	(15,660)
Total Meeting Expenses	\$ 183,410	\$ 183,410	\$ -	\$ 192,150	\$ 8,740
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 65,650	\$ 65,650	\$ -	\$ 61,000	\$ (4,650)
Office Rent	906,141	906,141	-	909,500	3,359
Office Costs	1,181,703	1,181,703	-	1,156,550	(25,153)
Professional Services	1,017,000	1,017,000	-	1,030,000	13,000
Computer & Equipment Leases	-	-	-	-	-
Miscellaneous	51,000	51,000	-	30,000	(21,000)
Total Operating Expenses, excluding Depreciation	\$ 3,221,494	\$ 3,221,494	\$ -	\$ 3,187,050	\$ (34,444)
Total Direct Expenses	\$ 7,006,199	\$ 6,796,794	\$ (209,404)	\$ 7,471,632	\$ 465,433
Indirect Expenses	\$ (7,006,199)	\$ (7,006,199)	\$ -	\$ (7,471,632)	\$ (465,433)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 0	\$ (209,404)	\$ (209,404)	\$ -	\$ (0)
Change in Net Assets (=A-B)	\$ (494,829)	\$ (311,890)	\$ 182,939	\$ (569,198)	\$ (74,369)
Total Funding (A) Requirement	\$ (323,075)	\$ (323,075)	\$ (182,939)	\$ (323,075)	\$ -
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B+C)	\$ 0	\$ (209,404)	\$ (209,404)	\$ -	\$ (0)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (494,829)	\$ (311,890)	\$ 182,939	\$ (569,198)	\$ (74,369)

Table A - 12: Administrative Services Budget Detail

Technical Committees and Member Forums

Program Scope and Functional Description

The success of the NPCC programs depends on the active and direct volunteerism and participation of its members. NPCC stakeholders are the source of subject matter expertise in the industry. To promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America, NPCC invites high-level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior executives within NPCC and NERC to identify and discuss emerging reliability issues related to the NPCC Region.

2023 Key Assumptions

- NPCC’s standing committee and subgroup structure for effective stakeholder involvement will continue in 2023.
- NPCC will continue to utilize methods to encourage active involvement in its Regional programs that require less stakeholder travel and in-person meetings.
- NPCC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.

2023 Goals and Deliverables

- The 2023 NPCC General Meeting provides an opportunity for NPCC Members to meet high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior NERC and NPCC executives to discuss topics related to the Strategic Focus Areas identified within the NPCC 2022 – 2025 Working Draft Strategic Plan: Enhancing System Resilience and Assuring Energy Sufficiency; Reliability Integrating the Resources brought forward by Societal De-carbonization Objectives, including DER and VER; and Addressing Cyber and Physical Threats.
- The objective of the NPCC Public Information Committee is to disseminate and coordinate the appropriate release of information to the media, respond to related requests for information, and to coordinate public information activities with the NPCC Region, ERO Enterprise, and NERC media relations. Anticipated activities include, but are not limited to:
 - Media releases for NPCC Reliability Assessments.
 - Preparing other NPCC media releases and statements as needed.
 - Responding to media inquiries (and coordinating responses).
 - Participating in the ERO Communications Group’s 2023 Work Plan activities, including:
 - Information sharing/education of key audiences/stakeholders to further the ERO Enterprise’s mission;
 - Coordination/planning for outreach communications and media relations;
 - Consistent/coordinated outreach to support public and regulatory confidence of ERO Enterprise and its activities; and
 - Coordination with the ERO Enterprise Crisis Action Plan related media activities.
 - Periodic update of NPCC’s Emergency Communications Plan (A Guide for Media Communications During Emergencies).
 - Media Planning associated with NERC’s Grid Security Exercise (GridEX VII).

Resource Requirements

Meetings

- Some meetings will continue to be held in virtual formats such as teleconference or webinar to allow for remote participation and greater access throughout 2023.

General and Administrative

Program Scope and Functional Description

The NPCC general and administrative function provides executive management of the corporation, enterprise risk management, management of NPCC office, and other administrative support programs.

NPCC total overhead expenses, such as office rent and office costs, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Resource Requirements

Personnel

Increase of 1.00 FTE to perform workplan activities defined within the NPCC Enterprise Risk Management Strategy and Cybersecurity Governance Strategy.

Meetings

In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

Legal and Regulatory

Program Scope and Functional Description

To ensure and maintain independence and objectivity consistent with ERO Enterprise value drivers, NPCC's in-house professional services (1) develop corporate policies and procedures, (2) evaluate internal controls and corporate, operational, strategic, and reputational risks, and (3) participate in enterprise risk identification, evaluation, and mitigation activities. In-house professional legal services provide advice consistent with New York not-for-profit law and advance significant strategic planning initiatives. In addition, in-house professional legal services provide support to other program areas on matters arising in connection with the performance of NPCC's delegated functions to achieve organizational excellence consistent with NPCC's values. NPCC's professional legal services provide counsel and advice to the President and CEO, Board of Directors, Board Committees, officers, and staff on a wide range of legal, compliance and regulatory matters including legislation, corporate law, code of conduct, member services, privacy, confidentiality, governance, employment law, tax matters, contracts and other areas affecting NPCC. Outside counsel, as necessary, reviews complex matters for legal sufficiency and provides independent legal advice and guidance on certain employment and Human Resource related matters.

The Legal and Regulatory program area is also responsible for Corporate Secretary function activities such as preparing Board materials and minutes, facilitating, and conducting Board training, and ensuring that meetings of the Board of Directors and Committees adhere to the NPCC Amended and Restated Bylaws and other relevant governing documents.

Resource Requirements

Personnel

Decrease of 0.50 FTE resulting from a review of staff to better match staffing with current requirements and responsibilities.

Meetings

In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

Information Technology

Program Scope and Functional Description

The Information Technology (IT) department manages the installation, maintenance, and security control configuration of NPCC information assets and network infrastructure. The department enforces the NPCC Cybersecurity and Data Protection Program through continuous oversight and monitoring of the network and operating systems and assists the program areas by providing them the functionality needed to meet their goals, objectives, and deliverables.

NPCC partners with the ERO to implement, operate and maintain software tools supporting common enterprise-wide operations and leverages ERO solutions which have been approved by the ERO Executive Committee (ERO EC), which is comprised of the senior leadership of NERC and each of the Regional Entities.

NERC and the Regional Entities are committed to working collaboratively to improve operational efficiency, minimize duplication of effort, and gain efficiencies by deploying common solutions from approved vendors.

The NERC information technology budget does not supplant NPCC's need for IT expenditures for cybersecurity, Regional projects, and internal region-specific IT support needs.

2023 Key Assumptions

NPCC's budget assumes the availability of enterprise software tools as described in NERC's business plan and budget. If implementation of these software applications is delayed or otherwise not available as planned, NPCC could incur additional costs to implement ERO Enterprise-wide programs pending the availability of these applications. The 2023 plan considers the following regional assumptions:

- Maintain the Compliance Portal, while transitioning to the ERO Enterprise CMEP data application (Align).
- Support the migration to the new Align tool as its releases are implemented.
- Participate in the design, planning and implementation of ERO Centralized Applications to improve security posture.
- Implement and enhance security tools and measures to strengthen NPCC's security posture and governance activities.
- Continue to migrate NPCC network architecture to the cloud.
- Utilize secure third-party hosting centers for the NPCC website and NPCC network.
- Use IT consulting services and support for project-based work to augment staff skill sets instead of increasing headcount for the support of NPCC's website and cloud network environments.
- Replace computer equipment on a three-year refresh cycle, servers every four years, and replace network equipment every five years.
- Support the ERO Enterprise 3 Year Cybersecurity and ERO Long Term Strategy initiatives and continue working collaboratively to minimize duplication of effort and investments and improve operational efficiency.

2023 Goals and Key Deliverables

The IT department responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems. IT goals include, but are not limited to:

- Assess NPCC’s security controls and implement and align to industry security control frameworks.
- Enhance security controls due to the critical nature of some of NPCC’s data and evolving cybersecurity risks.
- Enhance NPCC’s internal Security Awareness Program through education and training on social media, phishing, and other vulnerabilities that pose threats to NPCC systems.
- Develop knowledge of systems through industry recognized training and obtaining certification to reduce the reliance on external vendors.
- Enhance secure communication capabilities.
- Deliver educational webinars, security bulletins, and outreach to NPCC members. Topics include:
 - Zero Day Vulnerabilities
 - Physical and Cyber Threats
 - Currently available best practices
 - Lessons Learned
- Upgrade various hardware and equipment.

Resource Requirements

Personnel

Increase of 0.95 FTE in 2023 to support Information Technology activities. Additional resources are required to address increasing risks to cyber security.

Meetings

In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

Human Resources

Program Scope and Functional Description

NPCC has assembled an exceptional team of highly qualified employees to carry out its activities. The Human Resources function, in adherence with applicable federal and state laws, designs, plans, and implements human resources policies and procedures, including staffing; compensation; benefits; employee relations; knowledge transfer, training and development; and employee time tracking.

Resource Requirements

Personnel

Increase of 0.50 FTE resulting from a review of staff to better match staffing with current requirements and responsibilities.

Meetings

In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

Accounting and Finance

Program Scope and Functional Description

The accounting and finance function directs the overall financial plans and accounting practices of the organization; oversees treasury, accounting, budget, tax, and audit activities; and oversees financial and accounting system controls and standards. NPCC uses a CPA firm to prepare its unaudited statements of activities and financial statements for quarterly reviews. Independent audits have consistently identified this system as a best practice.

2023 Goals and Key Deliverables

The objectives are to provide or obtain the financial and accounting services for NPCC and coordinate with NERC requirements:

- Utilize the NERC System of Accounts for consistency
- Utilize an accrual method of accounting for consistency with NERC in methodology
- Alignment of changes in budget and changes in aggregate assessment
- Cash Management
- Budget development using the NERC budget template formats
- Forecasts and projections
- Alignment of NPCC Committees, Task Forces and Working Groups with the programs
- Payroll and expense administration
- Preparation of unaudited quarterly financial variance reports
- IRS reporting
- Annual independent audit of financial statements

Resource Requirements

Meetings

In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

Regional Entity Assessment Analysis

In the area of assessments there are distinct funding mechanisms as outlined in the following table. For the Regional Entity division, NERC will assess load serving entities (LSEs) or their designees (within NPCC the designees are the Balancing Authority Areas (BAAs) for New York, New England, New Brunswick, Nova Scotia, Ontario, and Québec) based upon 2021 proportional Net Energy for Load (NEL) and other specific program area funding arrangements and make quarterly remittances to the Regional Entity on or about the 15th day of January, April, July, and October. For funding associated with the Criteria Services division, the Independent System Operators/Balancing Authority Areas (ISO/BAAs) will be assessed by NPCC for their proportional share of the divisional budget based upon 2021 NEL within the Region. Non ISO/BAA Full Members will be assessed no membership fee.

NPCC Cost Allocation Methodology

The accompanying table provides information regarding cost allocation for both the Regional Entity division and the Criteria Services division of NPCC, including the details associated with the funding of the Compliance Program within the RE division. For purposes of determining assessments to support NPCC's resource requirements, costs are allocated among the ISOs/BAAs within NPCC as the designees for the LSEs in New York, New England, Ontario, Québec, New Brunswick, and Nova Scotia.

To reflect and respect the international membership and nature of NPCC, any sub-Regional reliability assessment costs in response to U.S. only regulatory initiatives will be considered for allocation to U.S. only ISOs/BAAs consistent with NERC Rules of Procedure Section 1102. Additionally, the compliance responsibilities and authorities within the U.S., and the specific compliance responsibilities within each of the Canadian provinces within NPCC, and the attendant costs of portions of the compliance program differ among the areas within the Regional Entity. Within the U.S. portion of NPCC all costs attributable to delegated (statutory) functions performed by NPCC, including all compliance functions, are assessed based on a NEL allocation. Within the Canadian portion of NPCC those costs attributable to compliance functions performed by NPCC on behalf of provincial governmental and/or regulatory authorities are allocated consistent with the unique MOUs or Agreements that have been entered into for those provinces. To address these different compliance regimes, NPCC developed a composite cost allocation methodology that allocates U.S. only reliability assessment and compliance costs on a fair and equitable basis within the Regional Entity.

As an initial step of that methodology, the NEL for each of the BAAs and their relative percentage to the NPCC total NEL is calculated for the most recent year for which data is available, the second previous year. To establish the RE division funding requirements for each BAA on a NEL basis for all programs except for Compliance, the proposed expenses and fixed assets of all other programs are calculated and the adjustment for the RE division cash reserve requirement is identified. Penalty funds received from NPCC registered entities within the U.S. are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs. Consistent with each of the Canadian provincial MOUs and Agreements, all penalty funds resulting from compliance actions within Canada, if any, would remain within the applicable province. The total budgeted fees for NPCC workshop participation are indicated as a credit, with the resultant addition being the RE division assessment, without the compliance program costs, calculated on a NEL basis.

In accordance with the NPCC Amended and Restated Bylaws the Criteria Services (CS) division proposed expenses and fixed assets of all programs are calculated and the adjustment for the CS division cash reserve requirement is identified, with the resultant addition being the CS division funding requirement and assessment, calculated on a NEL basis.

For costs associated with the RE division compliance program, NPCC's allocation methodology has been enhanced to better stabilize assessments. NPCC applies a rolling seven-year compliance cost average to total compliance program expenses for the current budget year. For each of the seven years, costs attributed to CORC Fundamentals (CF), are allocated between the BAAs in the United States and Canada on a NEL basis.

Audits and Investigations (AI) related costs are allocated between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an audit-based methodology. The audit-based methodology incorporates relative costs based on categories of compliance audits which are reflective of their size and complexity, as well as the differing compliance program implementation models that are utilized in NPCC due to the international nature of the Regional Entity. The portion allocated to the U.S. BAAs in NPCC is calculated using the audit-based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL.

Mitigation and Enforcement (ME) related costs are allocated between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an enforcement activity-based methodology. Based on historical data, NPCC reviewed each BAAs percentage of violations, mitigation plans and settlement agreements to determine each BAA's total average percentage of enforcement activities. The portion allocated to the U.S. BAA's in NPCC is calculated using the enforcement activity-based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL.

The seven-year average allocation percentage of total combined compliance costs for each BAA is then applied to the total compliance program expenses for the current budget year to mitigate fluctuations in assessments from year to year.

Penalty funds received from NPCC registered entities within the U.S. are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs, and then added to the total compliance program expenses and fixed assets to yield a total compliance program assessment.

The CORC actual vs budget variance from the most recent year for which audited financials are available is broken out from the rest of the Adjustment to Cash Reserve and assigned to the CORC program allocation of costs. Within Québec these costs are funded directly by the regulator, therefore, the assignment of program area variances needs to respect those specific circumstances.

Finally, the total RE division funding requirements and assessments by BAA are tabulated and the total funding requirements and assessments for NPCC, both the RE and CS divisions, are combined.

NPCC 2023 Regional Entity (RE) and Criteria Services (CS) Divisional Funding Information

A-1	B-1	B-1a.	C-1	C-1a.	D-1	E-1	F-1	G-1	H-1	I-1	J-1	K-1	L-1	M-1
NPCC Balancing Authorities (LSE Designees)	2021 Net Energy for Load (MWh)	2021 NPCC US NEL (MWh)	2021 NEL % of NPCC Total	2021 NEL % of NPCC U.S.	Associated with U.S. Only Reliability Study	2023 NPCC RE Division Expenses & Fixed Assets Minus CORC and U.S. Only	Adjustment to RE Division Cash Reserve Requirement Less CORC Assigned	2023 NPCC RE Division Funding Requirement Minus CORC Program	Penalty Monies Applied to RE Division Minus	Budgeted Workshop Fees and Interest Income	2023 NPCC RE Division Assessment Minus CORC (G-1 plus H-1) plus I-1	2023 NPCC CS Division Expenses Minus Interest Income	2023 Adjustment to CS Division Cash Reserve Requirement	2023 NPCC CS Division Funding Requirement (K-1 plus L-1)
New England	118,757,000	118,757,000	19.293%	43.865%	TBD	1,562,503	-109,818	1,452,685	-47,852	-10,194	1,394,638	194,382	-40,312	154,070
New York	151,978,000	151,978,000	24.691%	56.135%	TBD	1,999,596	-140,538	1,859,058	-61,239	-13,046	1,784,773	248,759	-51,589	197,169
Ontario	133,844,000	133,844,000	21.745%			1,761,005	-123,769	1,637,235	0	-11,490	1,625,746	219,077	-45,434	173,643
Québec	185,700,000	185,700,000	30.169%			2,443,281	-171,722	2,271,559	0	-15,941	2,255,618	303,955	-63,036	240,919
New Brunswick	14,162,000	14,162,000	2.301%			186,331	-13,096	173,235	0	-1,216	172,020	23,180	-4,807	18,373
Nova Scotia	11,089,000	11,089,000	1.802%			145,900	-10,254	135,645	0	-952	134,693	18,151	-3,764	14,386
Total	615,530,000	270,735,000	100.000%	100.000%	\$0	\$8,098,616	-\$569,198	\$7,529,418	-\$109,091	-\$52,839	\$7,367,489	\$1,007,505	-\$208,943	\$798,561

A-2	B-2	C-2	D-2	E-2	F-2	G-2	H-2	I-2	J-2
NPCC Balancing Authorities (LSE Designees)	7 Year Average CORC Costs Allocation ³	2023 Total CORC Program Expenses & Fixed Assets	2023 Total CORC Program Assessment plus E-2	Assigned CORC Program 2021 Actual vs Budget Variance	2023 Total CORC Program Assessment plus E-2	2023 RE Division Total Funding Requirement (G-1 plus C-2) plus E-2	2023 RE Division Total Assessment (J-1 plus F-2)	2023 NPCC Total Funding Requirement (M-1 plus G-2)	2023 NPCC Total Assessment & Member Fees (O-1 plus H-2)
New England	31.81%	3,602,102	3,401,758	-116,602	3,401,758	4,938,184	4,796,396	5,092,254	4,950,202
New York	41.02%	4,645,230	4,388,537	-149,526	4,388,537	6,354,763	6,173,310	6,551,932	6,370,143
Ontario	8.00%	906,317	875,578	-30,739	875,578	2,512,813	2,501,324	2,686,456	2,674,670
Québec	14.77%	1,672,409	1,622,310	-50,099	1,622,310	3,893,869	3,877,928	4,134,788	4,118,435
New Brunswick	2.87%	324,996	316,357	-8,640	316,357	489,592	488,377	507,965	506,718
Nova Scotia	1.54%	173,926	168,009	-5,917	168,009	303,654	302,702	318,041	317,064
Total	100.000%	\$11,324,980	\$10,772,548	-\$561,522	\$10,772,548	\$18,492,876	\$18,140,037	\$19,291,437	\$18,937,232

1 Any sub-regional reliability assessment costs in response to U.S. only regulatory initiatives will be considered for allocation to U.S. only B4Ds consistent with NERC Rates of Procedure section 1.102.

2 Consistent with NERC's Policy on Allocation of Certain Compliance and Enforcement Costs, the NPCC Board approved Allocation Methodologies for Certain NPCC Compliance Program Area Costs Assessed to Non-U.S. Entities.

3 Total CORC Program Costs are allocated based on a seven-year average allocation percentage. CORC Program Fundamentals expenses are allocated each year using the Regional NEL based methodology. Audit and Investigation expenses attributable to Canadian NPCC B4Ds are allocated annually utilizing an audit based methodology. The portion attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a. and C-1a. Audit based allocation uses Compliance Registry Data registrants as of May 1, 2022. Mitigation and Enforcement expenses are allocated annually utilizing an enforcement activity based methodology for Canadian NPCC B4Ds. The portion attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a. and C-1a. The average allocation of total compliance costs over the prior seven years is then applied to the total compliance program costs for the current budget year in order to mitigate fluctuations in assessments.

Section B — Supplemental Financial Information
2023 Business Plan and Budget

Table B-1 Reserve Balance

Working Capital and Operating Reserve Analysis 2022-2023				
REGIONAL ENTITY DIVISION				
	Total Reserve	Working Capital	Operating Reserve	Assessment Stabilization
Beginning Total Reserve, December 31, 2021	7,452,044	4,968,737	1,455,370	1,027,937 ⁴
Plus: 2022 ERO Funding (from LSEs or designees)	15,912,313	15,912,313		
Plus: 2022 Other funding sources	62,215	62,215		
Plus: Penalties collected	10,080			10,080
Approved 2022 Penalties released to offset U.S. assessments	0	201,132		(201,132)
Less: 2022 Projected expenses & capital expenditures	(16,933,286)	(16,933,286)		
Projected Total Reserve, December 31, 2022	6,503,366	4,211,112	1,455,370	836,885
Desired Total Reserve, December 31, 2023	5,272,647	3,117,193¹	1,618,568²	536,885
Less: Projected Total Reserve, December 31, 2022	(6,503,366)	(4,211,112)	(1,455,370)	(836,885)
Increase(decrease) in assessments to achieve desired Total Reserve	(1,230,720)	(1,093,918)	163,199	(300,000)
2023 Expenses and Capital Expenditures	19,423,595			
Less: Penalty Sanctions (Applied to U.S. Only) ³	(300,000)			
Less: Other Funding Sources	(52,839)			
Adjustment to Operating Reserve to achieve desired Total Reserve balance ²		163,199		
Adjustment to Working Capital to achieve desired Total Reserve balance ¹		(1,093,918)		
2023 Assessment	18,140,037			

¹ Working Capital within a range from 8.33% to 25.00% of Budget. \$3,117,193 represents 16.05% of the 2023 budget of \$19,423,595

² Operating Reserve equal to 8.33% of Budget. \$1,618,568 represents 8.33% of the 2023 budget of \$19,423,595

³ Represents amount applied to reduce 2023 assessments. Balance of collections July 1, 2021 through June 30, 2022 retained for assessment stabilization purposes.

⁴ Assessment Stabilization Reserve balance was \$567,937 at June 30, 2021. Penalty Sanctions totaling \$460,000 were collected July 1, 2021 through December 31, 2021.

Table B - 1: Working Capital Reserve Analysis

Explanation of Changes in Reserve Policy from Prior Year

There was no change to the existing Working Capital and Operating Reserve Policy. NPCC maintains an Assessment Stabilization Reserve (ASR) separate from the Working Capital and Operating Reserve. The purpose of the ASR is to enable penalty funds to be released in multiple budget years to avoid large fluctuations in assessments. NERC Rules of Procedure Section 1107.2 specifies that penalty funds received by NPCC during the 12 months ended June 30th are to be used in the subsequent budget year to offset assessments. Pursuant to Section 1107.4, exceptions or alternatives to this provision are allowed if approved by NERC and FERC. Therefore, pursuant to Section 1107.4, NERC and NPCC request that the Commission approve an exception to the requirement of Section 1107.2 that all penalties collected during the 12 months ended the previous June 30 be used to reduce NPCC's assessments in the following year, in order to allow NPCC to (i) deposit the \$470,080 of penalties collected during the 12 months ended June 30, 2022 into the ASR, and (ii) use \$300,000 of the penalty funds in the ASR to reduce its 2023 assessment. In future years, NPCC will specify the amount of penalty funds to be released and the amount of penalty funds to be retained to offset assessments in future years within its Business Plan and Budget to be approved annually by NPCC's Board of Directors, NERC, and FERC.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Regional Entity division Statement of Activities on page 12 of the 2023 Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

NPCC maintains an ASR. The purpose of the ASR is to enable penalty monies to be released in multiple budget years to avoid large fluctuations in assessments. NERC Rules of Procedure Section 1107.2 specifies that penalty funds received by NPCC during the 12 months ended June 30th are to be used in the subsequent budget year to offset assessments. Pursuant to Section 1107.4, exceptions or alternatives to this provision are allowed if approved by NERC and FERC. Therefore, pursuant to Section 1107.4, NERC and NPCC request that the Commission approve an exception to the requirement of Section 1107.2 that all penalties collected during the 12 months ended the previous June 30th be used to reduce NPCC’s assessments in the following year, in order to allow NPCC to (i) deposit the \$470,080 of penalties collected during the 12 months ended June 30, 2022 into the ASR, and (ii) use \$300,000 of the penalty funds in the ASR to reduce its 2023 assessment. In future years, NPCC will specify the amount of penalty funds to be released and the amount of penalty funds to be retained to offset assessments in future years within Table B-1 Reserve Balance of its Business Plan and Budget, approved annually by NPCC’s Board of Directors, NERC, and FERC. Penalty sanctions collected during the 12 months ended June 30, 2022 are detailed below. Penalty funds released to offset assessments in 2023 and amounts retained to offset future assessments are detailed in the Assessment Stabilization column of Table B-1 Reserve Balance on the preceding page.

Allocation Method: U.S. penalty sanctions received are allocated to the following Regional Entity division programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. U.S. penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2 Penalty Sanctions

Penalty Sanctions Received Prior to June 30, 2022	Date Received	Amount Received
	8/3/2021	\$ 360,000
	7/19/2021	\$ 100,000
	3/3/2022	\$ 10,080
Total Penalties Received		\$ 470,080

Table B - 2: Penalty Sanctions Received

Table B-3 Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ 33,750	\$ 33,750	\$ 33,750	\$ -
Total	\$ 33,750	\$ 33,750	\$ 33,750	\$ -
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
Total	\$ -	\$ -	\$ -	\$ -
Administrative Services Programs				
Interest & Investment Income	\$ 28,465	\$ 2,000	\$ 19,089	\$ (9,376)
Total	\$ 28,465	\$ 2,000	\$ 19,089	\$ (9,376)
Total Outside Funding	\$ 62,215	\$ 35,750	\$ 52,839	\$ (9,376)

Table B - 3: Supplemental Funding**Explanation of Significant Variances**

- NPCC plans to hold two virtual workshops and one in-person workshop in 2023.
- NPCC estimates interest & investment income of \$19,089 in 2023.

Table B-4 Personnel Expenses

Personnel Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Total Salaries	\$ 9,072,408	\$ 9,072,408	\$ 10,411,939	\$ 1,339,532	14.8%
Total Payroll Taxes	\$ 595,815	\$ 595,815	\$ 690,561	\$ 94,746	15.9%
Total Benefits	\$ 2,234,738	\$ 2,234,738	\$ 2,535,986	\$ 301,248	13.5%
Total Retirement	\$ 1,041,405	\$ 1,041,405	\$ 1,095,815	\$ 54,410	5.2%
Total Personnel Costs	\$ 12,944,366	\$ 12,944,366	\$ 14,734,302	\$ 1,789,936	13.8%
FTEs	49.9	49.9	56.90	7.00	14.0%
Cost per FTE					
Salaries	\$ 181,812	\$ 181,812	\$ 182,987	\$ 1,175	0.6%
Payroll Taxes	\$ 11,940	\$ 11,940	\$ 12,136	\$ 196	1.6%
Benefits	\$ 44,784	\$ 44,784	\$ 44,569	\$ (215)	-0.5%
Retirement	\$ 20,870	\$ 20,870	\$ 19,259	\$ (1,611)	-7.7%
Total Cost per FTE	\$ 259,406	\$ 259,406	\$ 258,951	\$ (455)	-0.2%

Table B - 4: Personnel Expenses**Explanation of Significant Variances**

- Increase in total personnel expenses resulting from 7.00 additional FTEs.
- New hires are budgeted based on projected start date.
- Budgeted 3% merit pool.
- Estimated medical insurance premium increase of 10%.
- Decrease in retirement cost per FTE is associated with the retirement of participants in deferred compensation plans.

Section B — Supplemental Financial Information

Table B-5 Meeting Expense

Meeting Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Meetings	\$ 221,100	\$ 221,600	\$ 227,750	\$ 6,650	3.0%
Travel	\$ 505,572	\$ 505,572	\$ 642,600	\$ 137,028	27.1%
Conference Calls	\$ 9,500	\$ 9,500	\$ 9,500	\$ -	0.0%
Total Meeting Expenses	\$ 736,172	\$ 736,672	\$ 879,850	\$ 143,678	19.5%

Table B - 5: Meeting Expense

Explanation of Significant Variances

- In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

Table B-6 Consultants and Contracts

Consultants	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Compliance Enforcement and Organization Registration and Certification	\$ -	\$ -	\$ -	\$ -	-
Reliability Assessment and Performance Analysis	\$ -	\$ -	\$ -	\$ -	-
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ -	\$ -	\$ -	\$ -	-
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ -	\$ -	\$ -	\$ -	-
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ -	\$ -	\$ -	\$ -	-
Consultants Total	\$ -	\$ -	\$ -	\$ -	-
Contracts	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Reliability Standards	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)	-100.0%
Compliance Enforcement and Organization Registration and Certification	\$ 32,000	\$ 32,000	\$ 15,000	\$ (17,000)	-53.1%
Reliability Assessment and Performance Analysis	\$ 692,000	\$ 692,000	\$ 803,000	\$ 111,000	16.0%
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	0.0%
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 60,000	\$ 60,000	\$ 55,000	\$ (5,000)	-8.3%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ 5,650	\$ 5,650	\$ 6,000	\$ 350	6.2%
Contracts Total	\$ 839,650	\$ 839,650	\$ 909,000	\$ 69,350	8.3%
Total Consultants and Contracts	\$ 839,650	\$ 839,650	\$ 909,000	\$ 69,350	8.3%

Table B - 6: Consultants and Contracts

Explanation of Significant Variances

- Increase in Reliability Assessment and Performance Analysis contracts for additional probabilistic assessments and reliability studies.

Section B — Supplemental Financial Information

Table B-7 Office Rent

Office Rent	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Office Rent	\$ 650,000	\$ 650,000	\$ 650,000	\$ -	0.0%
Utilities	\$ 33,000	\$ 33,000	\$ 43,000	\$ 10,000	30.3%
Maintenance	\$ 45,000	\$ 45,000	\$ 45,000	\$ -	0.0%
Security	\$ 3,141	\$ 3,141	\$ 6,500	\$ 3,359	106.9%
Real Estate Taxes	\$ 175,000	\$ 175,000	\$ 165,000	\$ (10,000)	-5.7%
Total Office Rent	\$ 906,141	\$ 906,141	\$ 909,500	\$ 3,359	0.4%

Table B - 7: Office Rent

Explanation of Significant Variances

- Increase in utilities based on anticipated increase in office attendance.
- Increase in security expenses based on new contract rate
- Decrease in real estate taxes based on recent actual expenses.

Table B-8 Office Costs

Office Costs	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Telephone	\$ 100,200	\$ 100,200	\$ 110,000	\$ 9,800	9.8%
Internet Expense	\$ 85,351	\$ 85,351	\$ 100,200	\$ 14,849	17.4%
Office Supplies	\$ 15,000	\$ 15,000	\$ 12,000	\$ (3,000)	-20.0%
Computer Supplies and Maintenance	\$ 945,000	\$ 945,000	\$ 918,000	\$ (27,000)	-2.9%
Subscriptions & Publications	\$ 25,650	\$ 25,650	\$ 27,600	\$ 1,950	7.6%
Dues	\$ 11,070	\$ 11,070	\$ 13,100	\$ 2,030	18.3%
Postage	\$ 800	\$ 800	\$ 1,000	\$ 200	25.0%
Express Shipping	\$ 4,000	\$ 4,000	\$ 5,000	\$ 1,000	25.0%
Copying	\$ 25,000	\$ 25,000	\$ 7,000	\$ (18,000)	-72.0%
Reports	\$ 2,000	\$ 2,000	\$ 2,000	\$ -	0.0%
Stationary and Office Forms	\$ 2,000	\$ 2,000	\$ 2,000	\$ -	0.0%
Equipment Repair/Service Contracts	\$ -	\$ -	\$ -	\$ -	-
Bank Charges	\$ 2,000	\$ 2,000	\$ 5,000	\$ 3,000	150.0%
Sales and Use Tax	\$ -	\$ -	\$ -	\$ -	-
Merchant Credit Card Fees	\$ -	\$ -	\$ -	\$ -	-
Presentation and Publicity	\$ -	\$ -	\$ -	\$ -	-
Total Office Costs	\$ 1,218,071	\$ 1,218,071	\$ 1,202,900	\$ (15,171)	-1.2%

Table B - 8: Office Costs

Explanation of Significant Variances

- Telephone expense increase based on additional FTEs.
- Internet expense increase based on increased bandwidth requirements.
- Decrease in computer supplies and maintenance is related to lower negotiated rates.
- Decrease in copying expenses due to renewed copying leases at lower rates.

Table B-9 Professional Services

Professional Services	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
BOT Fee	\$ 300,000	\$ 300,000	\$ 315,000	\$ 15,000	5.0%
BOT Search Fee	\$ -	\$ -	\$ -	\$ -	-
Legal - Reorganization	\$ -	\$ -	\$ -	\$ -	-
Accounting & Auditing Fees	\$ 402,000	\$ 402,000	\$ 400,000	\$ (2,000)	-0.5%
Legal Fees - Other	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	0.0%
Insurance - Commercial	\$ 65,000	\$ 65,000	\$ 65,000	\$ -	0.0%
Total Services	\$ 1,017,000	\$ 1,017,000	\$ 1,030,000	\$ 13,000	1.3%

Table B - 9: Professional Services

Table B-10 Miscellaneous

Miscellaneous Expense	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Miscellaneous Expense	\$ 51,000	\$ 51,000	\$ 30,000	\$ (21,000)	-41.2%
Total Miscellaneous Expense	\$ 51,000	\$ 51,000	\$ 30,000	\$ (21,000)	-41.2%

Table B - 10 :Miscellaneous

Explanation of Significant Variances

- Decrease in miscellaneous expenses associated with remote working.

Table B-11 Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Table B - 11: Other Non-Operating Expenses

Table B-12 Fixed Assets

Fixed Asset Additions	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Equipment CapEx	\$ -	\$ -	\$ -	\$ -	-
Computer & Software CapEx	\$ 73,150	\$ 73,150	\$ 30,400	\$ (42,750)	-58.4%
Furniture & Fixtures CapEx	\$ 19,000	\$ 19,000	\$ 38,000	\$ 19,000	100.0%
Leasehold Improvements	\$ 19,000	\$ 19,000	\$ -	\$ (19,000)	-100.0%
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	-
Total Fixed Asset Additions	\$ 111,150	\$ 111,150	\$ 68,400	\$ (42,750)	-38.5%

Table B - 12: Fixed Assets

Explanation of Significant Variances

- Computer & Software CapEx includes laptops for additional FTEs in 2023.
- Furniture & Fixtures CapEx includes minor office reconfigurations in 2023; offset by reduced Leasehold Improvements costs from 2022.

Table B-13

**Statement of Activities and Capital Expenditures
2023 Budget & Projected 2024 and 2025 Budgets**

	2023 Budget	2024 Projection	\$ Change 23 v 24	% Change 23 v 24	2025 Projection	\$ Change 24 v 25	% Change 24 v 25
Funding							
ERO Funding							
ERO Assessments	\$ 18,140,037	\$ 21,077,331	\$ 2,937,294	16.2%	\$ 22,337,048	\$ 1,259,717	5.6%
Penalties Released	300,000	300,000	-	0.0%	200,000	(100,000)	-50.0%
Total ERO Funding	\$ 18,440,037	\$ 21,377,331	\$ 2,937,294	15.9%	\$ 22,537,048	\$ 1,159,717	5.1%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops & Miscellaneous	33,750	33,750	-	0.0%	33,750	-	0.0%
Interest & Investment Income	19,089	20,000	911	4.8%	20,000	-	0.0%
Total Funding (A)	\$ 18,492,876	\$ 21,431,081	\$ 2,938,205	15.9%	\$ 22,590,798	\$ 1,159,717	5.4%
Expenses							
Personnel Expenses							
Salaries	\$ 10,411,939	\$ 11,648,268	\$ 1,236,328	11.9%	\$ 12,328,595	\$ 680,327	5.8%
Payroll Taxes	690,561	769,552	78,990	11.4%	826,714	57,163	7.4%
Benefits	2,535,986	2,862,785	326,799	12.9%	3,125,924	263,139	9.2%
Retirement Costs	1,095,815	1,205,950	110,135	10.1%	1,287,114	81,164	6.7%
Total Personnel Expenses	\$ 14,734,302	\$ 16,486,555	\$ 1,752,253	11.9%	\$ 17,568,348	\$ 1,081,793	6.6%
Meeting Expenses							
Meetings & Conference Calls	\$ 237,250	\$ 241,995	\$ 4,745	2.0%	\$ 246,835	\$ 4,840	2.0%
Travel	642,600	805,452	162,852	25.3%	821,561	16,109	2.0%
Total Meeting Expenses	\$ 879,850	\$ 1,047,447	\$ 167,597	19.0%	\$ 1,068,396	\$ 20,949	2.0%
Operating Expenses							
Consultants & Contracts	\$ 909,000	918,090	9,090	1.0%	927,271	9,181	1.0%
Office Rent	909,500	918,595	9,095	1.0%	927,781	9,186	1.0%
Office Costs	1,202,900	1,226,958	24,058	2.0%	1,251,497	24,539	2.0%
Professional Services	1,030,000	1,050,600	20,600	2.0%	1,071,612	21,012	2.0%
Miscellaneous	30,000	30,000	-	0.0%	30,000	-	0.0%
Total Operating Expenses	\$ 4,081,400	\$ 4,144,243	\$ 62,843	1.5%	\$ 4,208,161	\$ 63,918	1.5%
Total Direct Expenses	\$ 19,695,552	\$ 21,678,245	\$ 1,982,693	10.1%	\$ 22,844,905	\$ 1,166,660	5.4%
Indirect Expenses	\$ (340,356)	\$ (347,163)	\$ (6,807)	2.0%	\$ (354,107)	\$ (6,943)	2.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses (B)	\$ 19,355,195	\$ 21,331,081	\$ 1,975,886	10.2%	\$ 22,490,798	\$ 1,159,717	5.4%
Change in Assets	\$ (862,320)	\$ 100,000	\$ 962,320	-111.6%	\$ 100,000	\$ -	0.0%
Fixed Assets Additions (C)	\$ 68,400	\$ 100,000	\$ 31,600	46.2%	\$ 100,000	\$ -	0.0%
TOTAL BUDGET (=B+C)	\$ 19,423,595	\$ 21,431,081	\$ 2,007,486	10.3%	\$ 22,590,798	\$ 1,159,717	5.4%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (930,720)	\$ -	\$ 930,720	-100.0%	\$ -	\$ -	
FTEs	56.90	61.90	5	8.8%	64.90	3	4.8%

Table B - 13: Three-Year Projections

Assumptions

2024

- Increase of 5 FTEs
- In-person meetings are expected to continue to increase in 2024

2025

- Increase of 3 FTEs

Section C — Criteria Services Division Activities
2023 Business Plan and Budget

Section C – Criteria Services Division Activities

Criteria Services Division (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.10	2.10	0.00
Total Direct Expenses	\$583,344	\$663,548	\$80,204
Total Indirect Expenses	\$358,417	\$340,356	(\$18,061)
Other Non-Operating Expenses	\$0	\$0	\$0
Working Capital and Operating Reserves Requirement	(\$309,331)	(\$208,943)	\$100,388
Fixed Asset Additions	\$5,850	\$3,600	(\$2,250)
Funding Requirement	\$638,280	\$798,561	\$160,281

Table C - 1: Criteria Services Division Business Plan and Budget

NPCC Regionally-Specific Criteria Services Background

NPCC Criteria Services division activities are based on the development, maintenance (including retirement), and promulgation of new or revised Regionally-specific, more stringent reliability criteria and supporting guideline or procedural documents. The requirements in NPCC Reliability Criteria apply only to those facilities defined as NPCC BPS elements through the performance-based methodology identified in the NPCC Document A-10, “Classification of Bulk Power System Elements.”

In accordance with the NERC Rules of Procedure Section 313, Regional Entities may develop Regional Criteria necessary to implement, augment, or facilitate compliance with NERC Reliability Standards. Regional Criteria may also include acceptable operating or planning parameters, guides, or other documents used to enhance BPS reliability.

NPCC’s Directories contain Regional Criteria which consists of requirements which provide an enhanced level of reliability to the NPCC defined BPS. The criteria impose more stringent requirements than those which appear in the NERC Reliability Standards. The Regional Criteria may also be utilized to address issues not within the scope or jurisdiction of FERC as outlined in Section 215 of the Federal Power Act, such as resource adequacy. Regional Criteria may also address Canadian Provincial reliability issues, and may include specific operating or planning parameters, guides, agreements, protocols, or other documents used to enhance the reliability of the BPS in the Region. These documents typically provide benefits by promoting more consistent implementation of the NERC Reliability Standards within the Region. These documents are not NERC Reliability Standards, Regional Reliability Standards, or Regional Variances, and therefore are not enforceable under the authority delegated by NERC pursuant to delegation agreements.

On a periodic basis and as NERC Reliability Standards are revised or new standards are developed, NPCC performs reviews of any associated Regional Criteria for possible impact (e.g., continued need or revision). During the criteria review process NPCC’s Task Forces review not only the incremental reliability benefit, but also the cost effectiveness of the criteria. In addition, as NERC Reliability Standards are enhanced, revised, and ultimately approved by the FERC some requirements of the NPCC Regional Criteria may become unnecessary in the U.S. portion of NPCC. In these situations, it is important that the criteria remain in place until such time as all

NPCC’s Canadian Provincial regulators adopt the NERC Reliability Standard to ensure no reliability gaps exist.

For 2023 and beyond, the potential reliability impacts of increased penetration of (DER, and large amounts of VER e.g., offshore wind along with the associated changing fuel mixes within the NPCC footprint, warrant further consideration. The Criteria Services division staff, in conjunction with the NPCC Task Forces and Working Groups have a unique opportunity to conduct reviews of these issues and develop criteria, guidelines, and procedural documents for DER which may be outside of the jurisdiction of FERC and NERC Reliability Standards. Participation of the entities responsible for development of DER and VER renewable resources to develop reliability documents will become increasingly important over time. Outreach, collaboration, and coordination of topics related to DER and VER will enable NPCC to develop guidance allowing more effective integration of these resources.

Increasing resilience of the BPS through alternative approaches to standards development using potential NPCC Regional Criteria, guidelines, and whitepapers will also be continually reviewed by NPCC’s body of subject matter experts.

NPCC Criteria Services also will be continually prioritizing the revision of its reliability criteria based on potential emerging risks associated with increased deployment of decarbonized resources.

Membership

Full members, in accordance with NPCC’s Amended and Restated Bylaws, are subject to compliance with Regionally-specific criteria and receive criteria-related services from the Criteria Services division.

Full Members, aside from those who perform the BA function, are not assessed an annual membership fee. Those that perform BA functions are assessed and remit a proportional NEL share of expenses for Criteria Services. NPCC would also directly assign Criteria Service division costs to a BAA or entity, where significant costs are incurred for that BAA. The funding for NPCC’s Criteria Services division is approved by the NPCC Board of Directors.

Under Criteria Services NPCC will identify for membership, those entities involved in emerging technologies to assure that those entities which have an impact on BPS reliability are included in appropriate NPCC activities.

Criteria Services Division Functional Scope

NPCC provides Full Members with Regional reliability assurance services and acts as the vehicle through which States and Provinces can fulfill their legislative mandates, with respect to resource adequacy, as well as overseeing the Northeastern North American electric infrastructure.

2023 Key Assumptions

The Criteria Services division activities are expected to remain stable or slightly increase throughout 2023 depending on reliability need.

2023 Goals and Objectives

- Continue the development and maintenance of a set of NPCC Directories which augment or add specificity to the NERC Reliability Standards, and which clearly delineate the more stringent NPCC criteria requirements. The combination of North American and more stringent NPCC Regional criteria provide for consistency and operational clarity while providing more robust defense in–depth, results based, criteria requirements to ensure NPCC BPS reliability.
- Review the criteria found in the NPCC Directories on a triennial basis to ensure no redundancies or inconsistencies exist.
- Retire Directories and/or Criteria which have been overtaken by improved NERC standards.
- Identify opportunities to develop criteria, procedures, or guideline documents to address emerging risks associated with DER, VER and energy storage.
- Identify opportunities to address enhancements in BES resilience with NPCC processes and documentation.
- Continually review the need to file revised and updated more stringent requirements with the New York State Department of Public Service and Canadian Provinces as applicable.
- The Criteria Services division and CCEP Working Group (a sub-group of the Compliance Committee) will work with the various Task Forces to develop Criteria Compliance Reporting Forms for any additional NPCC Directories to ensure that the more stringent or Regionally-specific Criteria is being met.
- The Criteria Services division and CCEP Working Group will work with the Task Force on Coordination of Operation (TFCO), Task Force on Coordination Planning (TFCP), Task Force on System Studies (TFSS), and Task Force on System Protection (TFSP) to review criteria and measures within each specific NPCC Directory to identify and develop them into specific reporting forms for approval.
- Continually review impact of BES definition on Directory and Criteria content and compliance reporting.
- Continually review potential impacts of Sector or NPCC organizational changes on the Directories and Criteria by performing a review of enforcement and arbitration processes as needed.
- Assist Legal with preparation of revised Directories for regulatory filings with the individual Provinces in accordance with their respective MOUs and/or Agreements, as well as the State of New York Public Service Commission.
- Facilitate any requested clarifications for NPCC Criteria with the necessary subject matter experts and identify any other potential opportunities for clarifications of the Criteria.

NPCC Reliability Directory Maintenance and Development

The NPCC Regional Reliability Directories were developed to demonstrate that the NPCC more stringent criteria augment, add specificity, or address issues not covered in the NERC Reliability Standards as mandated by the NERC Rules of Procedure. The conversion of NPCC’s reliability criteria into Directories was undertaken to remove any redundancies with the NERC or NPCC Regional Reliability Standards and to clearly delineate the more stringent NPCC criteria requirements.

In 2023, work will continue with the maintenance, revision, or potential retirement of individual Directories to address any actual or anticipated redundancies with new or modified NERC or NPCC Reliability Standards. The ongoing review and maintenance of the Directories will require Task Force and Criteria Services staff to support this effort and to serve as subject matter experts. The need for NPCC Directories and criteria contained therein may decrease over time, however in

the interim, significant review is necessary to ensure the criteria remain consistent with the NERC Reliability Standards as outlined in the NERC Rules of Procedure. NPCC will conduct internal reviews of all draft standards against Regional criteria and utilize subject matter experts to identify reliability and compliance related concerns. NPCC will file the revised NPCC Directories and notifications of retirements of Directories with the Canadian governmental and/or provincial Regulatory authorities within the NPCC footprint as needed, in accordance with established provincial procedures and agreements executed with NPCC.

Additionally, as NERC Reliability Standards are developed, associated Directories will be reviewed for continued need. This review will identify the incremental reliability enhancement the Directory's criteria will yield, determine if the enhancement is sufficient to warrant retention and if so, are there any potential cost-effective alternatives that may exist to achieve that enhanced level of reliability.

NPCC Operations and Planning Directories

The following Directories are expected to remain active for 2023.

Directory #1, Design and Operation of the Bulk Power System

This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing NERC TPL, BAL, IRO, INT, MOD, TOP, PRC, and VAR standards. A review to revise this Directory was initiated in 2021 to also incorporate potential revisions due to DER and VER and other emerging risks.

Directory #2, Emergency Operations

This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing NERC EOP and TOP standards. The NPCC Task Force on Coordination of Operation reviewed this Directory in 2019.

Directory #4, System Protection Criteria

This Directory documents NPCC's Regionally-specific, more stringent system protection criteria, and demonstrates coordination and consistency with certain applicable NERC PRC standards. The Task Force on System Protection completed a review of this Directory in 2020.

Directory #5, Reserve

This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing applicable NERC BAL, INT, and IRO standards. The NPCC Task Force on Coordination of Operation completed a review of this Directory in 2019.

Directory #6, Reserve Sharing Groups

This Directory provides the requirements for NPCC Balancing Authorities to participate in a Reserve Sharing Group.

Directory #7, Special Protection Systems

This Directory documents NPCC's Regionally-specific, more stringent criteria for application and approval of RAS. The NPCC Task Force on System Protection reviewed and revised the document in 2020 to ensure consistency with the Remedial Action Scheme PRC-012 standard.

Directory #8, System Restoration

This Directory documents NPCC's Regionally-specific, more stringent criteria which each applicable entity must plan for and perform power system restoration following a major or a total blackout and demonstrates coordination and consistency with applicable NERC EOP standards. The NPCC Task Force on Coordination of Operation initiated a review and revision of this Directory in 2021. As DER continues to displace conventional resources used for system restoration, this Directory will continue to consider how to effectively use DER to contribute to restoration.

Directory #11, Disturbance Monitoring Equipment

This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain existing NERC PRC standards. The NPCC Task Force on System Protection developed Directory #11 to facilitate the retirement of the NPCC Regional Standard PRC -002-NPCC-1.

NPCC Criteria Compliance and Enforcement Program (CCEP)

The CCEP monitors Full Members of NPCC for compliance on a subset of the regionally specific NPCC Criteria that are unique to the NPCC BPS. In 2023, there will be seven aspects of Criteria monitored that encompass six Directories.

Through NPCC Staff oversight, the stakeholder Compliance Committee (CC) supports the annual implementation of the CCEP via the CCEP-1 NPCC Criteria Compliance and Enforcement Program (CCEP) Process Document. A sub-group of CC members develops the annual CCEP Implementation Plan for approval by the full CC and acceptance by the RCC. The full CC reviews the returned certification forms, and NPCC staff develops an annual assessment report that summarizes the certification results where any recommendations on non-compliances are then presented to the RCC.

Upon RCC acceptance, instances of noncompliance result in a summary notification from the CC Chair to the Compliance Executive of the offending Full Member and to the NPCC President and CEO.

Please see [CCEP Documents](#) for more information.

Criteria Services Resource Requirements

The proposed 2023 Criteria Services budget of \$1,007,505 represents an increase of \$59,893 or 6.3% over the 2022 budget. The proposed Criteria Services membership fees of \$797,195 represents an increase of \$160,450 or 25.2% over the 2022 membership fees. Increase in membership fees is greater than increase in budget due to lower utilization of reserves to offset membership fees in 2023 than in 2022 (see Reserve Analysis on page 65).

Personnel

Increase of \$42,673 associated with a budgeted 3% merit pool and a projected 10% increase in medical premiums.

Meetings

In-person meetings are expected to increase in 2023. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

2022 Budget and Projection and 2023 Budget Comparisons

Statement of Activities and Capital Expenditures					
2022 Budget and Projection 2023 Budget					
CRITERIA SERVICES DIVISION					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	636,745	636,745	-	797,195	160,449
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Misc Revenue	-	-	-	-	-
Interest & Investment Income	1,535	154	(1,381)	1,367	(168)
Total Funding (A)	\$ 638,280	\$ 636,899	\$ (1,381)	\$ 798,561	\$ 160,281
Expenses					
Personnel Expenses					
Salaries	\$ 349,040	\$ 324,061	\$ (24,979)	\$ 386,890	\$ 37,849
Payroll Taxes	25,056	20,639	(4,417)	25,390	333
Benefits	66,252	53,294	(12,958)	71,441	5,189
Retirement Costs	37,526	33,873	(3,653)	36,828	(699)
Total Personnel Expenses	\$ 477,875	\$ 431,867	\$ (46,008)	\$ 520,548	\$ 42,673
Meeting Expenses					
Meetings	\$ 8,400	\$ 8,400	\$ -	\$ 10,000	\$ 1,600
Travel	34,080	34,080	-	50,000	15,920
Total Meeting Expenses	\$ 42,480	\$ 42,480	\$ -	\$ 60,000	\$ 17,520
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 56,000	\$ 56,000	\$ -	\$ 76,000	\$ 20,000
Office Rent	-	-	-	-	-
Office Costs	2,989	2,989	-	3,000	11
Professional Services	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-
Miscellaneous	4,000	4,000	-	4,000	-
Total Operating Expenses, excluding Depreciation	\$ 62,989	\$ 62,989	\$ -	\$ 83,000	\$ 20,011
Total Direct Expenses	\$ 583,344	\$ 537,336	\$ (46,008)	\$ 663,548	\$ 80,204
Indirect Expenses	\$ 358,417	\$ 358,417	\$ -	\$ 340,356	\$ (18,061)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 941,761	\$ 895,753	\$ (46,008)	\$ 1,003,905	\$ 62,143
Change in Net Assets (=A-B)	\$ (303,481)	\$ (258,854)	\$ 44,628	\$ (205,343)	\$ 98,138
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 5,850	\$ 5,850	\$ -	\$ 3,600	\$ (2,250)
TOTAL BUDGET (=B+C)	\$ 947,611	\$ 901,603	\$ (46,008)	\$ 1,007,505	\$ 59,893
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (309,331)	\$ (264,704)	\$ 44,628	\$ (208,943)	\$ 100,388

Table C - 2: Budget and Current Year Projection Comparison

Personnel Analysis

Total FTEs by Program Area	Budget 2022	Projection 2022	Direct FTEs 2023 Budget	Shared FTEs 2023 Budget	Total FTEs 2023 Budget	Change from 2022 Budget
CRITERIA SERVICES DIVISION						
Criteria Services	2.10	2.10	0.00	2.10	2.10	0.00
Total FTEs Criteria Services Division	2.10	2.10	0.00	2.10	2.10	0.00

¹A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

Table C - 3: Criteria Services Personnel Analysis

Reserve Analysis

Working Capital and Operating Reserve Analysis 2022-2023			
CRITERIA SERVICES DIVISION			
	Total Reserve	Working Capital	Operating Reserve
Beginning Total Reserve, December 31, 2021	711,546	622,791	88,755
2022 Non-Statutory Funding (from members)	636,745	636,745	
Plus: 2021 Other funding sources	154	154	
Less: 2022 Projected expenses & fixed asset additions	(901,603)	(901,603)	
Remaining Business Continuity Reserves released into Working Capital	0		
Projected Total Reserve, December 31, 2022	446,842	358,087	88,755
Desired Total Reserve, December 31, 2023	237,899	153,944 ¹	83,955 ²
Less: Projected Total Reserve, December 31, 2022	(446,842)	(358,087)	(88,755)
Increase(decrease) in assessments to achieve desired Total Reserve	(208,943)	(204,144)	(4,800)
2022 Funding requirement for expenses and fixed asset additions	1,007,505		
Less: Other Funding Sources	(1,367)		
Adjustment to Operating Reserve to achieve desired Total Reserve balance ²	(4,800)		
Adjustment to Working Capital to achieve desired Total Reserve balance ¹	(204,144)		
2023 Funding and reserve requirement	797,195		

¹ Working Capital must be within a range from 8.33% to 25.00% of Budget. \$153,944 represents 15.28% of the 2023 budget of \$1,007,505.

² Operating Reserve must equal 8.33% of Budget. \$83,955 represents 8.33% of the 2023 budget of \$1,007,505.

Table C - 4: Reserve Analysis

Explanation of Changes in Reserve Policy from Prior Year

There was no change to the existing Working Capital and Operating Reserve Policy.

Section D — Additional Consolidated Financial Statements

2023 Business Plan and Budget

Statement of Financial Position

Statement of Financial Position				
2021 Audited, 2022 Projection, and 2023 Budget				
Regional Entity and Criteria Services Division				
		(Per Audit)	Projected	Budget
		31-Dec-21	31-Dec-22	31-Dec-23
ASSETS				
Cash		\$ 9,821,202	\$ 2,100,000	\$ 2,100,000
Restricted cash		1,178,427	977,000	677,000
Temporary cash investments		718,303	6,347,000	4,739,000
Prepaid expenses		627,413	627,000	627,000
Other assets		603,785	43,000	41,000
Equipment and leasehold improvements, net		531,391	391,000	200,000
Total Assets		\$ 13,480,521	\$ 10,485,000	\$ 8,384,000
LIABILITIES AND NET ASSETS				
Liabilities				
Accrued expenses and other liabilities		\$ 4,714,638	\$ 4,012,000	\$ 3,644,000
Deferred revenue		261,888	-	-
Deferred rent		237,143	136,000	34,000
Total Liabilities		5,213,669	4,148,000	3,678,000
Net Assets - Without Donor Restrictions				
Available for operations		8,266,852	6,337,000	4,706,000
Total Net Assets Without Donor Restrictions		8,266,852	6,337,000	4,706,000
Total Liabilities and Net Assets		\$ 13,480,521	\$ 10,485,000	\$ 8,384,000

Table D - 1: Statement of Financial Position, Three-Year Comparison

Section D — Additional Financial Statements

NPCC Statement of Activities 2023 Budget	RE Division Total	Reliability Standards	Compliance Monitoring	Reliability	Training, Education,	Situation Awareness	Technical	Administrative
		(Section 300)	and Enforcement and Organization Registration and Certification (Section 400 & 500)	Assessment and Performance Analysis (Section 800)	and Operator Certification (Section 900)	and Infrastructure Security (Section 1000)	Committees and Member Forums	Services
		RE 300	RE 400	RE 800	RE 900	RE 1000	RE MEMBERS	
Funding								
ERO Funding								
ERO Assessments	18,140,037	671,275	10,772,548	4,556,518	117,256	2,610,727	-	(588,286)
Penalty Sanctions	300,000	10,227	190,909	56,591	682	41,591	-	-
Total ERO Funding	18,440,037	681,502	10,963,458	4,613,109	117,938	2,652,318	-	(588,286)
Membership Dues	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-
Workshops & Misc Revenue	33,750	-	-	-	33,750	-	-	-
Interest & Investment Income	19,089	-	-	-	-	-	-	19,089
Total Funding (A)	18,492,876	681,502	10,963,458	4,613,109	151,688	2,652,318	-	(569,198)
Expenses								
Personnel Expenses								
Salaries	10,411,939	245,126	4,583,431	1,549,662	21,663	1,119,178	33,027	2,892,879
Payroll Taxes	690,561	17,317	333,731	103,187	1,175	74,660	1,550	160,491
Benefits	2,535,986	68,626	1,109,937	412,120	4,786	222,781	7,886	717,736
Retirement Costs	1,095,815	22,489	476,669	159,619	2,300	113,412	3,435	321,326
Total Personnel Expenses	14,734,302	353,558	6,503,768	2,224,588	29,925	1,530,031	45,898	4,092,432
Meeting Expenses								
Meetings	227,750	4,500	4,000	24,200	90,000	1,000	4,050	104,050
Travel	642,600	76,000	193,000	195,000	15,000	85,000	7,000	78,600
Conference Calls	9,500	-	-	-	-	-	-	9,500
Total Meeting Expenses	879,850	80,500	197,000	219,200	105,000	86,000	11,050	192,150
Operating Expenses, excluding Depreciation								
Consultants & Contracts	909,000	-	15,000	803,000	-	30,000	-	61,000
Office Rent	909,500	-	-	-	-	-	-	909,500
Office Costs	1,202,900	2,000	27,600	8,200	400	8,150	-	1,156,550
Computer and Equipment Leases	-	-	-	-	-	-	-	-
Professional Services	1,030,000	-	-	-	-	-	-	1,030,000
Miscellaneous	30,000	-	-	-	-	-	-	30,000
Total Operating Expenses, excluding Depreciation	4,081,400	2,000	42,600	811,200	400	38,150	-	3,187,050
Total Direct Expenses	19,695,552	436,058	6,743,368	3,254,988	135,325	1,654,181	56,948	7,471,632
Indirect Expenses	(340,356)	243,112	4,538,084	1,345,218	16,207	988,654	(56,948)	(7,471,632)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-
Total Expenses (B)	19,355,195	679,170	11,281,452	4,600,206	151,532	2,642,835	-	-
Change in Net Assets (=A-B)	(862,320)	2,332	(317,995)	12,903	155	9,483	-	(569,198)
Fixed Asset Additions								
Computer & Software CapEx	30,400	-	-	-	-	-	-	30,400
Furniture & Fixtures CapEx	38,000	-	-	-	-	-	-	38,000
Equipment CapEx	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-
Allocation of Fixed Asset Additions	-	2,332	43,527	12,903	155	9,483	-	(68,400)
Fixed Asset Additions, excluding Right of Use Assets (C)	68,400	2,332	43,527	12,903	155	9,483	-	-
TOTAL BUDGET (=B + C)	19,423,595	681,502	11,324,980	4,613,109	151,688	2,652,318	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(930,720)	0	(361,522)	0	0	(0)	-	(569,198)
FTEs	56.90	1.50	28.00	8.30	0.10	6.10	0.10	12.90

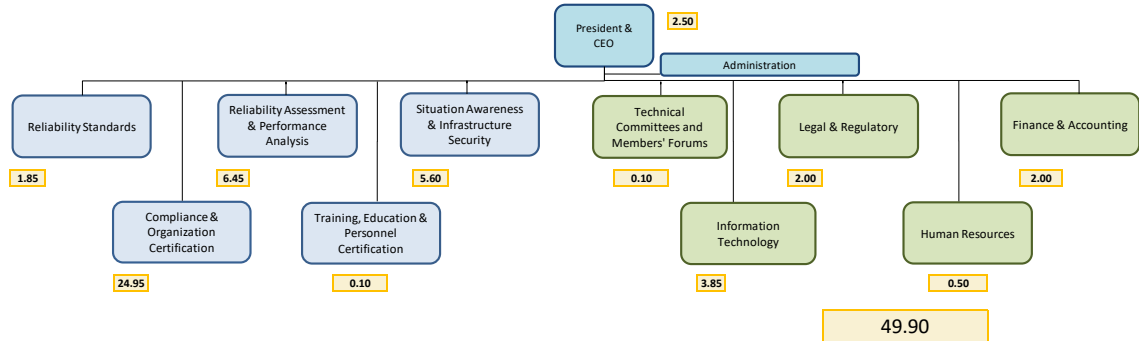
Section D — Additional Financial Statements

NPCC Statement of Activities 2023 Budget		Criteria Services Total	Criteria Development	Criteria Assessment	General and Administrative
			CS 300	CS 800	CS Admin
Funding					
ERO Funding					
	ERO Assessments	-			
	Penalty Sanctions	-			
	Total ERO Funding	-	-	-	-
	Membership Dues	797,195	550,894	456,610	(210,310)
	Testing Fees	-	-	-	-
	Services & Software	-	-	-	-
	Workshops & Misc Revenue	-	-	-	-
	Interest & Investment Income	1,367	-	-	1,367
	Total Funding (A)	798,561	550,894	456,610	(208,943)
Expenses					
Personnel Expenses					
	Salaries	386,890	279,234	107,656	-
	Payroll Taxes	25,390	17,881	7,509	-
	Benefits	71,441	46,541	24,900	-
	Retirement Costs	36,828	25,194	11,633	-
	Total Personnel Expenses	520,548	368,850	151,698	-
Meeting Expenses					
	Meetings	10,000	5,000	5,000	-
	Travel	50,000	25,000	25,000	-
	Conference Calls	-	-	-	-
	Total Meeting Expenses	60,000	30,000	30,000	-
Operating Expenses, excluding Depreciation					
	Consultants & Contracts	76,000	50,000	26,000	-
	Office Rent	-	-	-	-
	Office Costs	3,000	1,000	2,000	-
	Computer and Equipment Leases	-	-	-	-
	Professional Services	-	-	-	-
	Miscellaneous	4,000	2,000	2,000	-
	Total Operating Expenses, excluding Depreciation	83,000	53,000	30,000	-
	Total Direct Expenses	663,548	451,850	211,698	-
	Indirect Expenses	340,356	97,244.67	243,111.66	-
	Other Non-Operating Expenses	-	-	-	-
	Total Expenses (B)	1,003,905	549,094	454,810	-
	Change in Net Assets (=A-B)	(205,343)	1,800	1,800	(208,943)
Fixed Asset Additions					
	Computer & Software CapEx	1,600	800	800	-
	Furniture & Fixtures CapEx	2,000	1,000	1,000	-
	Equipment CapEx	-	-	-	-
	Leasehold Improvements	-	-	-	-
	Allocation of Fixed Asset Additions	-	-	-	-
	Fixed Asset Additions , excluding Right of Use Assets (C)	3,600	1,800	1,800	-
	TOTAL BUDGET (=B + C)	1,007,505	550,894	456,610	-
	TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(208,943)	-	-	(208,943)
	FTEs	2.10	0.60	1.50	0

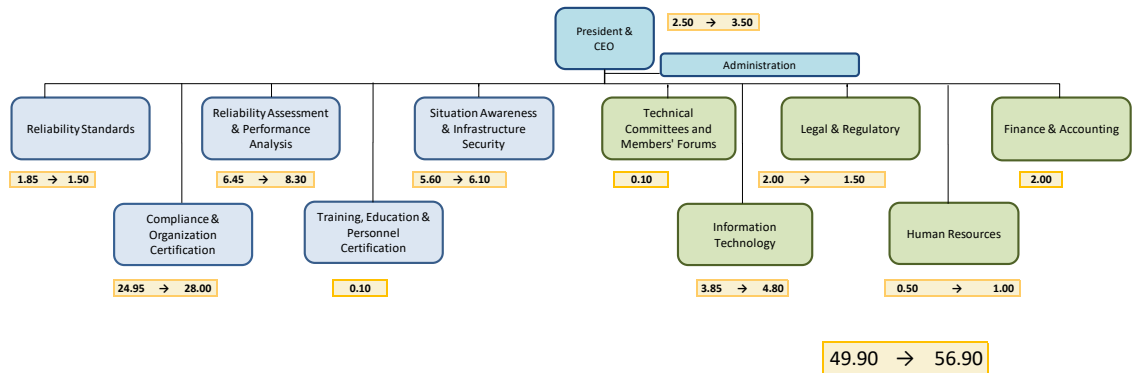
Appendix A

Staff Allocations

RE Division 2022 Budget Staff Allocations



2023 Budget Staff Allocations



CS Division 2022 Budget Staff Allocations



2.10

2023 Budget Staff Allocations



2.10

Appendix B

Acronyms

This section lists acronyms used in this document

Acronym	Definition
AI	Audits and Investigations
BAA	Balancing Authority Area
BEP	BES Exception Process
BES	Bulk Electric System
BPS	Bulk Power System
CAP	Crisis Action Plan
CC	Compliance Committee
CCEP	Criteria Compliance and Enforcement Program
CDA	CMEP Data Administration Application
CEH	Continuing Education Hour
CGNC	Corporate Governance and Nominating Committee
CMEP	Compliance Monitoring and Enforcement Program
COP	Compliance Oversight Plan
CORC	Compliance Monitoring and Enforcement and Organization Registration and Certification Program
CORES	Centralized Organization Registration ERO System
CUG	Consortium Users Group
DADSUG	Demand Response Availability Data System User Group
DER	Distributed Energy Resources
DHS	Department of Homeland Security
DOE	Department of Energy
EAP	ERO Event Analysis Process
EGWG	Electric-Gas Working Group
EIC	Evaluation of Internal Controls
E-ISAC	Electricity Information Sharing and Analysis Center
EPHPIS	Electric Power Human Performance Improvement Symposium
ERAG	Eastern Interconnection Reliability Assessment Group
ERATF	Energy Reliability Assessment Task Force
ERO	Electric Reliability Organization
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FFT	Find, Fix, Track and Report
FTE	Full Time Equivalent
GADSUG	Generating Availability Data System User Group
GMD	Geomagnetic Disturbance
HQCMÉ	Hydro-Québec Contrôle des mouvements d'énergie
HSIN	Homeland Security Information Network
IESO	Independent Electricity System Operator
IRA	Inherent Risk Assessment
IRPWG	Inverter-Based Resource Performance Working Group
ISO	Independent System Operator
LMWG	Load Modeling Working Group
LSE	Load Serving Entity
MACD	Market Assessment and Compliance Division
MDCC	Management Development and Compensation Committee
ME	Mitigation and Enforcement
MIDASUG	Misoperation Information Data Analysis System User Group
MMWG	Multi-Regional Modeling Working Group
MOU	Memorandum of Understanding
NAERM	North American Energy Resilience Model
NAESB	North American Energy Standards Board
NATF	North American Transmission Forum
NBEUB	New Brunswick Energy and Utilities Board
NBMG	Node Breaker Modeling Group

Appendix B

Acronym	Definition
NCCIC	National Cybersecurity and Communications Integration Center
NEL	Net Energy for Load
NERC	North American Electric Reliability Corporation
NLH	Newfoundland and Labrador Hydro
NOI	Notice of Inquiry
NOPR	Notice of Proposed Rulemaking
NPCC	Northeast Power Coordinating Council, Inc.
NSPI	Nova Scotia Power Incorporated
NSUARB	Nova Scotia Utility and Review Board
OEB	Ontario Energy Board
OLT	Operations Leadership Team
ORCG	Organization Registration and Certification Group
PAS	Performance Analysis Subcommittee
PAWG	Probabilistic Assessment Working Group
PC	Pension Committee
PJM	Pennsylvania-Jersey-Maryland Interconnection LLC., Regional Transmission Organization
PPMVTf	Power Plant Model Verification Task Force
PSWG	Physical Security Working Group
QCMEP	Québec Reliability Standards Compliance Monitoring and Enforcement Program
RAPA	Reliability Assessment and Performance Analysis
RAPA-SG	ERO RAPA Steering Group
RAS	Reliability Assessment Subcommittee
RAS	Remedial Action Scheme
RC	Reliability Coordinator
RCC	Reliability Coordinating Committee
RISC	Reliability Issues Steering Committee
RSC	Regional Standards Committee
RSTC	Reliability and Security Technical Committee
RTWG	Reliability Training Working Group
RTO	Regional Transmission Organization
SAFNR	Situational Awareness-FERC, NERC, Regions
SAIS	Situation Awareness and Infrastructure Security
SAMS	System Analysis and Modeling Subcommittee
SAR	Standards Authorization Request
SCPS	Standards Committee Process Subcommittee
SDT	Standards Drafting Team
SEL	Seque Evidence Locker
SITES	Security Integration and Technology Enablement Subcommittee
SPCWG	System Protection and Control Working Group
SMWG	Synchronized Measurement Working Group
SPIDERWG	System Planning Impacts from Distributed Energy Resources Working Group
SPS	Special Protection Systems
TADSUG	Transmission Availability Data System User Group
TFCO	Task Force on Coordination of Operation
TFCP	Task Force on Coordination of Planning
TFE	Technical Feasibility Exception
TFIST	Task Force on Infrastructure Security and Technology
TFSP	Task Force on System Protection
TFSS	Task Force on System Studies
UFLS	Underfrequency Load Shedding
VER	Variable Energy Resources

Appendix C

Index of Figures and Tables

Figure 1: Budget by Program Area Chart	10
Table 1: NPCC Budget	4
Table 2: Budget by Program Area	10
Table 3: Regional Entity Personnel Analysis	11
Table 4: Budget and Current Year Projection Comparison	12
Table A - 1: Reliability Standards Budget	14
Table A - 2: Reliability Standards Budget Detail	17
Table A - 3: Compliance Monitoring and Enforcement and Organization Registration and Certification Budget	18
Table A - 4: Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail	22
Table A - 5: Reliability Assessments and Performance Analysis (RAPA) Budget	23
Table A - 6: Reliability Assessments and Performance Analysis (RAPA) Budget Detail	26
Table A - 7: Training, Education, and Operator Certification Budget	27
Table A - 8: Training, Education, and Operator Certification Budget Detail	29
Table A - 9: Situation Awareness and Infrastructure Security Budget	30
Table A - 10: Situation Awareness and Infrastructure Security Budget Detail	34
Table A - 11: Administrative Services Budget	35
Table A - 12: Administrative Services Budget Detail	36
Table B - 1: Working Capital Reserve Analysis	49
Table B - 2: Penalty Sanctions Received	50
Table B - 3: Supplemental Funding	51
Table B - 4: Personnel Expenses	52
Table B - 5: Meeting Expense	53
Table B - 6: Consultants and Contracts	53
Table B - 7: Office Rent	54
Table B - 8: Office Costs	54
Table B - 9: Professional Services	55
Table B - 10 :Miscellaneous	55
Table B - 11: Other Non-Operating Expenses	55
Table B - 12: Fixed Assets	55
Table B - 13: Three-Year Projections	56
Table C - 1: Criteria Services Division Business Plan and Budget	58
Table C - 2: Budget and Current Year Projection Comparison	63
Table C - 3: Criteria Services Personnel Analysis	64
Table C - 4: Reserve Analysis	65
Table D - 1: Statement of Financial Position, Three-Year Comparison	67

DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 5

RELIABILITYFIRST CORPORATION

PROPOSED 2023 BUSINESS PLAN AND BUDGET



RELIABILITY FIRST

**RELIABILITYFIRST CORPORATION
2023 BUSINESS PLAN AND BUDGET**

**APPROVED BY BOARD OF DIRECTORS
JUNE 29, 2022**

Table of Contents

Introduction	4
ERO Enterprise Model and Transformation	4
ERO Enterprise Strategic and Operational Planning.....	5
ReliabilityFirst Organizational Overview.....	6
Membership and Governance.....	7
2023 Key Assumptions	8
2023 Key Deliverables.....	8
2023 Overview of Budget	9
Summary of Budget by Program Area	11
2022 Versus 2023 Cost Allocation by Program Summary of Expenses	11
FTEs by Program Area	12
2022 Budget and Projection and 2023 Budget Comparisons.....	13
Section A: Statutory Programs	14
Reliability Standards Program	15
Compliance Monitoring and Enforcement, and Organization Registration Program	17
Reliability and Risk Analysis	19
Compliance Monitoring	25
Enforcement	29
Reliability Assessment and Performance Analysis Program	34
Training, Education, Outreach, and Operator Certification Program	38
Situational Awareness Program.....	42
Administrative Services	47
General and Administrative.....	49
Legal and Regulatory Affairs.....	51
Information Technology	53
Organization Development & Human Resources.....	56
Finance and Accounting	58
Section B: Supplemental Financial Information	60
Table B-1: Working Capital and Operating Reserve Analysis	61
Table B-2: Penalty Sanctions Received.....	62
Table B-3: Supplemental Funding	63
Table B-4: Personnel Expenses	64

Introduction

Table B-5: Meeting Expenses.....	65
Table B-6: Consultants and Contractors	66
Table B-7: Office Rent.....	66
Table B-8: Office Costs.....	67
Table B-9: Professional Services.....	67
Table B-10: Miscellaneous	68
Table B-11: Non-Operating Expenses	68
Table B-12: Fixed Assets.....	69
Table B-13: 2024 and 2025 Projections.....	70
Section C: Non-Statutory Activities.....	73
Section D: Additional Consolidated Financial Statements	74
2023 Consolidated Statement of Activities by Program.....	75
Statement of Financial Position	76
Appendix A: 2022 – 2023 Organization Chart.....	77

Introduction

The following table summarizes ReliabilityFirst Corporation's (ReliabilityFirst) budget for 2023.

	2023 Budget			
	(in whole dollars)	U.S.	Canada	Mexico
Statutory FTEs	91.00			
Non-statutory FTEs	-			
Total FTEs	91.00			
Statutory Expenses	\$ 27,865,420			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 27,865,420			
Statutory Inc(Dec) in Fixed Assets	\$ 110,000			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 110,000			
Statutory Working Capital Requirement	\$ 853,339			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ 853,339			
Total Statutory Funding Requirement	\$ 28,828,759			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 28,828,759			
Statutory Funding Assessments	\$ 24,620,339	\$ 24,620,339	\$ -	\$ -
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL (MWH)	880,495,516	880,495,516	-	-
NEL%	100%	100%	0%	0%

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American bulk power system (BPS). Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

Introduction

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;
- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.

Building upon these commitments, the ERO Enterprise is now engaging in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



ERO Enterprise Strategic and Operational Planning

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regions, and the different corporate and governance responsibilities of each entity.

ERO Enterprise leadership came together to revise the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and ensure alignment with

Introduction

the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the NERC Board of Trustees (Board) on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial [ERO Reliability Risk Priorities Report](#);
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities.

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each organization's Business Plan and Budget may reference how activities support each of the strategic focus areas.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.¹

ReliabilityFirst Organizational Overview

ReliabilityFirst is a not-for-profit corporation incorporated in the State of Delaware and authorized by the Federal Energy Regulatory Commission (FERC) to operate as a Regional Entity. ReliabilityFirst is responsible for promoting and improving the reliability, security and resiliency of the Bulk Electric System (BES) in all or parts of thirteen states and the District of Columbia. As a Regional Entity, ReliabilityFirst performs key reliability functions delegated to it by NERC. These include:

- Active participation in the development of North American Reliability Standards for the BES, and as needed, development of Reliability Standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, resiliency, security, and risks of the BES.
- Promoting effective training and education of personnel and entities.
- Promoting situational awareness and the protection of critical infrastructure.

¹ The [2022 ERO Work Plan Priorities](#) were approved by the NERC Board in November 2021. NERC management and the Board evaluate annual work plan priorities throughout the year.

ReliabilityFirst intends to perform only the functions delegated to it by the ERO in 2023.

Membership and Governance

Members

ReliabilityFirst has an open membership policy that permits participation of all industry stakeholders through their designated representatives. There are six (6) Industry Sectors: Suppliers, Transmission Companies, Regional Transmission Organizations (RTOs), Small Load Serving Entities (LSEs), Medium LSEs, and Large LSEs. There are three (3) Classes of Members: Regular Members, Associate Members, and Adjunct Members (an Associate Member is an affiliate or related party of a Regular Member, and an Adjunct Member is an entity that does not qualify to join an Industry Sector but has been approved for membership).

There are currently 55 Members of ReliabilityFirst; 39 are Regular Members with voting rights, 6 are Associate Members, and 10 are Adjunct Members. ReliabilityFirst's foundation has been and continues to be the broad, active participation of volunteer technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability, security, and resiliency of the BES. ReliabilityFirst believes that partnering with industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a cost effective approach that is consistent with the industry self-regulatory model envisioned by Congress in the Energy Policy Act of 2005.

Board of Directors

ReliabilityFirst is governed by a hybrid, independent, and balanced stakeholder Board that consists of 16 Directors.

- Eight (8) Directors are elected by the Industry Sectors as follows:
 - Suppliers elect two (2) Directors;
 - Transmission Companies elect two (2) Directors;
 - RTOs elect one (1) Director;
 - Small LSEs elect one (1) Director;
 - Medium LSEs elect one (1) Director; and
 - Large LSEs elect one (1) Director.
- Three (3) Directors are at-large. At-Large Directors are elected by all of the Industry Sectors voting together as a single class.
- Four (4) Directors are independent from ReliabilityFirst, any Member, Affiliate or Related Party of any Member. Independent Directors are elected by all of the Industry Sectors voting together as a single class. One of these Directors is appointed as a Lead Independent Director who serves in the capacity to coordinate the activities of the other Independent Directors.
- The President and CEO serves as a non-voting member of the Board of Directors

2023 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of strategic and operating objectives developed jointly by NERC and the Regional Entities. These strategic and operating objectives are set forth in the ERO Enterprise Long Term Strategy.

2023 Key Deliverables

- Promote a culture within the organization that addresses reliability risks across the ReliabilityFirst Region and the ERO Enterprise.
 - Ensure that the industry understands the essential reliability purpose of Reliability Standards and the corresponding expectations for those Reliability Standards.
 - Work with the industry to maintain and continuously improve effective risk control programs for reliability, security, and resiliency.
 - Use efficient processes and proportional exercise of discretion to verify that the industry meets reliability objectives.
- Identify the risks to reliability, security and resiliency in the ReliabilityFirst Region.
 - Identify, understand, and prioritize risks based on reliability impacts, projected resources, and emerging issues.
 - Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to define reliability, resiliency, and security related activities.
 - Ensure that the industry is well informed of emerging trends, risk analysis, lessons learned, and expected actions.
- Mitigate reliability risks.
 - Ensure that the industry understands identified risks and addresses them promptly and effectively.
 - Facilitate information sharing among the industry, Regions, ERO, and government.
 - Work with the ERO to track industry accountability for critical reliability recommendations.
- Communicate reliability risks.
 - Communicate identified and prioritized risks and mitigation strategies to the ERO Enterprise, across the ReliabilityFirst footprint, and/or to targeted entities, as appropriate.
 - Share staff expertise and leverage the expertise of ReliabilityFirst entities to advance industry practices surrounding risk identification, mitigation, and prevention.
- Promote a culture of reliability excellence and facilitate and encourage continuous improvement through training and education.

Introduction

- Ensure useful and reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among the entities in the ReliabilityFirst region.
- Serve as a leading resource to industry and policy makers to supply reliability information.
- Serve as an independent, objective, and fair compliance monitoring and enforcement authority, without conflicts of interest.
 - Register entities commensurate to the risk they pose to the BES and ensure that all key entities are certified to have essential capabilities.
 - Ensure that all compliance monitoring and enforcement activities are risk-based, reliability-focused, and adhere to the requirements of the ReliabilityFirst delegation agreement and the Risk Based Compliance Monitoring and Enforcement Program (CMEP).
 - Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent reoccurrence.
- Improve transparency, consistency, quality, and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
 - Identify, understand, and manage internal risks.
 - Ensure processes are effective, efficient, and continually improving.
- Serve as an independent and objective voice when providing information around reliability risks (i.e., resource adequacy, impacts of the changing generation mix, etc.).

2023 Overview of Budget

This Business Plan and Budget reflects ReliabilityFirst's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2023. Overall, the ReliabilityFirst 2023 budget of \$27,975,420 increased 6.7% over the 2022 budget of \$26,219,927. The 2023 assessment of \$24,620,339 represents a 5.0% increase over the 2022 assessment of \$23,447,945.

Personnel costs increased by \$1,165,672 an increase of 5.2% over the 2022 budget, primarily as the result of inflation and its impact on salaries and the need for greater investment in security. Incorporated into the personnel costs are 2 additional Full Time Equivalent (FTE) Security Professionals and a 4% general wage increase, and these costs are the primary drivers for the 2023 budget increase. ReliabilityFirst does not include a personnel vacancy rate because the corporation has operated with a turnover rate well below 5% for the last several years, and because the budget does not include the cost of the corporation's recruitment activities and relocation to attract necessary employee candidates.

The Meetings, Operating and Fixed Asset costs of \$4,528,309 increased by 15.0% over the 2022 budget of \$3,938,489, primarily as a result of inflation and the need for greater investment in security. The increase was primarily the result of the following: 1) a \$388,675 increase in Contractors and Consultants is primarily driven by a third party security assessment, network

Introduction

maintenance projects, public website enhancements, cloud initiatives, security simulations activities, enhancing data managements systems, and network and audio/visual upgrades, 2) an increase of \$115,320 for inflationary impacts on workshop and outreach meeting costs, and initiatives for security training exercises 3) \$84,492 increase in office rent due to an office expansion and lease extension, and 4) a \$54,150 increase in Professional Services due to an increase in cybersecurity insurance costs. These variances were partially offset by a \$43,640 decrease in office costs primarily due to lower computer hardware costs and a \$10,000 decrease in total Fixed Asset costs due to changes in projects planned in 2022 compared to 2023.

The ReliabilityFirst Board has approved a \$1,000,000 operating reserve for 2023, which is the same level that existed in 2022. This level of operating reserve is believed to be sufficient for any unbudgeted and unexpected expenditures of the organization, and is consistent with Board Policy.

The ReliabilityFirst Board also approved an increase in the target working capital reserve to \$9.6M. Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow for daily operations. In concert with the ERO Enterprise wide effort to better manage and stabilize assessments, the working capital reserve is used to enhance day to day cash flow management of expenditures, while providing the capability to stabilize future assessments. The operating and working capital reserves have been differentiated to enable more granular identification and control in the utilization and monitoring of these funds in the appropriate manner. Refer to section B-1 for more information on the working capital reserve.

The executive management group for NERC and the Regional Entities (known as the ERO EMG) concentrates on various initiatives to improve efficiency and consistency across NERC and the Regional Entities, including the development of enterprise-wide applications. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed at NERC. ReliabilityFirst assumes agreed upon ERO Enterprise wide applications will be available, and has only included appropriate funding for applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

In the development of each annual Business Plan and Budget, ReliabilityFirst examines projected workload using the operating and strategic objectives referenced above and conducts a manpower analysis to determine staffing levels required to complete necessary tasks and meet the obligations of the Regional Delegation Agreement. The manpower analysis for 2023 yielded a requirement of 100 FTEs in order to fully address the expected workload.

Although ReliabilityFirst's manpower analysis justifies a need for 100 FTEs, its philosophy is to seek and achieve greater efficiencies in its tasks and workload each year. On this basis, ReliabilityFirst believes a staffing level of 91, which includes an increase in the headcount of 2, will be sufficient to perform its work. The need for these additional FTE's is described in General and Administrative and Information Technology sections.

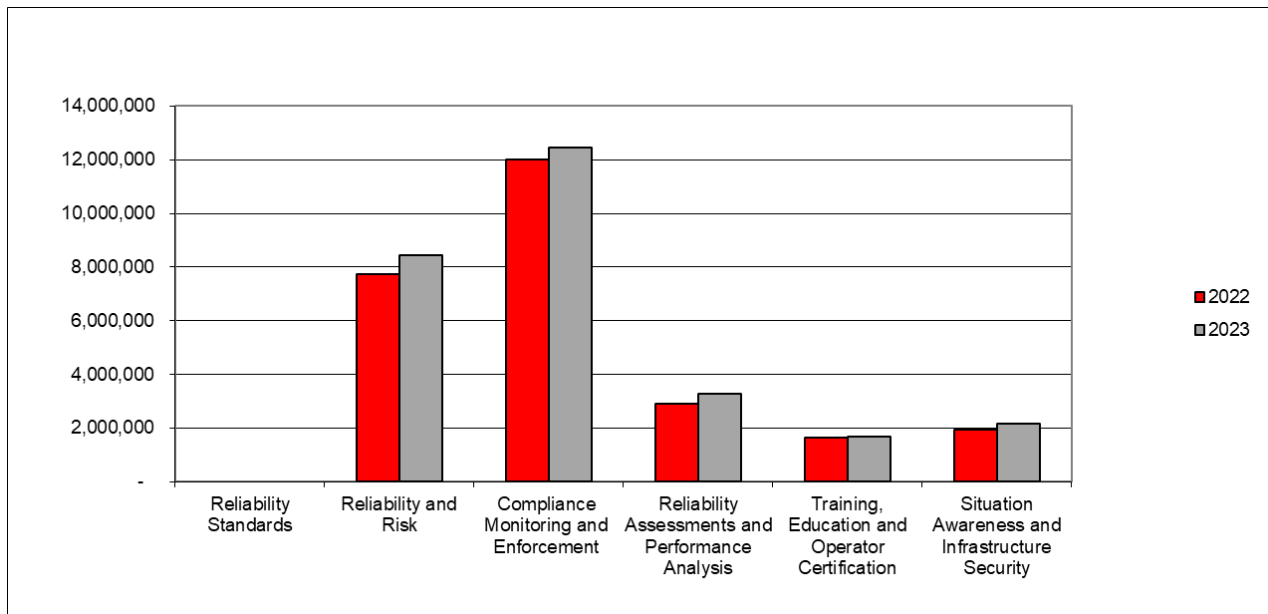
ReliabilityFirst will continue to ensure enhancements are being made in many process areas and that the maturation of the organization will continue to result in expected efficiency improvements.

Summary of Budget by Program Area

The following table and figure summarize and illustrate ReliabilityFirst’s budget by program area.

Program	Budget 2022	Projection 2022	Budget 2023	Variance 2022	
				Budget v 2023 Budget	Variance %
Reliability Standards	-	-	-	-	0.0%
Reliability and Risk Analysis	7,751,602	7,091,845	8,428,745	677,143	8.7%
Compliance Monitoring and Enforcement	12,003,963	11,262,673	12,455,300	451,337	3.8%
Reliability Assessments and Performance Analysis	2,892,808	2,853,978	3,274,533	381,725	13.2%
Training, Education and Operator Certification	1,631,907	1,483,936	1,667,802	35,894	2.2%
Situation Awareness and Infrastructure Security	1,939,647	1,954,146	2,149,041	209,394	10.8%
Total	26,219,927	24,646,578	27,975,420	1,755,493	6.7%

2022 Versus 2023 Cost Allocation by Program Summary of Expenses



Introduction

FTEs by Program Area

	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget
Total FTEs by Program Area				
STATUTORY				
Operational Programs				
Reliability Standards	0.00	0.00	0.00	0.00
Reliability and Risk	20.00	21.00	21.00	1.00
Reliability and Risk	1.00	1.00	1.00	0.00
Reliability Analysis	1.00	1.00	1.00	0.00
Entity Engagement	7.00	8.00	8.00	1.00
Risk Analysis and Mitigation	8.00	8.00	8.00	0.00
Analysis Services	3.00	3.00	3.00	0.00
Compliance Monitoring and Enforcement	33.00	33.00	33.00	0.00
Operations and Planning	11.00	11.00	11.00	0.00
Critical Infrastructure Protection	10.00	10.00	10.00	0.00
Compliance Monitoring	2.00	2.00	2.00	0.00
Enforcement	10.00	10.00	10.00	0.00
Reliability Assessment and Performance Analysis	6.60	7.00	7.00	0.40
Training and Education	3.00	3.00	3.00	0.00
Situation Awareness and Infrastructure Security	5.00	5.00	5.00	0.00
Total FTEs Operational Programs	67.60	69.00	69.00	1.40
Administrative Programs				
General and Administrative	4.00	4.00	5.00	1.00
Legal and Regulatory Affairs	3.00	2.00	2.00	-1.00
Information Technology	7.00	7.00	8.00	1.00
Human Resources	4.00	4.00	4.00	0.00
Finance and Accounting	3.00	3.00	3.00	0.00
Total FTEs Administrative Programs	21.00	20.00	22.00	1.00
Total FTEs	88.60	89.00	91.00	2.40

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

Introduction

2022 Budget and Projection and 2023 Budget Comparisons

The following table lists the 2022 budget and projection compared to the 2023 budget.

2022 Budget and Projection, and 2023 Budget					
STATUTORY					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ReliabilityFirst Assessments	\$ 23,447,945	\$ 23,447,945	\$ -	\$ 24,620,339	\$ 1,172,395
Penalties Released	3,488,681	3,488,681	-	4,108,420	619,739
Total ReliabilityFirst Funding	\$ 26,936,627	\$ 26,936,626	\$ -	\$ 28,728,759	\$ 1,792,134
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Investment Income	50,000	50,000	(0)	100,000	50,000
Miscellaneous Income	-	-	-	-	-
Total Funding (A)	26,986,627	26,986,626	(0)	28,828,759	1,842,134
Expenses					
Personnel Expenses					
Salaries	\$ 16,274,245	\$ 15,671,622	\$ (602,623)	\$ 16,913,744	\$ 639,498
Payroll Taxes	992,282	945,954	(46,328)	1,052,888	60,606
Benefits	2,412,806	1,976,208	(436,598)	2,773,918	361,112
Retirement Costs	2,602,105	2,279,694	(322,413)	2,706,562	104,456
Total Personnel Expenses	\$ 22,281,438	\$ 20,873,478	\$ (1,407,961)	\$ 23,447,112	\$ 1,165,673
Meeting Expenses					
Meetings	\$ 357,675	\$ 268,256	\$ (89,419)	\$ 432,855	\$ 75,180
Conference Calls	\$ 21,960	\$ 21,960	\$ -	\$ 15,000	\$ (6,960)
Travel	\$ 601,000	\$ 450,750	\$ (150,250)	\$ 648,100	\$ 47,100
Total Meeting Expenses	\$ 980,635	\$ 740,966	\$ (239,669)	\$ 1,095,955	\$ 115,320
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 448,874	\$ 468,874	\$ 20,000	\$ 837,549	\$ 388,675
Office Rent	\$ 598,092	\$ 598,092	\$ -	\$ 682,584	\$ 84,492
Office Costs	\$ 1,110,388	\$ 1,164,244	\$ 53,856	\$ 1,066,747	\$ (43,640)
Professional Services	\$ 631,765	\$ 631,765	\$ -	\$ 685,915	\$ 54,150
Miscellaneous	\$ 48,735	\$ 49,159	\$ 423	\$ 49,559	\$ 824
Total Operating Expenses, excluding Depreciation	\$ 2,837,854	\$ 2,912,134	\$ 74,279	\$ 3,322,354	\$ 484,500
Total Direct Expenses	\$ 26,099,927	\$ 24,526,578	\$ (1,573,351)	\$ 27,865,420	\$ 1,765,493
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 26,099,927	\$ 24,526,578	\$ (1,573,351)	\$ 27,865,420	\$ 1,765,493
Change in Net Assets (= A - B)	\$ 886,699	\$ 2,460,047	\$ 1,573,351	\$ 963,339	\$ 76,640
Fixed Asset Additions, excluding Right of Use Assets (C)	120,000	120,000	-	110,000	(10,000)
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc/(Dec) in Fixed Assets	\$ 120,000	\$ 120,000	\$ -	\$ 110,000	\$ (10,000)
Total Budget (= B + C)	\$ 26,219,927	\$ 24,646,578	\$ (1,573,351)	\$ 27,975,420	\$ 1,755,493
Change in Working Capital (= A - B - C)	\$ 766,700	\$ 2,340,047	\$ 1,573,351	\$ 853,339	\$ 86,640
FTEs	88.60	89.00	-	91.00	2.40

*Penalties released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).

Section A: Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2022	2023	Increase (Decrease)
Total FTEs	0.00	0.00	0.00
Direct Expenses	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 0	\$ -	\$ (0)
Total Funding Requirement	\$ 0	\$ -	\$ (0)

Program Scope and Functional Description

ReliabilityFirst provides input to the NERC Reliability Standards development process to help ensure the Standards adequately mitigate the risks they are intended to address, particularly those risks facing the ReliabilityFirst footprint, as well as help identify, evaluate and promote the amendment of Reliability Standards to ensure their efficiency, efficacy and appropriateness. ReliabilityFirst may develop Regional Reliability Standards as necessary. Regional Reliability Standards must be developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure and must be more stringent than a NERC Reliability Standard, addressing a regional matter that the NERC Reliability Standard does not, or a regional difference necessitated by a physical difference in the BES.

To date, ReliabilityFirst has developed only one FERC approved Regional Standard (Planning Resource Adequacy Analysis, Assessment and Documentation standard BAL-502-RF-03, approved by FERC on October 16, 2017) and has no current plans to develop any Regional Standards in 2023.

ReliabilityFirst may also develop regional criteria, which are good utility practices used to enhance the reliability of the BES and may augment Reliability Standards. Regional criteria are not Reliability Standards, and therefore are not enforceable. Regional criteria are developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure. ReliabilityFirst has no current plans to develop regional criteria in 2023.

2023 Key Assumptions

The Reliability Standards Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy.

ReliabilityFirst previously reallocated the resources and expenses associated with the Reliability Standards Program to the Reliability and Risk Analysis and Compliance Monitoring Programs, due to decreased activity in the Reliability Standards Program. If any Reliability Standard or regional criteria needs to be developed, resources will be temporarily redeployed from the existing Reliability and Risk Analysis and Compliance Monitoring and Reliability Assessment and Performance Analysis Programs.

2023 Key Deliverables

- Review and provide feedback on potential reliability, security, resiliency, or efficiency concerns associated with existing NERC Reliability Standards and Reliability Standard Audit Worksheets and those under development.
- Although none are anticipated, submit to NERC, and subsequently file with FERC any new Regional Reliability Standards that:
 - May be needed to support revised NERC Reliability Standards.
 - May address reliability gaps not currently covered by NERC Reliability Standards.
- Although none are anticipated, submit to the ReliabilityFirst Board any new regional criteria that:
 - Address issues not within the scope of NERC Reliability Standards.
 - Promote more consistent implementation of a NERC Reliability Standard within the Region.
- Initiate and coordinate revisions to Regional Reliability Standards or regional criteria in any stage of development to align with NERC and FERC requirements.
 - Support enhanced periodic reviews focused on conducting measured, in-depth reviews to further improve Reliability Standards.
 - Support ERO activities necessary to incorporate Regional Reliability Standards into continent-wide Standards.
 - Retire Regional Reliability Standards and regional criteria that are duplicative with NERC Reliability Standards or no longer needed for reliability.

Resource Requirements

- **Personnel**

There are no planned changes in FTEs for 2023.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in 2023.

Compliance Monitoring and Enforcement, and Organization Registration Program

Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	53.00	54.00	1.00
Direct Expenses	\$ 13,669,858	\$ 14,067,622	\$ 397,764
Indirect Expenses	\$ 5,991,624	\$ 6,729,834	\$ 738,210
Inc(Dec) in Fixed Assets	\$ 94,083	\$ 86,589	\$ (7,494)
Total Funding Requirement	\$ 19,755,565	\$ 20,884,045	\$ 1,128,480

Program Scope and Functional Description

The CMEP, and Organization Registration Program performs a variety of risk-based and dynamic activities to identify, communicate, and mitigate reliability, security and resiliency risks facing the ReliabilityFirst footprint. To achieve maximum effectiveness and consistency, ReliabilityFirst has delineated the responsibility to execute the Compliance Monitoring and Enforcement, and Organization Registration Program among three coordinated groups: Reliability and Risk Analysis, Compliance Monitoring, and Enforcement.

The Reliability and Risk Analysis group performs activities to drive continuous improvement, assess risk, and scope compliance monitoring and enforcement activities in accordance with risk. These activities, discussed in further detail in the Reliability and Risk Analysis section, include: (1) conducting Inherent Risk Assessments and developing Compliance Oversight Plans to assess the risk posed by each entity and determine a plan for compliance monitoring activities; (2) conducting Assist Visits, Internal Controls Reviews, and Management Practice Appraisals to drive continuous improvement and refine the scope of compliance monitoring activities based upon the maturity of the entity's internal controls; (3) conducting industry outreach, training, and education initiatives; (4) developing lessons learned and identifying key trends to share with the industry; (5) performing registration and certification review activities; and (6) conducting risk assessments and supporting mitigation plan activities associated with noncompliance.

The Compliance Monitoring group monitors compliance to the NERC Reliability Standards (Reliability Standards) across ReliabilityFirst's registered owners, operators, and users of the BES through a variety of risk-based activities. These monitoring activities are key to reliability, security and resiliency, as they ensure that entities have effective controls in place and are following the requirements of the Reliability Standards. These activities, discussed in further detail in the Compliance Monitoring section, include compliance audits, spot checks, self-certifications, investigations, assessing complaints, and assessing system events from a reliability and compliance perspective to identify and ensure the mitigation of potential risks.

The Enforcement group is responsible for performing the delegated function to enforce, where necessary, compliance with the Reliability Standards. These efforts, discussed in further detail in the Enforcement section, involve ensuring that the selected disposition method for any noncompliance: (1) is clearly communicated; (2) is appropriately supported by the record in light of the risk posed by the noncompliance; and (3) promotes the desired entity behavior. The Enforcement group focuses on understanding the risks behind each noncompliance and how to effectively mitigate those risks, as well as sending the appropriate message to the noncompliant entity and the broader regulated community (whether deterrent-driven for undesired behavior or incentive-driven for desired behavior).

Major activities for the Reliability and Risk Analysis, Compliance Monitoring, and Enforcement groups include the continued implementation of the Risk-Based CMEP, and efforts connected to continue updating and revisions to the CIP Standards. These are joint ERO Enterprise level initiatives that benefit NERC, the Regional Entities, and the Registered Entities.

A detailed Program Scope and Functional Description for the Reliability and Risk Analysis, Compliance Monitoring, and Enforcement groups, as well as the Key Assumptions and Deliverables for each of these groups, can be found in their respective sections below.

Reliability and Risk Analysis

Reliability and Risk			
(in whole dollars)			
	2022 Budget	2023 Budget	Increase
Total FTEs	20.00	21.00	1.00
Direct Expenses	\$ 5,455,109	\$ 5,777,914	\$ 322,805
Indirect Expenses	\$ 2,260,990	\$ 2,617,157	\$ 356,167
Inc(Dec) in Fixed Assets	\$ 35,503	\$ 33,673	\$ (1,830)
Total Funding Requirement	\$ 7,751,602	\$ 8,428,745	\$ 677,143

The FTEs in this table are included in the Total FTEs in the Compliance Monitoring and Enforcement, and Organization Registration Program table on page 17.

Program Scope and Functional Description

The Reliability Analysis group includes Analytic Services and Risk Analysis and Mitigation. The activities performed by the Reliability Analysis group include: Continued and focused development of the ReliabilityFirst Data Warehouse for information storage and retrieval (the Data Warehouse is intended to centralize ReliabilityFirst’s data sets and provide business intelligence capabilities for better integration of disparate data and add visualization functions to better identify areas of concern or areas needing additional analysis); lead the development and integration of advanced analytic & business intelligence capabilities for identifying and determining reliability risks; applying analytics framework by which grid reliability and risk can be measured and tracked; using statistical tools and techniques for analysis; performing quantitative assessments of data models; and partnering with other departments in conducting various risk assessments (e.g., Regional Risk Assessments and explorative Probabilistic, Predictive, Emerging Risk Assessments, etc.).

From a Risk Analysis and Mitigation (RAM) perspective the activities performed include Inherent Risk Assessments (identifying risks impacting an entity); Compliance Oversight Plans (creating a plan to monitor the entity’s compliance with selected NERC Reliability Standards) and Registration (processing registration requests). The group’s activities also include mitigation plan acceptance, approval, and verification; processing and assessment of periodic data submittals; winter preparedness evaluations; risk-harm analysis of potential non-compliances (PNC’s) and participation in the review of self-logged minimal risk issues; participation in outreach activities; BES Definition Exception Process activities; NERC-Led Registration Review Panel participation, and serving as a technical resource for the Corporation.

Reliability and Risk Analysis also includes Entity Engagement, which functions to assist stakeholders in improving their compliance programs and organizational reliability, risk identification and mitigation, security, and resilience; as well as, assisting stakeholders in achieving operational excellence, and improvements in organizational culture and overall program maturity. A communications FTE was transferred from Legal and Regulatory to Entity Engagement to better align with the department goals and workload activity.

2023 Key Assumptions

The Reliability and Risk Analysis group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy. The Reliability and Risk group also includes the following regional assumptions:

1. Inherent Risk Assessment/Compliance Oversight Plans activities are expected to become steady-state activities with the ongoing implementation of the Risk-Based CMEP. These activities include completing Inherent Risk Assessments and Compliance Oversight Plans for all Registered Entities which address emerging risks to reliability and are tailored to the inherent risks and performance posed by specific entities.
2. In accordance with FERC's Order approving NERC's Risk-Based Registration Initiative, registration staff continues to participate in the NERC-Led Registration Review Panels described in the NERC Rules of Procedure, Appendix 5A, Section III.D.
3. There will continue to be an intentional focus on advanced analytics to support the described activities. This will include being instrumental in identifying emerging risks as well as development of metric driven analysis. In addition to the data provided internally across the ERO, external data sources will be explored to integrate into the Data Warehouse to continuously improve our ability to assess risk. This will result in an increase in workload.
4. There will be continued ERO Enterprise-wide collaboration and implementation of consistent risk-based compliance monitoring and enforcement practices and tools. In particular, ReliabilityFirst staff resources will be allocated to continue the development, design, testing, training, and implementation of the new ERO Enterprise ALIGN Tool and Secure Evidence Locker. The full impact of the new ERO Enterprise ALIGN Tool and Secure Evidence Locker is unknown at this time, however the anticipated increase in administrative and processing tasks related to the new tool will increase the cycle time for performing routine tasks.
5. With the development of new and modified Standards that tackle changing risks in our footprint (e.g., winterization, supply chain, virtualization and cloud computing), we anticipate the need for additional Assist Visits, outreach, and training to help mature and enhance registered entity programs.
6. Registered Entities are more frequently making changes to their Energy Management Systems to enhance situational awareness, increase visibility of distributed energy resources, monitor for stability concerns, plus more easily adapt to new Standards such as TOP-001-5, TOP-003-3, and CIP-012-1. We anticipate more frequent certification review activities to assess these changes and ensure that the entities enhance their capabilities to mitigate these risks.

2023 Key Deliverables

- Process all registration requests.

- Process BES Exception Requests submittals and participate on NERC-Led Review Panels.
- Provide technical subject matter expertise and support for compliance monitoring and enforcement activities, regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.
- Support the development and integration of advanced analytical capabilities for identifying and determining reliability risks, and conducting various risk assessments (i.e. Regional Risk Assessments, Inherent Risk Assessments/Compliance Oversight Plans, Risk-Harm Assessments, and explorative Probabilistic Risk Assessment).
- Support ERO Enterprise-wide data collection (e.g. periodic Data Submittals) and analysis efforts.
- Lead/Participate in the annual Winter Preparedness program designed to help ensure the readiness of generating units to perform during extreme cold weather.
- Support the ongoing implementation of the Risk-Based CMEP, with a focus on the ongoing assessment of ReliabilityFirst Regional Risks, and continued maturation of the Inherent Risk Assessment and Compliance Oversight Plan process.
- Perform Inherent Risk Assessments/Compliance Oversight Plans of entities in alignment with the ERO Guide for Compliance Monitoring, to identify inherent risks of an entity and develop a plan to monitor the entity's compliance with selected NERC Reliability Standards based on their inherent risk and performance.
- Conduct risk-harm assessments and develop associated risk statements for all possible non-compliances to assess the potential risk posed by each noncompliance and inform the proper enforcement action(s).
- Perform mitigation plan activities in an effort to return entities to compliance and prevent reoccurrence by:
 - Reviewing proposed mitigation plans and accepting those that contain appropriate corrective and preventative actions.
 - Communicating with Enforcement and the entity throughout the mitigation plan review process to ensure defined corrective and preventative actions will mitigate the noncompliance.
 - Verifying mitigation plan completion through the evaluation of evidence provided by the entity to demonstrate that agreed-to actions have been implemented according to established milestones.
 - Participating in outreach activities to help entities move beyond baseline compliance.
- Perform reviews of self-logged non-compliances, submitted quarterly by entities granted logging privileges, to assess the non-compliances and their associated risk determinations and mitigating activities.

-
-
- Support regional workshops, Technical Talks, targeted webinars, and other engagements with entities.
 - Using inherent risk assessment and Regional Risk Assessment results, analyze and recommend outreach for identified risks related to specific entities or groups of entities.
 - Assist NERC with the coordination, planning, delivery, and management of training and outreach activities across the ERO Enterprise in concert with Region-specific training and outreach activities.
 - Participate in the ERO Enterprise Collaboration Groups promoting collaboration and consistency amongst the Regions and functional area programs. Assume leadership roles as appropriate.
 - Monitor initiatives related to grid resilience and security from the Cyber Resilient Energy Delivery Consortium, National Laboratories, Public Utility Commissions and the Department of Energy. Participate in these efforts as requested and appropriate, incorporating lessons learned from these projects into ReliabilityFirst's tools and processes, and share lessons learned with stakeholders.
 - Conduct Certifications and Certification Evaluations of Balancing Authority, Transmission Operator and Reliability Coordinator registered entities. Also perform Readiness Reviews with registered entities undergoing similar changes.
 - Perform Assist Visits and Extended Assist Visits, including:
 - Provide guidance through entity Assist Visits on the CIP Reliability Standards, including a focus on new and revised Reliability Standards with technology related concerns including Cloud Computing, and Virtualization.
 - Continue targeted Extended Assist Visits with stakeholders that have been identified through Compliance, Enforcement, and/or Assessment engagements as needing long-term consultation by the ReliabilityFirst outreach staff.
 - Implement and continue to mature programs and tools developed for entity self-assessment and self-evaluation of internal controls, organizational maturity, insider threat and cyber resilience.

Resource Requirements

- **Personnel**

As discussed above in the 2023 Key Assumptions, time to complete routine CMEP related activities (mitigation plan acceptances/reviews and IRA/COP development) may initially increase significantly due to the roll out and Implementation of the new ERO Enterprise ALIGN Tool and primarily the Secure Evidence Lockers to address the need for greater data security. The analytics' workload has increased, also noted above in the 2023 Key Assumptions, and is anticipated to steadily increase as more data, both internal and external, is made available for consumption. There was an additional communications FTE transferred to this group who was originally included in the Legal & Regulatory section, noted in the 2022 projections and 2023 budget numbers. ReliabilityFirst is not

requesting any additional FTE's at this time, but will continue to evaluate the need for additional future resources.

- **Contractors and Consultants**

Consultant support is budgeted to support efforts related to the Winter Preparedness program and initiatives in Reliability Analysis in 2023.

The Entity Engagement and Risk and Resilience areas will also pursue interns to assist the teams with relevant work activities. Projected workload in 2023 is consistent with a need for an intern and not an FTE.

Reliability and Risk Analysis Budget Detail

The following table shows funding sources and related expenses for the Reliability and Risk Analysis section of the *2023 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Reliability and Risk					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 6,704,655	\$ 6,704,655	\$ -	\$ 7,428,208	\$ 723,553
Penalties Released	1,032,154	1,032,154	-	969,924	(62,230)
Total ReliabilityFirst Funding	\$ 7,736,809	\$ 7,736,809	\$ -	\$ 8,398,132	\$ 661,323
Membership Dues	-	-	-	-	-
Interest & Investment Income	14,793	15,306	513	30,612	15,819
Miscellaneous Income	-	-	-	-	-
Total Funding (A)	7,751,602	7,752,115	513	8,428,745	677,143
Expenses					
Personnel Expenses					
Salaries	\$ 3,706,649	\$ 3,515,871	\$ (190,778)	\$ 3,892,253	\$ 185,604
Payroll Taxes	228,357	209,736	(18,621)	239,089	10,732
Benefits	488,678	374,154	(114,524)	530,960	42,282
Retirement Costs	574,211	492,753	(81,458)	613,752	39,541
Total Personnel Expenses	\$ 4,997,895	\$ 4,592,513	\$ (405,382)	\$ 5,276,054	\$ 278,159
Meeting Expenses					
Meetings	\$ 9,980	\$ 7,485	\$ (2,495)	\$ 10,880	\$ 900
Conference Calls	-	-	-	-	-
Travel	152,000	114,000	(38,000)	169,300	17,300
Total Meeting Expenses	\$ 161,980	\$ 121,485	\$ (40,495)	\$ 180,180	\$ 18,200
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 10,000	\$ 10,000	\$ -	\$ 186,667	\$ 176,667
Office Rent	-	-	-	-	-
Office Costs	285,234	287,302	2,068	134,013	(151,221)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	1,000	1,000
Total Operating Expenses, excluding Depreciation	\$ 295,234	\$ 297,302	\$ 2,068	\$ 321,680	\$ 26,446
Total Direct Expenses	\$ 5,455,109	\$ 5,011,300	\$ (443,809)	\$ 5,777,914	\$ 322,805
Indirect Expenses	\$ 2,260,990	\$ 2,043,810	\$ (217,180)	\$ 2,617,157	\$ 356,167
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 7,716,099	\$ 7,055,110	\$ (660,989)	\$ 8,395,071	\$ 678,972
Change in Net Assets (= A - B)	\$ 35,503	\$ 697,005	\$ 661,502	\$ 33,673	\$ (1,830)
Fixed Asset Additions, excluding Right of Use Assets (C)					
Allocation of Fixed Assets	\$ 35,503	\$ 36,735	\$ 1,232	\$ 33,673	\$ (1,830)
Inc/(Dec) in Fixed Assets	\$ 35,503	\$ 36,735	\$ 1,232	\$ 33,673	\$ (1,830)
Total Budget (= B + C)	\$ 7,751,602	\$ 7,091,845	\$ (659,757)	\$ 8,428,745	\$ 677,143
Change in Working Capital (= A - B - C)	\$ 0	\$ 660,270	\$ 660,270	\$ -	\$ (0)
FTEs	20.00	21.00	1.00	21.00	1.00

*Penalties released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).

Compliance Monitoring and Enforcement (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	33.00	33.00	0.00
Direct Expenses	\$ 8,214,749	\$ 8,289,709	\$ 74,960
Indirect Expenses	\$ 3,730,634	\$ 4,112,676	\$ 382,042
Inc(Dec) in Fixed Assets	\$ 58,580	\$ 52,915	\$ (5,665)
Total Funding Requirement	\$ 12,003,963	\$ 12,455,300	\$ 451,337

The FTEs in this table are included in the Total FTEs in the Compliance Monitoring and Enforcement, and Organization Registration Program table on page 17.

Compliance Monitoring

Program Scope and Functional Description

The activities performed by the Compliance Monitoring group to monitor and help ensure the reliability, security, and resiliency of the BES include: Operations and Planning (O&P) and Critical Infrastructure Protection (CIP) Audits; Spot Checks; Self-Certifications; Investigations; assessing Complaints; assessing entity internal controls as part of each engagement; evaluating system events from a reliability, security and compliance perspective to identify and ensure mitigation of potential risks; assisting in the review, approval, and verification of mitigation plans for noncompliances identified during compliance monitoring activities; and managing Technical Feasibility Exceptions (TFEs). The group also serves as industry subject matter experts and technical resources for the Corporation.

2023 Key Assumptions

The Compliance Monitoring group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy. The Compliance Monitoring group also includes the following regional assumptions:

1. Assure reliability by monitoring compliance to the Reliability Standards through CMEP processes (e.g., Audits, Spot Checks, Self-Certifications), using a risk-based approach, ensuring that all activities are completed per the established process and timelines.
2. Pursuant to the risk-based CMEP, all Entities will have an Inherent Risk Assessment completed to determine their Compliance Oversight Plans (COP). As required by the NERC Rules of Procedure, Balancing Authority, Transmission Operator, and Reliability Coordinator audits will continue to occur on a three year cycle. For all other Entities, ReliabilityFirst will evaluate the Entity's COP to identify Entity specific risks, analyze emerging industry risks, and develop its planned monitoring schedule and oversight approach.

3. The ERO Enterprise will continue to perform reviews of internal controls as part of the compliance monitoring engagement process. As the ERO Enterprise continues to mature its approach on internal controls this will continue to add time to the monitoring process and increase workload.
4. ReliabilityFirst will continue performing more frequent in-depth touch points across our footprint. The more frequent touch points reduce the scope of an individual engagement but adds to the overhead of managing a larger number of engagements throughout the year.
5. The ERO Enterprise will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the compliance staff. ReliabilityFirst will provide the necessary training to continue to provide a credible, skilled, competent, and respected compliance monitoring staff.
6. Staff will continue to partner with NERC as we develop the ERO Enterprise-wide Align tool and the implementation of the tool for ReliabilityFirst CMEP Activities.
7. With the CIP Standards being revised to include virtualization, the ERO Enterprise continues to evaluate whether the approved and ongoing changes will materially change the amount of rigor and time Regional Entities will need to spend on compliance monitoring activities, including whether field visits will be required and the impact the changes will have on ERO outreach efforts to these entities. Results of this evaluation may impact the audit scope, regional resource requirements, and expectations that will need to be factored into future resource recommendations for the budget.
8. The continued increased complexity of the O&P and CIP Standards, and the substantial increase of assets within scope for the CIP Standards has increased the workload for auditors. Moreover, the time required to complete audit reviews often includes site and field visits, based on the scope of the audit and whether initial evidence provided is sufficient to substantiate that an entity is compliant. This has increased the time required for audits and has added workload in the area that is expected to continue.

The ongoing revisions of the CIP Standards and technical nature of the O&P standards have also resulted in an additional workload to provide outreach and training to Entities. Entity outreach is expected to be an ongoing need, given the increasing complexity, and continually evolving nature of cybersecurity and the Standards.

2023 Key Deliverables

- Manage all compliance monitoring activities in a risk-based, fair, and consistent manner, affording all entities appropriate due process.
- Perform internal controls reviews as part of the compliance monitoring engagement process.
- Conduct thorough and professional collaborative compliance audits consistently with all Regions through the incorporation of the Auditor Handbook, Checklist, and the Align Tool.

Audit teams will consist of staff supplemented, when necessary, by independent contractors.

- Prepare and distribute compliance monitoring reports to NERC and Registered Entities.
- Ensure all auditors receive adequate training, meet all NERC auditor training requirements, keep abreast of new and emerging technologies, and maintain professional certifications.
- Provide efficiencies in compliance monitoring processes through continued auditor training, development and enhancement of auditor tools, and continuous improvements.
- Monitoring Staff will support ERO and regional outreach and training efforts including the CIP Small Group Advisory Sessions, ReliabilityFirst Workshops (e.g. additional targeted workshops), various ERO and Regional Workshops, Technical Talks with RF and CIP and O&P related Assist Visits
- Compliance Monitoring engagements will be performed as separate CIP and O&P engagements unless agreed to otherwise between ReliabilityFirst and the Entity. Various Compliance Monitoring methods will be utilized based upon the focused risk and/or Entity being monitored.
- Spot Checks and Self-Certifications will be used: (1) to assess performance to selected Reliability Standards when a full audit is not warranted; (2) as an alternate means of monitoring lower risk entities; and (3) on an as-needed basis to address identified risks. Guidance on when a Spot Check or Self-Certification may be appropriate is outlined in the annual CMEP Implementation Plan and will be augmented based on the identification of emerging risks.
- Support the ERO Enterprise in continuing training and outreach for Registered Entities.
- Assist in the development of the risk based annual CMEP implementation Plan in coordination with cross-functional groups.
- Complete Compliance Assessment Reviews of system events according to the ReliabilityFirst Compliance Assessment process, to determine if reliability issues associated with the system event require the initiation of a compliance monitoring process; performance of mitigation activities by involved entities; and/or industry outreach and education.

Resource Requirements

- **Personnel**

As discussed above in the 2023 Key Assumptions, the workload in the O&P and CIP monitoring area has continually increased and is expected to continue increasing. This is driven by various factors, including the expansion of CIP scopes for entities with only Low Impact BES Cyber Systems, increased complexity of the Standards, and the fact that more Compliance Oversight Plans also include Spot Checks or Self-Certifications. Compliance monitoring teams now perform internal controls reviews as part of the compliance monitoring engagement process, which has added time and workload to engagements.

All of these along with the enhanced security features included with the new ERO ALIGN CMEP tool, may require additional hours for the audit teams to complete their work. ReliabilityFirst is not requesting any additional FTE's in 2023 but will continue to evaluate the need for additional future resources.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for 2023 to assist with continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

Enforcement

Program Scope and Functional Description

The Enforcement group performs ReliabilityFirst’s delegated function to enforce compliance with the Reliability Standards. This effort involves ensuring that the selected disposition method for any noncompliance is consistent with the risk posed by the noncompliance; is adequately supported by the record; and promotes desired entity behaviors to enhance reliability.

In the event that a noncompliance is enforced, Enforcement staff is responsible for (1) drafting and negotiating with entities all necessary disposition documents; (2) ensuring all requisite notices are timely issued; (3) post-filing support and advocacy with NERC and FERC; (4) ensuring that the record and related disposition documents comply with all applicable FERC orders, rules, and regulations, NERC ROP, guidance, and ERO-wide program documents, and internal policies and procedures (collectively, “applicable orders, rules, and procedures”); and (5) participating in hearings where necessary. In the event that a noncompliance is not enforced (*e.g.*, compliance exception or dismissal), Enforcement staff is responsible for (1) drafting all necessary internal disposition reports and external disposition documents and notices; (2) ensuring all requisite notices are timely issued; (3) post-filing support and advocacy with NERC and FERC; and (4) ensuring that the record and related disposition documents comply with all applicable orders, rules, and procedures.

For continuity and stakeholder convenience and familiarity, Enforcement staff serve as a single point of contact for entities for noncompliance-related communications, including answering entity questions and providing regular updates on disposition matters. The Enforcement staff is also heavily involved in external outreach to help entities understand potential noncompliance trends and themes that may be early indicators of programmatic or systemic challenges.

ReliabilityFirst frequently serves as the lead Region in resolving multi-regional enforcement actions for those registered entities that transverse multiple regions (designated as multi-regional registered entities or MRREs). Consequently, Enforcement staff devotes substantial resources to coordinate the enforcement work of various Regions, obtain consensus on a myriad of issues, and negotiate acceptable resolutions.

Enforcement staff regularly works with FERC, NERC, other Regions, and industry to shape risk-based, effective enforcement policies that drive desired entity behavior. This work includes drafting, or supporting the drafting, of ERO-wide enforcement program documents and enforcement related regulatory filings, presenting and training on enforcement programs in various forums, and monitoring and managing enforcement metrics in support of NERC’s strategic Plan and Oversight Program. Enforcement staff also works with NERC and the other Regions to promote and otherwise ensure collaboration and implementation of consistent enforcement practices focused on higher reliability risks.

2023 Key Assumptions

The Enforcement group incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy. It also includes the following regional assumptions:

1. The increased number of CIP noncompliances will, at a minimum, remain steady due to implementation of the CIP V5 Standards and certain Operations and Planning Standards, which increased the scope of assets covered and frequency of activities required relating to an entity's assets. The number of CIP noncompliances may increase as a result of proposed revisions to the CIP Standards.
2. ReliabilityFirst will continue to process multiple Settlement Agreements due to the complexity of the CIP Standards and increased focus on certain Operations and Planning Standards, including standards and requirements covering facility ratings. Complex, higher-risk noncompliances dispositioned as Settlement Agreements will require approximately 65% of Enforcement resources. These matters often involve more complex mitigation, increased regional interaction with the entities, and additional analysis and advocacy regarding penalties and sanctions.
3. ReliabilityFirst anticipates that the majority of noncompliances will continue to trend as minimal or moderate risk; however the complexity of processing these noncompliances may continue to increase as entities' compliance history grows and technology continues to evolve and advance.
4. ReliabilityFirst will implement and utilize the new ERO tools for CMEP activities, including ALIGN and related platforms for exchanging entities' most sensitive information. Mostly due to increased security measures, these tools may increase the amount of administrative work for our enforcement case managers, compared to current tools and processes.
5. Enforcement staff will spend significant time ensuring adequate records are created for all issues, including minimal risk issues. The expenditure of this time will be driven by anticipated receipt of minimal risk issues for the CIP V5 Standards and certain Operations and Planning Standards, as well as increased participation in the self-logging program.
6. ReliabilityFirst will frequently serve as the lead Region for MRREs and will continue to support other Regions when ReliabilityFirst is the affected Region. The disposition of MRRE noncompliances takes additional time to coordinate dispositions, review mitigation, and negotiate acceptable solutions with Affected Regions.
7. Enforcement staff will work with FERC, NERC, the other Regions, and the industry to shape effective and risk-based enforcement policies that drive desired behavior and ensure consistency.
8. The number of hearings to be conducted is unknown, and therefore no internal or external resources have been budgeted for hearings.
9. Enforcement staff will provide outreach to industry through internal support of functional initiatives (e.g., Inherent Risk Assessments and the Regional Risk Assessments); workshop presentations and participation in panel discussions; webinars; targeted entity training; identification and sharing of lessons learned; and contributions to the ReliabilityFirst newsletter.

2023 Key Deliverables

- Continue to focus on resolving enforcement actions in a thoughtful, risk-based, reliability focused manner.
- Ensure that the use of discretion in Enforcement is internally documented, repeatable, and consistent with NERC directives and FERC orders, rules, and regulations.
- Conduct initial fact and circumstance reviews of noncompliances and communicate with the entity through each step of the enforcement process.
- Continue to work to refine the risk-harm assessment process, a key input into enforcement decision-making.
- Continue to increase efficiency, through process improvements, in dispositioning enforcement actions and preparing related documentation.
- Continue to work with NERC and the other Regions to shape a well-reasoned Enforcement philosophy that results in risk-based, uniform, repeatable, transparent, and reliability-focused approaches.
- Use knowledge obtained in the regular course of business in enforcement and other departments to assure informed decision-making.
- Draft and negotiate with entities, as applicable, all necessary disposition documents.
- Ensure all requisite notices are timely issued and provide post-filing support and advocacy with NERC and FERC.
- Ensure that the record of a noncompliance and the related disposition documents comply with all applicable orders, rules, and procedures.

Resource Requirements

- **Personnel**

As described in the Assumptions section, the workload for Enforcement has increased since the implementation of CIP version 5, and with the revision and implementation of certain Operations and Planning Standards. This increased volume has been sustained since the implementation of CIP version 5, and this is expected to continue, and potentially increase with the newest proposed revisions to the CIP Standards.

Enforcement works to enforce complex noncompliances while remaining an accessible single point of contact for our Registered Entities. The complexities of our entities and the nature of our industry continue to evolve, requiring more in-depth analysis to appropriately dispose of noncompliances and resolve related issues outside of enforcement. Additionally, the quality of risk communication, deeper understanding of our Registered Entities risk profiles, and our ability to identify trends, share lessons learned and proactively target and train entities based on risk and compliance history are necessary to the Enforcement department's effectiveness. Under the MRRE program, the Enforcement department serves as the Lead Regional Entity for many registered entities and their subsidiaries. The MRRE Program and efforts to increase transparency and consistency across the Regions has also resulted in additional workload.

However, based on the assumptions as stated above, the Enforcement department has sufficient resources for 2023 and ReliabilityFirst is not seeking additional resources for Enforcement in this budget.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in 2023.

Compliance Monitoring and Enforcement Budget Detail

The following table shows funding sources and related expenses for the Compliance Monitoring and Enforcement section of the *2023 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Compliance Monitoring and Enforcement					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 10,276,500	\$ 10,276,500	\$ -	\$ 10,883,028	\$ 606,528
Penalties Released	1,703,054	1,703,054	-	1,524,167	(178,887)
Total ReliabilityFirst Funding	\$ 11,979,554	\$ 11,979,554	\$ -	\$ 12,407,195	\$ 427,641
Membership Dues		\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	24,408	24,052	(356)	48,105	23,697
Miscellaneous Income	-	-	-	-	-
Total Funding (A)	12,003,963	12,003,606	(356)	12,455,300	451,337
Expenses					
Personnel Expenses					
Salaries	\$ 5,778,419	\$ 5,829,332	\$ 50,913	\$ 5,764,740	\$ (13,679)
Payroll Taxes	371,629	366,500	(5,129)	378,611	6,982
Benefits	835,456	715,456	(120,001)	917,255	81,798
Retirement Costs	884,951	812,205	(72,746)	876,614	(8,337)
Total Personnel Expenses	\$ 7,870,455	\$ 7,723,493	\$ (146,963)	\$ 7,937,220	\$ 66,765
Meeting Expenses					
Meetings	\$ 9,825	\$ 7,369	\$ (2,456)	\$ 12,425	\$ 2,600
Conference Calls	-	-	-	-	-
Travel	226,000	169,500	(56,500)	237,200	11,200
Total Meeting Expenses	\$ 235,825	\$ 176,869	\$ (58,956)	\$ 249,625	\$ 13,800
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	91,069	75,484	(15,585)	83,464	(7,605)
Professional Services	-	-	-	-	-
Miscellaneous	7,400	7,400	-	9,400	2,000
Total Operating Expenses, excluding Depreciation	\$ 108,469	\$ 92,884	\$ (15,585)	\$ 102,864	\$ (5,605)
Total Direct Expenses	\$ 8,214,749	\$ 7,993,246	\$ (221,505)	\$ 8,289,709	\$ 74,960
Indirect Expenses	\$ 3,730,634	\$ 3,211,702	\$ (518,932)	\$ 4,112,676	\$ 382,042
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,945,383	\$ 11,204,947	\$ (740,437)	\$ 12,402,385	\$ 457,002
Change in Net Assets (= A - B)	\$ 58,580	\$ 798,659	\$ 740,080	\$ 52,915	\$ (5,665)
Fixed Asset Additions, excluding Right of Use Assets (C)					
Allocation of Fixed Assets	\$ 58,580	57,726	(854)	52,915	(5,665)
Inc/(Dec) in Fixed Assets	\$ 58,580	\$ 57,726	\$ (854)	\$ 52,915	\$ (5,665)
Total Budget (= B + C)	\$ 12,003,963	\$ 11,262,673	\$ (741,291)	\$ 12,455,300	\$ 451,337
Change in Working Capital (= A - B - C)	\$ 0	\$ 740,933	\$ 740,934	\$ -	\$ (0)
FTEs	33.00	33.00	-	33.00	-

*Penalties released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	6.60	7.00	0.40
Direct Expenses	\$ 2,134,965	\$ 2,441,414	\$ 306,450
Indirect Expenses	\$ 746,127	\$ 822,535	\$ 76,408
Inc(Dec) in Fixed Assets	\$ 11,716	\$ 10,583	\$ (1,133)
Total Funding Requirement	\$ 2,892,808	\$ 3,274,533	\$ 381,725

Program Scope and Functional Description

ReliabilityFirst's Engineering and System Performance (ESP) group executes the Reliability Assessment and Performance Analysis (RAPA) program within ReliabilityFirst. This team independently analyzes, assesses, and reports on the reliability and adequacy of the BES within the ReliabilityFirst footprint. This program helps identify and assess risks across the region, and its deliverables are a major contributor to the risk-based efforts of the entire organization. The work includes the performance of resource and transmission assessment studies; special analyses and investigations as warranted; and the collection and dissemination of data, lessons learned, and other information. This program provides resources and data input for the technical analyses and support of the many risk-based activities described in the Reliability and Risk Analysis, Compliance Monitoring, and Enforcement sections. The program also facilitates four of the technical stakeholder committees and several other industry discussion groups.

2023 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy.

There are no additional assumptions unique to the ReliabilityFirst Reliability Assessment and Performance Analysis Program.

2023 Key Deliverables

- Assessments of Reliability Performance
 - Perform seasonal (summer and winter) risk analyses of the projected resource adequacy for PJM Interconnection, LLC (PJM) and Midcontinent Independent System Operator (MISO), the two Regional Transmission Organizations (RTO) that operate within ReliabilityFirst. As part of these risk analyses, the program produces seasonal RTO "waterfall" risk charts depicting the range of available capacity reserves for the forecasted normal (50/50) and extreme (90/10) seasonal peak demand levels, and historical long-term forecast and demand charts.
 - Perform seasonal (summer and winter), near-term (typically five years into the future), and extreme transmission power-flow analysis assessments, and produce reports on the transmission assessment scope and results.

- Collect data and contribute to the production of assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, special assessment, and long-term reports.
- Provide technical support for the ERO Enterprise's expanded and enhanced system studies and help perform analyses as needed.
- Work with neighboring Regional Entities within the Eastern Interconnection Reliability Assessment Group (ERAG) to perform Eastern Interconnection assessment studies and produce reports.
- Update power-flow base case models that represent the Bulk Power System within the ReliabilityFirst footprint as needed for regional study efforts.
- Reporting Requirements
 - Assist NERC in the collection, verification, and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), Misoperation Information Data Analysis System (MIDAS), and Geomagnetic Disturbance Data System (GMD). All these systems can be used for data analytics across the ERO Enterprise.
- Other Requirements and Activities
 - Support risk-based activities with the development and review of lessons learned, best practices, and guidance documentation across the ERO Enterprise and industry. Continue to participate in the Eastern Interconnection Reliability Assessment Group (ERAG) and the Multiregional Modeling Working Group (MMWG).
 - Analyze protective relay misoperation information and track corrective action plans, as reported in the NERC MIDAS system. Facilitate a peer review process of this data via the ReliabilityFirst Protection Subcommittee.
 - Develop and maintain various data repositories, which includes, but is not limited to; support the development of ongoing data warehouse initiatives, maintenance of a linear contingency database, and maintenance of a data dictionary between GADS and the MMWG power-flow model.
 - In support of the ERO Enterprise, actively participate (and in some cases serve in leadership roles) in NERC committees, subcommittees, task forces, and other technical groups, such as the ERO Reliability Assessment and Performance Analysis Steering Group, Reliability Assessment Subcommittee, Performance Analysis Subcommittee, Probabilistic Assessment Working Group, and associated subgroups, as well as the MIDAS User Group, TADS User Group, and GADS User Group.
 - Continue to support stakeholder participation and interaction through various regional technical groups, including the Reliability Committee (a technical advisory body to the ReliabilityFirst Board of Directors) and its subcommittees (i.e.,

Protection Subcommittee, Transmission Performance Subcommittee, Generation Subcommittee) and task forces. Facilitate several industry groups aimed toward continuous improvement and excellence.

- Provide the various regional technical groups with information and knowledge to help entities improve human performance. Conduct a human performance workshop and facilitate an industry group aimed toward continuous improvement and excellence (such as the Substation Maintenance Community of Practice).
- Provide Registered Entities with tailored training and interaction through recurring workshops (such as the Protection Workshop for Technical Personnel).
- Provide knowledge, techniques, and data input in support of ReliabilityFirst's risk-based activities, including the Inherent Risk Assessments and Regional Risk Assessment efforts.
- Provide the various Registered Entities with information and knowledge to help entities improve vegetation contacts on non-BES facilities. Initiate and facilitate an industry group aimed toward continuous improvement and excellence in vegetation management (such as the Vegetation Management Community of Practice).

Resource Requirements

- **Personnel**

Based upon the assumptions stated above the Engineering and System Performance area has increased workloads, however, ReliabilityFirst is not requesting any additional FTE's in 2023 but will continue to evaluate the need for additional future resources. The additional .40 FTE noted in the summary table at the beginning of this section was the result of a board approved transition of an existing part-time position to a full-time position during 2022.

- **Contractors and Consultants**

Contractor and consultant support is budgeted to support:

- ERAG steady state and dynamic base case model assembly through the Multiregional Modeling Working Group (MMWG) processes.
- ERAG performance of power-flow analysis assessments.

The total cost of ERAG contractor and consulting support is shared across all four Regional Entities in the Eastern Interconnection.

Contractor and consultant support is also budgeted to assist with supplementing staff which is aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

Reliability Assessment and Performance Analysis Program Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the *2023 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Reliability Assessment and Performance Analysis					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,547,315	\$ 2,547,315	\$ -	\$ 2,960,078	\$ 412,763
Penalties Released	340,611	340,611	-	\$ 304,833	(35,778)
Total ReliabilityFirst Funding	\$ 2,887,926	\$ 2,887,926	\$ -	\$ 3,264,912	\$ 376,986
Membership Dues		\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	4,882	4,810	(72)	9,621	4,739
Miscellaneous Income		-	-	-	-
Total Funding (A)	2,892,808	2,892,736	(72)	3,274,533	381,725
Expenses					
Personnel Expenses					
Salaries	\$ 1,399,167	\$ 1,494,878	\$ 95,711	\$ 1,603,212	\$ 204,045
Payroll Taxes	82,229	85,147	2,918	\$ 95,790	13,562
Benefits	145,186	153,644	8,458	\$ 216,919	71,733
Retirement Costs	221,857	209,400	(12,457)	\$ 253,352	31,495
Total Personnel Expenses	\$ 1,848,439	\$ 1,943,069	\$ 94,631	\$ 2,169,273	\$ 320,835
Meeting Expenses					
Meetings	\$ 8,250	\$ 6,188	\$ (2,063)	\$ 10,550	\$ 2,300
Conference Calls	-	-	-	-	-
Travel	95,000	71,250	\$ (23,750)	\$ 95,000	-
Total Meeting Expenses	\$ 103,250	\$ 77,438	\$ (25,813)	\$ 105,550	\$ 2,300
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 130,624	\$ 130,624	\$ -	\$ 111,278	\$ (19,346)
Office Rent	-	-	-	-	-
Office Costs	52,652	48,962	(3,690)	\$ 55,313	2,661
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses, excluding Depreciation	\$ 183,276	\$ 179,586	\$ (3,690)	\$ 166,591	\$ (16,685)
Total Direct Expenses	\$ 2,134,965	\$ 2,200,093	\$ 65,128	\$ 2,441,414	\$ 306,450
Indirect Expenses	\$ 746,127	\$ 642,340	\$ (103,787)	\$ 822,535	\$ 76,408
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,881,092	\$ 2,842,433	\$ (38,658)	\$ 3,263,949	\$ 382,858
Change in Net Assets (= A - B)	\$ 11,716	\$ 50,303	\$ 38,586	\$ 10,583	\$ (1,133)
Fixed Asset Additions, excluding Right of Use Assets (C)					
Allocation of Fixed Assets	\$ 11,716	11,545	(171)	\$ 10,583	\$ (1,133)
Inc/(Dec) in Fixed Assets	\$ 11,716	\$ 11,545	\$ (171)	\$ 10,583	\$ (1,133)
Total Budget (= B + C)	\$ 2,892,808	\$ 2,853,978	\$ (38,829)	\$ 3,274,533	\$ 381,725
Change in Working Capital (= A - B - C)	\$ 0	\$ 38,758	\$ 38,757	\$ -	\$ (0)
FTEs	6.60	7.00	0.40	7.00	0.40

*Penalties released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).

Training, Education, Outreach, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$ 1,287,433	\$ 1,289,112	\$ 1,678
Indirect Expenses	\$ 339,149	\$ 373,880	\$ 34,731
Inc(Dec) in Fixed Assets	\$ 5,325	\$ 4,810	\$ (515)
Total Funding Requirement	\$ 1,631,907	\$ 1,667,802	\$ 35,894

Program Scope and Functional Description

Training ensures that the workforce is kept vigilant and attentive through educational sharpening and upskilling, ensuring valuable reliability and nurturing a culture of excellence in craft and continuous improvement. Outreach ensures that voices and needs are being heard, relationships are being development, and that concerns and gaps are being addressed preemptive to any loss of reliability or resilience. The ReliabilityFirst Training, Education and Outreach Program is designed for flexible participation, adding value at all levels within organizations and across the ERO.

ReliabilityFirst does not provide system operator certification training, as it would be duplicative with that offered by the Regional Transmission Organizations within the Region.

2023 Key Assumptions

The Training and Education Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy.

- With the advent of the ERO Innovation and Continuous Improvement Collaboration Group, an assumption is that this will lead to additional project work and initiatives to strengthen the ERO Enterprise and more effectively engage with our key stakeholders on emerging risks and challenges.
- Pursuant to the program objectives, strategic partnerships and growth may be developed.
- ReliabilityFirst will be maturing its outreach and education as a lesson learned from the pandemic. Before the pandemic, our workshops were typically in-person; and during the pandemic, our workshops were typically virtual. Coming out of the pandemic, ReliabilityFirst will be enhancing its tools, processes, and training to deliver to a hybrid in-person and virtual audience simultaneously.
- NERC is introducing the ERO University where ReliabilityFirst will be contributing to and using new educational materials for both internal and external consumption.

2023 Key Deliverables

- **Industry and Stakeholder Education and Continuous Improvement**

ReliabilityFirst will continue its education and assistance efforts to help all stakeholders achieve improvement and excellence in compliance, reliability, risk identification, security, and resilience. Internally, this team will also facilitate training and continuous improvement of staff skillsets to assess stakeholder compliance and operational programs, culture, and maturity. These activities include:

- Assist NERC with the coordination, planning, delivery, and management of training and outreach activities across the ERO Enterprise in concert with Region-specific training and outreach activities.
 - Participate in the ERO Enterprise staff learning development process through the ERO working groups and functional area program leaders.
 - Issue announcements, newsletters, and reports on key compliance, reliability, risk identification and mitigation, security, and resilience issues facing ReliabilityFirst and the industry.
 - Communicate key risks and risk mitigation strategies.
 - In concert with various ReliabilityFirst departments, develop and publish lessons learned and best practices.
 - Provide continued guidance on the implementation of the Risk-Based CMEP, including Inherent Risk Assessments, Compliance Oversight Plans, and Internal Control Reviews
 - Identify and communicate common themes and root causes of Reliability Standard violations.
 - Hold open stakeholder calls (Technical Talk with RF) covering topics related to compliance, reliability, security, resilience, and enforcement.
 - Share best practices concerning generator plant winter readiness.
 - Host targeted webinars on the compliance monitoring and enforcement processes, and other risk areas.
 - Increase focus on lessons learned or trends identified from reliability assessments.
 - Post educational materials on the ReliabilityFirst public website on pertinent reliability, risk, security, continuous improvement and resilience topics.
 - Develop capabilities for on-demand and virtual training opportunities on relevant reliability, risk, security, continuous improvement and resilience topics.
 - Deliver internal and stakeholder training related to the implementation of the new Align and Secure Evidence Locker platforms.
- **Industry Workshops and Outreach**

Continue workshops and outreach engagements to allow for information exchange between ReliabilityFirst and its stakeholders. Workshops and outreach will focus on understanding and mitigating risks to reliability, security, and resilience within the ReliabilityFirst footprint. Workshops and stakeholder outreach to be conducted include:

- One Reliability workshop (fall) to promote a culture of compliance focusing on reliability, security, resilience, risk management, internal controls, and targeted discussion on methods to demonstrate compliance.
 - Protection Systems Workshop on key issues associated with protection systems (e.g., misoperations, maintenance and testing).
 - Human Performance Workshop on practical application of human performance techniques and concepts for front-line activities such as operations, asset management, design, protection, and maintenance.
 - Additional targeted outreach to address internal controls, cybersecurity, community outreach, emerging risks (e.g., misoperations, fuel security, changing generation mix, insider threats and cyber security technology) as the need is identified and the sessions can be scheduled.
- **Personnel**

There are no planned changes in FTEs for 2023.

- **Contractors and Consultants**

Contractor and consultant support is budgeted to assist with continuous improvement and growth initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

Training, Education, Outreach and Operator Certification Program Budget Detail

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the *2023 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Training, Education, and Operator Certification Program					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 1,474,865	\$ 1,474,865	\$ -	\$ 1,524,868	\$ 50,003
Penalties Released	154,823	154,823	-	138,561	(16,262)
Total ReliabilityFirst Funding	\$ 1,629,688	\$ 1,629,688	\$ -	\$ 1,663,429	\$ 33,741
Membership Dues		\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	2,219	2,187	(32)	4,373	2,154
Miscellaneous Income		-	-	-	-
Total Funding (A)	1,631,907	1,631,875	(32)	1,667,802	35,895
Expenses					
Personnel Expenses					
Salaries	\$ 697,612	\$ 670,289	\$ (27,324)	\$ 676,925	\$ (20,688)
Payroll Taxes	37,514	37,117	(396)	38,348	834
Benefits	121,026	118,816	(2,210)	115,486	(5,540)
Retirement Costs	105,849	93,442	(12,406)	108,256	2,407
Total Personnel Expenses	\$ 962,000	\$ 919,664	\$ (42,336)	\$ 939,014	\$ (22,987)
Meeting Expenses					
Meetings	\$ 207,230	\$ 155,423	\$ (51,808)	\$ 223,100	\$ 15,870
Conference Calls	-	-	-	-	-
Travel	18,000	13,500	(4,500)	21,600	3,600
Total Meeting Expenses	\$ 225,230	\$ 168,923	\$ (56,308)	\$ 244,700	\$ 19,470
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 80,000	\$ 80,000	\$ -	\$ 80,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	19,703	17,628	(2,075)	24,898	5,195
Professional Services	-	-	-	-	-
Miscellaneous	500	500	-	500	-
Total Operating Expenses, excluding Depreciation	\$ 100,203	\$ 98,128	\$ (2,075)	\$ 105,398	\$ 5,195
Total Direct Expenses	\$ 1,287,433	\$ 1,186,715	\$ (100,719)	\$ 1,289,112	\$ 1,678
Indirect Expenses	\$ 339,149	\$ 291,973	\$ (47,176)	\$ 373,880	\$ 34,731
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,626,582	\$ 1,478,688	\$ (147,895)	\$ 1,662,991	\$ 36,409
Change in Net Assets (= A - B)	\$ 5,325	\$ 153,187	\$ 147,863	\$ 4,810	\$ (514)
Fixed Asset Additions, excluding Right of Use Assets (C)					
Allocation of Fixed Assets	5,325	5,248	(77)	4,810	(515)
Inc/(Dec) in Fixed Assets	\$ 5,325	\$ 5,248	\$ (77)	\$ 4,810	\$ (515)
Total Budget (= B + C)	\$ 1,631,907	\$ 1,483,936	\$ (147,972)	\$ 1,667,802	\$ 35,894
Change in Working Capital (= A - B - C)	\$ (0)	\$ 147,939	\$ 147,940	\$ -	\$ 0
FTEs	3.00	3.00	-	3.00	-

*Penalties released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).

Situational Awareness Program

Situation Awareness and Infrastructure Security Program			
(in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	5.00	5.00	0.00
Direct Expenses	\$ 1,365,524	\$ 1,517,891	\$ 152,367
Indirect Expenses	\$ 565,248	\$ 623,133	\$ 57,885
Inc(Dec) in Fixed Assets	\$ 8,876	\$ 8,017	\$ (859)
Total Funding Requirement	\$ 1,939,647	\$ 2,149,041	\$ 209,393

Program Scope and Functional Description

The ReliabilityFirst Operational Analysis & Awareness (OAA) department focuses on Event Analysis, Situational Awareness, Threat Intelligence, and operational ReliabilityFirst and ERO Initiatives.

In support of the ERO Enterprise, OAA staff, in coordination with members of the Engineering and System Performance (ESP) and the Reliability and Risk Analysis groups, monitors present conditions on and emerging threats to the BES. OAA staff performs the event analysis process for system disturbances and events which includes working with entities to identify and analyze the root causes of system events, complete event analysis reports, and communicate the resulting information and lessons learned to the industry.

OAA staff performs ongoing monitoring of Situational Awareness utilizing various tools. This activity continues to evolve to provide the tools and information required by the staff and stakeholders to promote infrastructure protection to ensure reliability, security, and resilience of the BES.

The Events Analysis, Situational Awareness and Threat Intelligence program activities support the ReliabilityFirst staff and Registered Entities in understanding potential threats to the electricity sector, maintaining an awareness of conditions on the BES, and identifying potential and emerging threats to the BES. OAA staff works on various internal initiatives to support and develop risk-based tools to drive tactical, strategic and risk informed decision making; and collaborates with industry, stakeholders and the ERO community through various outreach activities.

2023 Key Assumptions

The OAA Event Analysis, Situational Awareness, and Threat Intelligence programs support the key value drivers and strategic focus areas set forth in the ERO Enterprise Long Term Strategy. They also include the following regional assumptions:

1. National level security exercises will be conducted to examine industry's cyber security and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control systems, System Control and

Data Acquisition, and information technology assets. OAA staff will participate in these exercises as appropriate.

2. OAA staff supports the ERO Enterprise through actively participating (and in some cases serving in leadership roles) in NERC committees, subcommittees, working groups, task forces, and other technical groups.
3. OAA staff will continue to support innovative and continuous improvement initiatives to drive efficiencies, effectiveness and risk informed decision making.
4. OAA staff will continue to support external collaboration with industry, other stakeholders, and the ERO Enterprise community.

2023 Key Deliverables

- Provide Information on Cyber & Physical Security, and Operational - Related Issues
 - OAA staff, in collaboration with the ReliabilityFirst CSO, support this activity which involves dissemination of information to entities from agencies such as the E-ISAC, the U.S. Department of Homeland Security, and others containing information on events or suspected events representing potential threats to the electricity sector.
 - OAA staff, as part of Situational Awareness activities, will work with members of the E-ISAC and NERC staff to use existing and further develop a robust messaging system for dissemination of Operational and CIP-related messages to the appropriate target audience and will promote the use of the messaging system for exchange of security-related information.
- Monitor the Health of the BES
 - The use of Situational Awareness tools by OAA staff has been evolving over the last few years. The ReliabilityFirst OAA staff continues to participate in the Situational Awareness for FERC, NERC, and the Regional Entities (SAFNR) project and uses the SAFNR displays developed through this project. ReliabilityFirst is a signatory to the NERC Operating Reliability Data Confidentiality Agreement and the SAFNR Subscriber Agreement and as such, uses tools such as the Reliability Coordinator Information System (RCIS), MISO Reliability Coordinator System (MCS), The Event Analysis Management System (TEAMS), System Data eXchange (SDX), Area Control Error (ACE), and Abnormal Frequency System Monitoring, in addition to current SAFNR Version to monitor the health of the BES within the ReliabilityFirst geographical area. In addition to the tools just mentioned, OAA staff continues to investigate other tools for monitoring the grid.
- Evolve and facilitate the ReliabilityFirst Threat Intelligence Program
 - OAA staff is evolving, leading, and facilitating activities to monitor, quantify, and assess new and emerging threats to the BES. This includes assessing and exploring tools and techniques used to perform this activity in support of the Reliability and Risk Analysis program. The OAA staff will continue to enhance its

ability to collect and analyze data, leveraging the Analytic Services program to better identify and quantify emerging threats to the BES and to provide additional input to ReliabilityFirst staff, stakeholders and internally for various initiatives and projects (i.e., ReliabilityFirst Risk Register, ReliabilityFirst Regional Risk Assessment program, etc.)

- Engage in and contribute to ERO biennial GridEx and annual GridSecCon activities.
- Collect, validate, review, and analyze data for system events and disturbances as described in the ERO Event Analysis Process and the ReliabilityFirst Event Analysis Procedure.
 - For system events and disturbances, cooperate with NERC and FERC staff and other Regional staff to ensure root causes, corrective actions, lessons learned, and recommendations are identified and shared across the ERO Enterprise and the industry.
 - Collect and review disturbance reports as required in NERC Standard EOP-004 and as required by the Department of Energy in form OE-417.
- Author, publish and share lessons learned documents designed to convey lessons learned from NERC’s various activities such as the ERO Event Analysis Process and NERC/FERC supported initiatives (i.e., commissioning practices, data verification and validation, real-time assessments, etc.)
- Support ERO Enterprise-wide data collection and analysis efforts.
- Support and leverage cross-functional collaboration to use analytics within ReliabilityFirst and across the ERO Enterprise.
 - Collaborate with ESP in the verification and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), and the Misoperation Information Data Analysis System (MIDAS).
 - Collaborate with Analytic Services, Risk Analysis and Mitigation, Monitoring, Enforcement, and Legal, to explore and develop analytical solutions, where applicable.
 - Collaborate with NERC and other Regional Entities on Analytics related initiatives and efforts via the ERO Analytics Community of Excellence (ACE).
- Engage and participate in the Event Analysis Subcommittee (EAS), ERO Event Analysis (EA), Energy Management System Working Group (EMSWG), System Protection & Control Working Group (SPCWG), and other ERO committees, working groups, task forces, as deemed necessary. Where possible, support industry conferences that address Monitoring and Situational Awareness, Energy Management Systems, Human Performance, Grid Security.
- Provide technical subject matter expertise and support for regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.

Resource Requirements

- **Personnel**

There are no planned changes in FTEs for 2023.

- **Contractors and Consultants**

Contractor and consultant support is budgeted to assist with innovation and continuous improvement initiatives aimed at helping entities achieve excellence in reliability, risk identification, security, and resiliency.

- **Office Costs**

Office costs budget increased due to computer service and maintenance costs related to an enhanced threat intelligence tool.

Situational Awareness Program Budget Detail

The following table shows funding sources and related expenses for the Situational Awareness section of the 2023 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Situation Awareness and Infrastructure Security					
Funding	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
ReliabilityFirst Funding					
ERO Assessments	\$ 1,677,911	\$ 1,677,911	\$ -	\$ 1,910,818	\$ 232,908
Penalties Released	258,039	258,039	-	230,934	(27,104)
Total ReliabilityFirst Funding	\$ 1,935,949	\$ 1,935,949	\$ -	\$ 2,141,753	\$ 205,804
Membership Dues		\$ -	\$ -	\$ -	\$ -
Interest & Investment Income	3,698	3,644	(54)	7,289	3,589
Miscellaneous Income		-	-	-	-
Total Funding (A)	1,939,647	1,939,593	(54)	2,149,041	209,392
Expenses					
Personnel Expenses					
Salaries	\$ 873,055	\$ 916,841	\$ 43,786	\$ 925,927	\$ 52,872
Payroll Taxes	54,875	56,312	1,437	\$ 58,395	3,520
Benefits	161,887	142,441	(19,446)	\$ 176,783	14,897
Retirement Costs	138,102	129,431	(8,672)	\$ 146,309	8,207
Total Personnel Expenses	\$ 1,227,919	\$ 1,245,025	\$ 17,106	\$ 1,307,415	\$ 79,496
Meeting Expenses					
Meetings	\$ 500	\$ 375	\$ (125)	\$ 3,500	\$ 3,000
Conference Calls	-	-	-	\$ -	-
Travel	50,000	37,500	(12,500)	\$ 50,000	-
Total Meeting Expenses	\$ 50,500	\$ 37,875	\$ (12,625)	\$ 53,500	\$ 3,000
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ (20,000)
Office Rent	-	-	-	\$ -	-
Office Costs	67,105	155,878	88,773	\$ 156,976	89,871
Professional Services	-	-	-	\$ -	-
Miscellaneous	-	-	-	\$ -	-
Total Operating Expenses, excluding Depreciation	\$ 87,105	\$ 175,878	\$ 88,773	\$ 156,976	\$ 69,871
Total Direct Expenses	\$ 1,365,524	\$ 1,458,778	\$ 93,254	\$ 1,517,891	\$ 152,367
Indirect Expenses	\$ 565,248	\$ 486,621	\$ (78,627)	\$ 623,133	\$ 57,885
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,930,772	\$ 1,945,399	\$ 14,627	\$ 2,141,024	\$ 210,251
Change in Net Assets (= A - B)	\$ 8,876	\$ (5,806)	\$ (14,681)	\$ 8,017	\$ (859)
Fixed Asset Additions, excluding Right of Use Assets (C)	-	-	-	-	-
Allocation of Fixed Assets	8,876	8,746	(130)	\$ 8,017	\$ (859)
Inc/(Dec) in Fixed Assets	\$ 8,876	\$ 8,746	\$ (130)	\$ 8,017	\$ (859)
Total Budget (= B + C)	\$ 1,939,647	\$ 1,954,146	\$ 14,497	\$ 2,149,041	\$ 209,393
Change in Working Capital (= A - B - C)	\$ (0)	\$ (14,553)	\$ (14,551)	\$ -	\$ 0
FTEs	5.00	5.00	-	5.00	-

*Penalties released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).

Administrative Services

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2022	2023	Increase (Decrease)	2022	2023	Increase (Decrease)
General and Administrative	\$ 2,798,620	\$ 3,425,730	\$ 627,110	4.00	5.00	1.00
Legal and Regulatory*	\$ 987,435	\$ 772,209	\$ (215,226)	3.00	2.00	(1.00)
Information Technology	\$ 2,059,405	\$ 2,397,743	\$ 338,338	7.00	8.00	1.00
Human Resources	\$ 1,100,774	\$ 1,147,115	\$ 46,341	4.00	4.00	0.00
Finance and Accounting	\$ 815,913	\$ 916,583	\$ 100,671	3.00	3.00	0.00
Total Administrative Services	\$ 7,762,147	\$ 8,659,381	\$ 897,235	21.00	22.00	1.00

Program Scope and Functional Description

Administrative Services is comprised of the following programs: General and Administrative, Legal and Regulatory Affairs, Information Technology, Organizational Development and Human Resources, and Finance and Accounting.

Methodology for Allocation of Administrative Services Expenses to Programs

The majority of the Operating Expenses are accounted for within the related department's budget. If an expense cannot be specifically associated to a department, it is included in one of the Administrative Services programs. All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated proportionately based on FTE count to the direct programs. This allocation provides improved financial perspective for the direct program areas.

Section A – Statutory Programs

Administrative Services

Administrative Services Budget Detail

The following table shows funding sources and related expenses for the Administrative Services section of the 2023 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2022 Budget and Projection, and 2023 Budget					
Administrative Services					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 766,700	\$ 766,700	\$ -	\$ (86,662)	\$ (853,362)
Penalties Released		-	-	-	-
Total ReliabilityFirst Funding	\$ 766,700	\$ 766,700	\$ -	\$ (86,662)	\$ (853,362)
Membership Dues		-	-	-	-
Interest & Investment Income		-	-	-	-
Miscellaneous Income		-	-	-	-
Total Funding (A)	766,700	766,700	-	(86,662)	(853,362)
Expenses					
Personnel Expenses					
Salaries	\$ 3,819,342	\$ 3,244,410	\$ (574,932)	\$ 4,050,687	\$ 231,345
Payroll Taxes	217,678	191,142	(26,536)	\$ 242,655	24,977
Benefits	660,573	471,698	(188,875)	\$ 816,516	155,942
Retirement Costs	677,136	542,462	(134,674)	\$ 708,278	31,142
Total Personnel Expenses	\$ 5,374,730	\$ 4,449,713	\$ (925,016)	\$ 5,818,136	\$ 443,406
Meeting Expenses					
Meetings	\$ 121,890	\$ 91,418	\$ (30,473)	\$ 172,400	\$ 50,510
Conference Calls	21,960	21,960	-	\$ 15,000	(6,960)
Travel	60,000	45,000	(15,000)	\$ 75,000	15,000
Total Meeting Expenses	\$ 203,850	\$ 158,378	\$ (45,473)	\$ 262,400	\$ 58,550
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 198,250	\$ 218,250	\$ 20,000	\$ 449,604	\$ 251,354
Office Rent	598,092	598,092	-	\$ 682,584	84,492
Office Costs	594,625	578,990	(15,635)	\$ 612,083	17,459
Professional Services	631,765	631,765	-	\$ 685,915	54,150
Miscellaneous	40,835	41,259	423	\$ 38,659	(2,176)
Total Operating Expenses, excluding Depreciation	\$ 2,063,567	\$ 2,068,356	\$ 4,788	\$ 2,468,845	\$ 405,279
Total Direct Expenses	\$ 7,642,147	\$ 6,676,447	\$ (965,701)	\$ 8,549,381	\$ 907,235
Indirect Expenses	\$ (7,642,147)	\$ (6,676,447)	\$ 965,701	\$ (8,549,381)	\$ (907,234)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ (0)	\$ -	\$ 0	\$ (0)	\$ 0
Change in Net Assets (= A - B)	\$ 766,700	\$ 766,700	\$ (0)	\$ (86,662)	\$ (853,362)
Fixed Asset Additions, excluding Right of Use Assets (C)					
Allocation of Fixed Assets	120,000	120,000	-	110,000	(10,000)
	(120,000)	(120,000)	-	\$ (110,000)	10,000
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget (= B + C)	\$ (0)	\$ -	\$ 0	\$ (0)	\$ 0
Change in Working Capital (= A - B - C)	\$ 766,700	\$ 766,700	\$ (0)	\$ (86,662)	\$ (853,362)
FTEs	21.00	20.00	(1.00)	22.00	1.00

*Penalties released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).

General and Administrative

Program Scope and Functional Description

The General and Administrative Department consists of the President and CEO, Chief Security Officer (CSO), a Senior Executive Assistant, and two security personnel. Responsibilities include leadership, oversight, and management of all of ReliabilityFirst Corporation's activities, interacting with the Board of Directors and other Regional Entity Management Groups, and managing relationships with governmental agencies, regulators, members, stakeholders, and other industry organizations.

2023 Key Assumptions

The General and Administrative Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy. This program area also supports the oversight of the security posture, both cyber and physical, of the ReliabilityFirst personnel, assets, and information.

The office of the CSO will continue to support the ReliabilityFirst Critical Infrastructure Protection Committee (CIPC) and related security outreach efforts to the members in our region. We will look for opportunities to enhance those relationships and outreach efforts with tabletop exercises and simulation activities.

In addition to consolidated security assessment and audit activities performed across the ERO, ReliabilityFirst will maintain recurring third-party security assessment activities in order to uncover undetected vulnerabilities, measure security control effectiveness, gauge security maturity, and ultimately reduce risk to the enterprise.

With additional assessments comes additional remediation efforts, so we will be looking to grow both our IT team and our corporate security team to drive that growth in security maturity.

2023 Key Deliverables

- Support of the ReliabilityFirst CIPC
 - The purpose of the ReliabilityFirst CIPC is to share information concerning CIP and to promote CIP within the Region. The CSO will support the CIPC through the scheduling and facilitation of CIPC meetings and webinars and the dissemination of messages, alerts, and warnings from NERC, the E-ISAC, and the U.S. Department of Homeland Security (U.S. DHS) to the CIPC as permitted. CSO will also work to encourage and support sharing of information between entities and the E-ISAC.
- Support/Oversee ReliabilityFirst Staff Compliance to the NERC Cyber Security Standards (CIP-002 - CIP-014)
 - ReliabilityFirst is committed to complying with the intent of the NERC Cyber Security Standards. The CSO will provide training, guidance, and oversight to the ReliabilityFirst staff, particularly the Information Technology staff, in achieving compliance to these Standards.

- Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the ReliabilityFirst Office
 - A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets.
 - A disaster recovery plan deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout.
 - A pandemic plan focuses on business continuity in the face of a declared pandemic.
- Assist stakeholders in complying with CIP Standards
 - As the NERC Cyber Security Standards (CIP-002 - CIP-011), the Physical Security Standard (CIP-014), and the Supply Chain Standard (CIP-013) evolve, entities will continue to monitor and implement revisions to the Standards. The CSO will be available to answer questions concerning these Standards and, in coordination with the ReliabilityFirst CIPC, will sponsor/support regional workshops and webinars as needed to foster the exchange of ideas and solutions developed by entities.
- Implement a Data Loss Prevention strategy
 - In coordination with the Information Technology department, identify and implement the tools needed to provide a data loss prevention capability for sensitive information maintained by ReliabilityFirst.
- Implement a Network Traffic Analysis technology solution
 - In coordination with the Information Technology department, identify and implement a technology solution that performs Network Traffic Analysis and alerts the ReliabilityFirst security team when anomalous network traffic is identified.
- Coordinate with the Information Technology department on the monitoring of and alerting on security events occurring on ReliabilityFirst networks and devices.
- Oversee the maintenance of the ReliabilityFirst Business Continuity Plan.
- Coordinate with the ReliabilityFirst President & CEO and the Board of Directors on the maturity of the ReliabilityFirst security program.

Resource Requirements

- **Personnel**

An increase in one FTE for 2023 who will be dedicated to corporate security initiatives.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for 3rd Party Security Assessments in 2023.

Legal and Regulatory Affairs

Program Scope and Functional Description

The Legal and Regulatory Affairs program is responsible for four key areas: (1) all legal issues germane to the corporation; (2) regulatory affairs (communication and outreach to FERC, NERC, and various State regulatory bodies); (3) external affairs (communication and outreach to ReliabilityFirst stakeholders and the public); and (4) corporate governance of the ReliabilityFirst Board of Directors and its committees.

First, the program is responsible for all legal issues germane to the corporation. This includes ensuring legal and regulatory compliance with all applicable laws, orders, rules, and regulations; serving as advisor to the President and CEO and the Board of Directors; providing legal support to all other departments of the corporation; and drafting, reviewing, and maintaining the corporation's contracts, policies and procedures, and governance documents.

Second, the program is responsible for ReliabilityFirst's regulatory affairs. This includes communication and outreach to FERC, NERC, and State regulatory agencies on issues relating to ReliabilityFirst and/or the performance of its delegated functions; advising senior executives on strategic and tactical initiatives in light of the regulatory landscape; and advancing ReliabilityFirst's mission and strategic initiatives in a clear and articulate manner. This function also includes supporting internal and external audits of the corporation and overseeing all regulatory filings and interactions.

Third, the program plays a key role in ReliabilityFirst's external affairs. This includes legal review of communication and outreach to ReliabilityFirst's stakeholders, the general public, and media.

Finally, the program is responsible for the corporate governance of the ReliabilityFirst Board of Directors and its Committees. This includes the completion of all activities associated with the Corporate Secretary function (the General Counsel serves as the corporation's Corporate Secretary), such as preparing Board materials and minutes, facilitating and conducting Board training, and ensuring that Director elections, Board of Directors and Committee meetings, and Meetings of Members adhere to the ReliabilityFirst Bylaws and other relevant governing documents.

2023 Key Assumptions

The Legal and Regulatory Affairs Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy. There are no additional assumptions or deliverables unique to the Legal and Regulatory Affairs Program.

2023 Key Deliverables

- Support all legal and regulatory needs of the corporation.
- Provide legal support to all other departments of the corporation to ensure that those departments and their activities are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.

- Provide legal support to make all necessary regulatory filings with FERC, NERC, and any other applicable regulatory body or agency, as well as support NERC in its efforts to do the same.
- Support internal and external audits of the corporation.
- Draft, review, and maintain the corporation's contracts, policies and procedures, and governance documents.
- Lead interactions with the FERC, NERC, the States, and other governmental agencies regarding ReliabilityFirst and its mission.
- Provide legal support and perform the Corporate Secretary function for the Board of Directors and support the corporate governance needs of the organization.

Resource Requirements

- **Personnel**

There was a communications FTE transferred to Reliability and Risk from this group, noted in the 2022 administrative projections and 2023 administrative budget numbers. There are no planned changes in FTEs for 2023.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in 2023.

Information Technology

Program Scope and Functional Description

The Information Technology (IT) department provides users with cost-effective information technology tools and proactively delivers enabling technologies to assist the departments in meeting their goals, objectives, and deliverables. The IT department minimizes the outsourcing of any critical infrastructure services and as such must implement and manage controls to maintain a robust security posture that minimizes ReliabilityFirst's risks. The department provides the necessary technical services in the following categories to ensure efficient and effective performance of all corporate functions:

- Infrastructure Maintenance (Data Center Management - Local/Remote)
- Hosting of Public and Multiple Secure Portal Websites
- Voice, Web, and Video Conferencing
- Vulnerability Management
- Mobile Device Management
- Wireless Network Management
- Audio/Video Management
- Document Management
- Email Management
- Help Desk Support
- Telecommuter Support
- Application Support and Development
- Data Warehousing Management
- Database Administration
- Business Analysis
- Information Security Protection and Monitoring
- Business Continuity and Disaster Recovery
- Cloud Tenant Management

ReliabilityFirst supports the ERO Enterprise's efforts to implement, operate, and maintain software tools supporting common enterprise-wide IT operations. ReliabilityFirst is committed to working collaboratively with NERC and the other Regions to minimize duplication of effort and investments and improve operational efficiency. This collaboration continues to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, software, and data systems supporting combined NERC and Regional Entity operations.

NERC's business plan and budget will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity approved enterprise-wide applications. Funding for these applications will be subject to the budget and funding limits set forth in NERC's approved business plan and budget. If implementation of these applications are delayed or otherwise not available as planned, ReliabilityFirst could incur additional costs to conduct operations pending the availability of these applications. ReliabilityFirst assumes agreed upon

ERO Enterprise applications will be available and has only included appropriate funding for applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

The implementation of an offsite Data Management Center will be in its ninth year of operation. Operational experience to date has been excellent and experts believe it to be very effective in IT resource utilization. Performance to date has provided savings in the operation of equipment, while affording the organization many benefits in security, utilities, and back-up capability.

2023 Key Assumptions

The IT Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the recently developed ERO 3 Year Cybersecurity Strategy 2022 – 2023. The objectives include the support for building and implementing centralized enterprise applications for the ERO and implementation of controls and processes to provide like protections to the identified ERO security risks, respectively. The IT Program includes the following regional assumptions:

1. Utilize Continuous improvement to maintain and advance the security posture across the corporation-wide data infrastructure and remediate any vulnerability to protect sensitive data.
2. Maintain lower fixed asset costs (infrastructure servers) by continuing operations of virtualization technologies, therefore minimizing replacement costs.
3. Maintain a stringent level of control of the Access Management Process that governs physical and electronic access to resources that contain sensitive corporate data.
4. Departmental processes and efficiencies must be continuously improved, including training exercises for implemented technologies in order to maintain proficiency.
5. Maintain a multi-layered security protection and monitoring environment governed by established controls, processes, and security awareness activities.
6. Continue close collaboration with Corporate Security to ensure that planned objectives are prioritized and desired results are purposely implemented.

2023 Key Deliverables

- Continue assessment of system(s) and/or services that could potentially be outsourced or moved into a secure cloud hosted environment. The ERO Enterprise recognizes that this alternative must be considered for projected collaboration solutions across the ERO.
- Perform necessary software and hardware upgrades including, but not limited to, the upgrade of various workstation and server applications, targeted server operating systems, and infrastructure equipment that has reached its end-of-life.
- Continue the enhancements in the development, integration, and expansion of databases and applications into a unified corporation-wide Information Management System.

-
- Continue enhancements of the internal and external websites and related applications to further improve employee efficiency and customer experience. Transitioning to an externally hosted public website to create a new modernized look and feel which will provide greater flexibility in content management and usability.
 - Continue supporting Data Warehousing and Analytics efforts that will support improved risk analysis and decision making for customers.
 - Continue the advancement of data security and defense technologies to provide layered prevention/detection of the latest advanced cyber security threats. Efforts to advance the implementations of Identity Access Management, Data Loss Prevention, Vulnerability Scanning, Network Traffic Analysis and 24x7 Security Monitoring will continue within ReliabilityFirst environment.
 - Continue refinement of security awareness program by providing training documents, questionnaires, simulated exercises, assessment campaigns, and/or seminars on existing workplace vulnerabilities.
 - Continue participation in CHIRP (Cyber Hygiene and Internet Risk Program), CRISP (Cybersecurity Risk Information Sharing Program), and E-ISAC initiatives to obtain additional external vulnerability assessment and threat information.
 - Continue supporting ERO initiatives of developing, testing, and deploying ERO Enterprise solutions. Continue to look for opportunities to implement the common processes and/or solutions across the ERO Enterprise to achieve shared cost savings and efficiencies.

Resource Requirements

- **Personnel**

An increase in one FTE for 2023 who will be a dedicated security resource to cover the anticipated increase in security controls and processes.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for 2023 as needed for network maintenance projects, cloud initiatives, security simulation activities, enhancing data management systems, and network and audio/visual upgrades.

Organization Development & Human Resources

Program Scope and Functional Description

ReliabilityFirst realizes that talented, experienced employees are its greatest assets, and that finding, nurturing, developing, and retaining that talent is one of its most important tasks. The Human Resources (HR) program centers on ReliabilityFirst's greatest resources, the staff and the organization's culture. The HR department is responsible for the attraction and retention of a diverse and talented workforce, employee engagement, creating a work environment of inclusion, employee development through performance management and individual, departmental and organizational training, corporate policy and procedure development and adherence measures, as well as compensation and benefits administration. The department is also responsible for strategic alignment of the organization's mission, values, strategic plan and organizational design, organizational analysis and succession planning, coaching and leadership development, and driving change management practices for improving organizational performance. The HR department oversees the organization's corporate goals, corporate strategic plan and drives ReliabilityFirst's diversity and inclusion priorities. The HR staff must be vigilant in understanding and complying with federal and state employment laws covering seven states and the respective reporting requirements for each.

ReliabilityFirst will increase its staff to 91 individuals, equivalent to 91 FTEs. The staff is comprised of qualified management, professional, and technical employees with the expertise necessary to serve its stakeholders and to support the ERO by properly carrying out the organization's delegated functions.

2023 Key Assumptions

The Human Resources Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy.

There are no additional assumptions unique to the ReliabilityFirst Organizational Development & Human Resources Program.

2023 Key Deliverables

- Recruit and retain highly skilled employees.
- Implement new recruiting strategies to identify diverse candidates
- Develop and deploy diversity and inclusion training, series, regional and ERO resource groups to foster a culture of inclusion.
- Assess workforce model against organizational needs and changing competitive market
- Sustain competitiveness via the use of annual third party salary and market analyses.
- Provide staff training and education:
 - Train and educate staff on relevant technical topics, including emerging issues and technologies (e.g., virtualization, smart grid technologies).

- Train and educate staff on the existing and new competencies required to perform their roles and responsibilities (e.g., identify and assess risks, perform internal controls assessments and evaluations).
- Leverage competency models to more accurately identify training needs and update individual development plans.
- Explore, develop, and provide training on tools to further enhance staff efficiency and effectiveness.
- Review and manage employee benefits.
- Review succession plans and forecast for future talent needs.
- Apply organization development principles, methods and tools to formulate customized business solutions and frameworks which enhance organizational effectiveness.
- Provide continuous improvement in organizational design and alignment to corporate vision and strategic plan.
- Lead the development, communication and tracking of corporate goals and strategic plan.
- Cultivate a culture of innovation, collaboration and high performance
- Drive employee engagement and inclusion

Resource Requirements

- **Personnel**

There are no planned changes in FTEs for 2023.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2023 for third party recruiting and consulting services for skills software.

Finance and Accounting

Program Scope and Functional Description

The Finance and Accounting department is responsible for linking the strategy of ReliabilityFirst and its major departments to their annual operating budgets, managing accounting practices to ensure the accuracy of reported results, making meaningful financial information available to decision makers, and participating in various risk initiatives. The Finance and Accounting department is responsible for directing the complete cycle of the financial management activities of ReliabilityFirst and other initiatives, including:

- Processing the day to day activities such as travel and expense reporting, monthly financial reporting, accounts payables and receivables, and cash flow management;
- Leading the creation of the annual business plan and budget that adequately supports its delegated functions;
- Establishing and maintaining accounting policies, procedures, and internal controls, including anti-fraud initiatives, to guide the preparation of ReliabilityFirst's internal and external financial statements in accordance with Generally Accepted Accounting Principles;
- Overseeing the annual external audit of ReliabilityFirst's financials and all required filings;
- Supporting the ERO's funding/collection mechanism, annually collecting and supplying the ERO with a list of LSEs within the ReliabilityFirst footprint and their associated Net Energy for Load (NEL) data as mandated by FERC;
- Working with the ERO to develop common accounting practices throughout NERC and the Regions;
- Managing the retirement and corporate investment activities;
- Developing and implementing the necessary internal audit function;
- Supporting ReliabilityFirst in risk assessment activities from a financial perspective;
- Supporting the Enterprise Risk Management function; and
- Performing the Corporate Treasury function.

2023 Key Assumptions

The Finance and Accounting Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy.

There are no additional assumptions unique to the Finance and Accounting Program.

2023 Key Deliverables

- Work with all Regional Entities through the Electric Reliability Organization Finance Group (EROFG) to provide consistency in budget submittals to the ERO and to FERC.

- Provide all ReliabilityFirst program areas, the Board of Directors, the ERO, and stakeholders with financial clarity and understanding of ReliabilityFirst's financial position.
- Direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, payroll, tax, audit activities, and financial and accounting internal controls and standards.
- Prepare and provide NERC the annual Regional Entity true-up filing, and the quarterly statements of activity.
- In an effort to continuously improve the entire accounting and budgeting process, implement actions to monitor operating expenses at a more granular level with the management staff.
- Provide advice from the financial perspective on contracts into which the organization may enter.
- Support risk assessment activities.
- Perform financial related internal control reviews and internal audit reviews.

Resource Requirements

- **Personnel**

There are no planned changes in FTEs for 2023.

- **Contractors and Consultants**

Contractor or consultant support is budgeted in 2023 for internal control efforts and system enhancements.

Section B: Supplemental Financial Information

Table B-1: Working Capital and Operating Reserve Analysis

Working Capital and Operating Reserve Analysis 2022 - 2023				
STATUTORY				
	Total	Working Capital and Working Capital Reserve	Unreleased Penalties	Operating Reserve
Beginning Working Capital Per Audit, December 31, 2021	13,001,138			
Less: Adjustment for Future Long-Term Liabilities	(23,694)			
Beginning Reserve Balances, January 1, 2022	12,977,444	6,690,563	5,286,881	1,000,000
Plus: Penalty Funds Released from Restriction January 1, 2022	0	3,488,681	(3,488,681)	
Plus: Penalty Sanctions Received January 1 -June 30, 2022	2,310,220		2,310,220	
Plus: 2022 ReliabilityFirst Funding (from LSEs or designees)	23,447,945	23,447,945		
Plus: 2022 Other funding sources	50,000	50,000		
Less: 2022 Projected expenses & capital expenditures	(24,646,578)	(24,646,578)		
Other Adjustments to Reserves ¹	(158,313)	(158,313)		
Projected Working Capital and Operating Reserves, December 31, 2022	13,980,717	8,872,297	4,108,420	1,000,000
Targeted Working Capital and Operating Reserves, December 31, 2023 ³	10,567,323	9,567,323		1,000,000
Less: Projected Working Capital and Operating Reserves, December 31, 2022	(13,980,717)	(8,872,297)	4,108,420	(1,000,000)
Total Adjustments to Reserves	(3,413,394)	695,026	4,108,420	0
	-765131			
2023 Expenses and Capital Expenditures	27,975,420			
Less: Penalty Sanctions ²	(4,108,420)			
Less: Other Funding Sources	(100,000)			
Adjustment to Achieve Reserve Balances	695,026			
Other Adjustments to Reserve ¹	158,313			
2023 ReliabilityFirst Assessment	24,620,339			

¹ Represents transactions recorded only on the Statement of Financial Position (balance sheet) that do not impact the Statement of Activities (income statement), including true-up of current versus non-current deferred rent obligation.

² Represents penalty sanctions collected from July 1, 2021 to June 30, 2022.

³ The Operating and Working Capital Reserves were approved by the ReliabilityFirst Board of Directors on April 28, 2022.

Explanation of the Working Capital Reserve

Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow needs for daily operations. In an effort to manage assessments more effectively over a three-to-five-year period, the working capital reserve was initially increased in amount such that additional funds were available to achieve stabilization of future assessments. For 2023, the working capital reserve is being increased by \$0.7M to meet the Board-approved target reserve of approximately \$9.6M at December 31, 2023. The Targeted Working Capital balance of \$8.6M will be used to stabilize assessments in future years.

Explanation of the Operating Reserve

The amount of the operating reserve is determined and recommended for approval by the Board of Directors during the annual budget process. On March 9, 2022, the ReliabilityFirst Board approved a \$1,000,000 operating reserve, which is consistent with ReliabilityFirst policy, is the same amount budgeted in the 2022 Business Plan and Budget, and is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization.

Table B-2: Penalty Sanctions Received

Penalty Sanctions Received Between July 1 2021 and June 30, 2022	
Dates Received	Amount Received
Collected July 1, 2021 to December 31, 2021	1,798,200
Collected January 1, 2022 to June 30, 2022	2,310,220
Total	4,108,420

Allocation Method

Penalty monies received have been allocated based upon the number of FTEs to the following direct programs to reduce assessments:

- Reliability and Risk Analysis;
- Compliance Monitoring and Enforcement;
- Reliability Assessments and Performance Analysis;
- Training, Education, Outreach, and Operator Certification; and
- Situational Awareness.

Table B-3: Supplemental Funding

Outside Funding Breakdown By Program (excluding ReliabilityFirst Assessments & Penalty Sanctions)	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget
Interest Income	\$ 50,000	\$ 100,000	\$ 100,000	\$ 50,000
Total Outside Funding	\$ 50,000	\$ 100,000	\$ 100,000	\$ 50,000

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- ReliabilityFirst expects higher interest rates on its investments.

Table B-4: Personnel Expenses

Personnel Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Salaries					
Salaries	\$ 16,209,863	\$ 15,607,240	\$ 16,849,344	\$ 639,480	3.9%
Vacation Expense	64,382	64,382	64,400	18	0.0%
Total Salaries	\$ 16,274,245	\$ 15,671,622	\$ 16,913,744	\$ 639,498	3.9%
Total Payroll Taxes	\$ 992,282	\$ 945,954	\$ 1,052,888	\$ 60,606	6.1%
Benefits					
Workers Compensation	\$ 17,000	\$ 17,000	\$ 17,000	\$ -	0.0%
Medical Insurance	1,907,913	1,779,964	2,225,045	317,132	16.6%
Life-LTD Insurance	140,243	130,454	149,446	9,203	6.6%
Training & Education	347,650	48,790	382,427	34,777	10.0%
Relocation	-	-	-	-	-
Total Benefits	\$ 2,412,806	\$ 1,976,208	\$ 2,773,918	\$ 361,112	15.0%
Retirement					
Discretionary 401k Contribution	\$ 1,581,740	\$ 1,374,437	\$ 1,639,274	\$ 57,534	3.6%
Savings Plan	924,017	808,907	953,937	29,920	3.2%
Pension & Savings Admin	96,350	96,350	113,350	17,000	17.6%
Total Retirement	\$ 2,602,107	\$ 2,279,694	\$ 2,706,562	\$ 104,455	4.0%
Total Personnel Costs	\$ 22,281,440	\$ 20,873,478	\$ 23,447,112	\$ 1,165,672	5.2%
FTEs	88.60	88.60	90.60	2.00	2.3%
Cost per FTE					
Salaries	\$ 183,682	\$ 176,881	\$ 186,686	3,004	1.6%
Payroll Taxes	11,200	10,677	11,621	422	3.8%
Benefits	27,233	22,305	30,617	3,385	12.4%
Retirement	29,369	25,730	29,874	505	1.7%
Total Cost per FTE	\$ 251,484	\$ 235,592	\$ 258,798	\$ 7,315	2.9%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- The overall increase in **Personnel Expenses** is mainly due to the addition of 2 new FTEs, a 4% general wage increase, and promotions.
- The decrease in **Pension & Savings Admin** is due to the difference in the staff mix between 2022 and 2023.

Table B-5: Meeting Expenses

Meeting Expenses	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Reliability and Risk	\$ 161,980	\$ 121,485	\$ 180,180	18,200	11.2%
Compliance Monitoring and Enforcement	\$ 235,825	\$ 176,869	\$ 249,625	13,800	5.9%
Reliability Assessment and Performance Analysis	\$ 103,250	\$ 77,438	\$ 105,550	2,300	2.2%
Training and Education	\$ 225,230	\$ 168,923	\$ 244,700	19,470	8.6%
Situation Awareness and Infrastructure Security	\$ 50,500	\$ 37,875	\$ 53,500	3,000	5.9%
Administrative Services	\$ 203,850	\$ 158,378	\$ 262,400	58,550	28.7%
Total Meeting Expenses	\$ 980,635	\$ 740,966	\$ 1,095,955	\$ 115,320	11.8%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- The increase in **Training and Education** is due to inflationary impacts on costs associated with the Reliability, CIP, and technical workshops.
- The increase in **Administrative Services** is due to security training exercises.
- The increase in **Reliability and Risk** is a result of inflation impacts on travel costs and increased entity outreach.

Table B-6: Consultants and Contractors

Consultants & Contracts	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Reliability and Risk	\$ 10,000	\$ 10,000	\$ 186,667	176,667	1766.7%
Compliance Monitoring and Enforcement	\$ 10,000	\$ 10,000	\$ 10,000	-	0.0%
Reliability Assessment and Performance Analysis	\$ 130,624	\$ 130,624	\$ 111,278	(19,346)	-14.8%
Training and Education	\$ 80,000	\$ 80,000	\$ 80,000	-	0.0%
Situation Awareness and Infrastructure Security	\$ 20,000	\$ 20,000	\$ -	(20,000)	-100.0%
Administrative Services	\$ 198,250	\$ 218,250	\$ 449,604	251,354	126.8%
Consultants & Contracts Total	\$ 448,874	\$ 468,874	\$ 837,549	\$ 388,675	86.6%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- The increase in **Administrative Services** is due to a third party security assessment, network maintenance projects, cloud initiatives, security simulations activities, enhancing data managements systems, and network and audio/visual upgrades.
- The increase in **Reliability and Risk** is due to the increased costs associated with public website enhancements, data analytics initiatives, and plant winterization efforts.
- The decrease in **Situational Awareness** is due to a decrease in various project work.
- The decrease in **Reliability Assessment and Performance Analysis** is mainly due to a decrease in various project work.

Table B-7: Office Rent

Office Rent	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Office Rent	\$ 467,532	\$ 467,532	\$ 552,024	\$ 84,492	18.1%
Data Center Rent	\$ 70,560	\$ 70,560	\$ 70,560	-	0.0%
Utilities	\$ 60,000	\$ 60,000	\$ 60,000	-	0.0%
Total Office Rent	\$ 598,092	\$ 598,092	\$ 682,584	\$ 84,492	14.1%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- The increase in **Office Rent** is due to an office expansion and lease extension.

Table B-8: Office Costs**Explanation of Significant Variances – 2022 Budget versus 2023 Budget**

Office Costs	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Telephone	\$ 92,222	\$ 88,280	\$ 105,106	\$ 12,884	14.0%
Internet	\$ 41,586	\$ 23,628	\$ 29,988	(11,598)	-27.9%
Office Supplies	\$ 19,600	\$ 19,600	\$ 20,050	450	2.3%
Computer Supplies and Maintenance	\$ 900,606	\$ 990,941	\$ 830,165	(70,441)	-7.8%
Publications & Subscriptions	\$ 19,585	\$ 16,100	\$ 29,159	9,574	48.9%
Dues	\$ 22,309	\$ 11,215	\$ 37,749	15,440	69.2%
Postage	\$ 1,300	\$ 1,300	\$ 1,300	-	0.0%
Express Shipping	\$ 500	\$ 500	\$ 500	-	0.0%
Copying	\$ 3,000	\$ 3,000	\$ 3,000	-	0.0%
Stationary Forms	\$ 850	\$ 850	\$ 900	50	5.9%
Equipment Repair/Service Contracts	\$ 8,830	\$ 8,830	\$ 8,830	-	0.0%
Total Office Costs	\$ 1,110,388	\$ 1,164,244	\$ 1,066,747	\$ (43,640)	-3.9%

- The decrease in **Computer Supplies and Maintenance** is primarily due lower computer hardware expenses.

Table B-9: Professional Services

Professional Services	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Independent Trustee Fees	\$ 449,000	\$ 449,000	\$ 447,000	\$ (2,000)	-0.4%
Accounting & Auditing Fees	\$ 72,665	\$ 72,665	\$ 75,815	3,150	4.3%
Outside Legal	\$ 15,000	\$ 15,000	\$ 15,000	-	0.0%
Insurance Commercial	\$ 95,100	\$ 95,100	\$ 148,100	53,000	55.7%
Total Services	\$ 631,765	\$ 631,765	\$ 685,915	\$ 54,150	8.6%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- The increase in **Insurance Commercial** is due to an expected rise in the cost of cybersecurity insurance.

Table B-10: Miscellaneous

Miscellaneous Expense	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Miscellaneous	\$ 48,735	\$ 49,159	\$ 49,559	\$ 824	1.7%
Total Miscellaneous Expense	\$ 48,735	\$ 49,159	\$ 49,559	\$ 824	1.7%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- No significant variances requiring explanation

Table B-11: Non-Operating Expenses

Other Non-Operating Expenses	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- No significant variances requiring explanation.

Table B-12: Fixed Assets

Fixed Assets	Budget 2022	Projection 2022	2023 Budget	Variance 2022 Budget v 2023 Budget	Variance %
Computer Hardware	\$ 90,000	\$ 90,000	\$ 70,000	\$ (20,000)	-22.2%
Computer Software	\$ 30,000	\$ 30,000	\$ 40,000	10,000	33.3%
Furniture & Fixtures	\$ -	\$ -	\$ -	-	-
Leasehold Improvements	\$ -	\$ -	\$ -	-	-
Total Fixed Assets	\$ 120,000	\$ 120,000	\$ 110,000	\$ (10,000)	-8.3%

Explanation of Significant Variances – 2022 Budget versus 2023 Budget

- No significant variances requiring explanation.

Table B-13: 2024 and 2025 Projections

Statement of Activities 2024 and 2025 Projections							
	2023 Budget	2024 Projection	\$ Change 23 v 24	% Change 23 v 24	2025 Projection	\$ Change 24 v 25	% Change 24 v 25
Funding							
ERO Funding							
ERO Assessments	\$ 24,620,339	\$ 25,605,153	\$ 984,814	4.0%	\$ 26,373,307	\$ 768,155	3.0%
Penalty Sanctions	3,168,420	1,000,000	(2,168,420)	-68%	1,000,000	-	0.0%
Total ERO Funding	\$ 27,788,759	\$ 26,605,153	\$ (1,183,606)	-4.3%	\$ 27,373,307	-	-
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Interest and Investment Income	100,000	100,000	-	0.0%	100,000	-	0.0%
Miscellaneous Income	-	-	-	-	-	-	-
Total Funding (A)	\$ 27,888,759	\$ 26,705,153	\$ (1,183,606)	-4.2%	\$ 27,473,307	\$ -	0.0%
Expenses							
Personnel Expenses							
Salaries	\$ 16,913,744	\$ 17,621,156	\$ 707,412	4.2%	\$ 18,149,790	\$ 528,635	3.0%
Payroll Taxes	1,052,888	1,096,925	44,037	4.2%	1,129,833	32,908	3.0%
Benefits	2,773,918	2,912,778	138,859	5.0%	3,054,291	141,513	4.9%
Retirement Costs	2,706,562	2,819,763	113,201	4.2%	2,904,356	84,593	3.0%
Total Personnel Expenses	\$ 23,447,112	\$ 24,450,621	\$ 1,003,510	4.3%	\$ 25,238,269	\$ 787,648	3.2%
Meeting Expenses							
Meetings	\$ 432,855	\$ 441,512	\$ 8,657	2.0%	\$ 450,342	\$ 8,830	2.0%
Conference Calls	\$ 15,000	\$ 15,300	\$ 300	2.0%	\$ 15,606	\$ 306	2.0%
Travel	648,100	667,543	19,443	3.0%	687,569	20,026	3.0%
Total Meeting Expenses	\$ 1,095,955	\$ 1,124,355	\$ 28,400	2.6%	\$ 1,153,518	\$ 29,163	2.6%
Operating Expenses, excluding Depreciation							
Consultants & Contracts	\$ 837,549	\$ 929,679	\$ 92,130	11.0%	\$ 1,025,436	\$ 95,757	10.3%
Office Rent	682,584	689,410	6,826	1.0%	696,304	6,894	1.0%
Office Costs	1,066,747	1,194,757	128,010	12.0%	1,338,128	143,371	12.0%
Professional Services	685,915	692,774	6,859	1.0%	699,702	6,928	1.0%
Miscellaneous	49,559	50,054	496	1.0%	50,555	501	1.0%
Total Operating Expenses, excluding Depreciation	3,322,354	3,556,674	234,321	7.1%	3,810,125	253,450	7.1%
Total Direct Expenses	\$ 27,865,420	\$ 29,131,651	\$ 1,266,230	4.5%	\$ 30,201,912	\$ 1,070,261	3.7%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 27,865,420	\$ 29,131,651	\$ 1,266,230	4.5%	\$ 30,201,912	\$ 1,070,261	3.7%
Change in Net Assets (= A - B)	\$ 23,338	\$ (2,426,498)	\$ (2,449,836)	-10497%	\$ (2,728,604)	\$ (1,070,261)	44.1%
Fixed Asset Additions, excluding Right of Use Assets (C)	110,000	110,000	\$ -	0.0%	\$ 110,000	\$ -	0.0%
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Inc/(Dec) in Fixed Assets	\$ 110,000	\$ 110,000	\$ -	0.0%	\$ 110,000	\$ -	0.0%
Total Budget (= B+ C)	\$ 27,975,420	\$ 29,241,651	\$ 1,266,230	4.5%	\$ 30,311,912	\$ 1,070,261	3.7%
Change in Working Capital (= A - B - C)	\$ (86,662)	\$ (2,536,498)	\$ (2,449,836)	2826.9%	\$ (2,838,604)	\$ (1,070,261)	42.2%
FTEs	91.00	93.00	2	2.2%	93.00	-	0.0%

Explanation of 2024 and 2025 Budget Projections

The following is a breakdown of the projected budget ranges for 2024.

2024 Lower Range: 4.5%

- Personnel Expense: 4.3%
 - Wages Increase: 3%
 - Medical/Dental Premiums: 6%
 - Hire 2 additional FTEs
- Meeting Expense: 2%
- Travel Expense: 3%
- Operating Expense: 7.1%
- Fixed Assets: \$110,000

2024 Higher Range to Address At-Risk Initiatives: 7.8%

- Personnel Expense: 8.0%
 - Wages Increase: 5%
 - Medical/Dental Premiums: 10%
 - Hire 3 additional FTEs (in addition to 2 FTE's from low range)
- Meeting Expense: 7%
- Travel Expense: 7%
- Operating Expense: 7.4%
- Fixed Assets: \$110,000

Notes:

1. 2024 projections are based on the 2023 budget.

The following is a breakdown of the projected budget ranges for 2025.

2025 Lower Range: 3.7%

- Personnel Expense: 3.2%
 - Wages Increase: 3%
 - Medical/Dental/Vision Premiums: 6%
 - Includes the 2 FTEs from the 2024 low projection
- Meeting Expense: 2%
- Travel Expense: 3%
- Operating Expense: 7.1%
- Fixed Assets: \$110,000

2025 Higher Range to Address At-Risk Initiatives: 9.3%

- Personnel Expense: 9.7%
 - Wages Increase: 5%
 - Medical/Dental Premiums: 10%
 - Includes the 5 FTEs from the 2024 high projection
 - Hire 2 additional FTEs
- Meeting Expense: 7%
- Travel Expense: 7%
- Operating Expense: 7.4%
- Fixed Assets: \$110,000

Notes:

1. 2025 projections are based on the 2024 low projection (except for FTEs as noted).

Section C: Non-Statutory Activities

ReliabilityFirst performed only those functions delegated to it by the ERO in 2022 and the organization does not intend to perform any functions outside its ERO delegated activities in 2023, therefore Section C is not applicable.

**Section D: Additional Consolidated Financial
Statements**

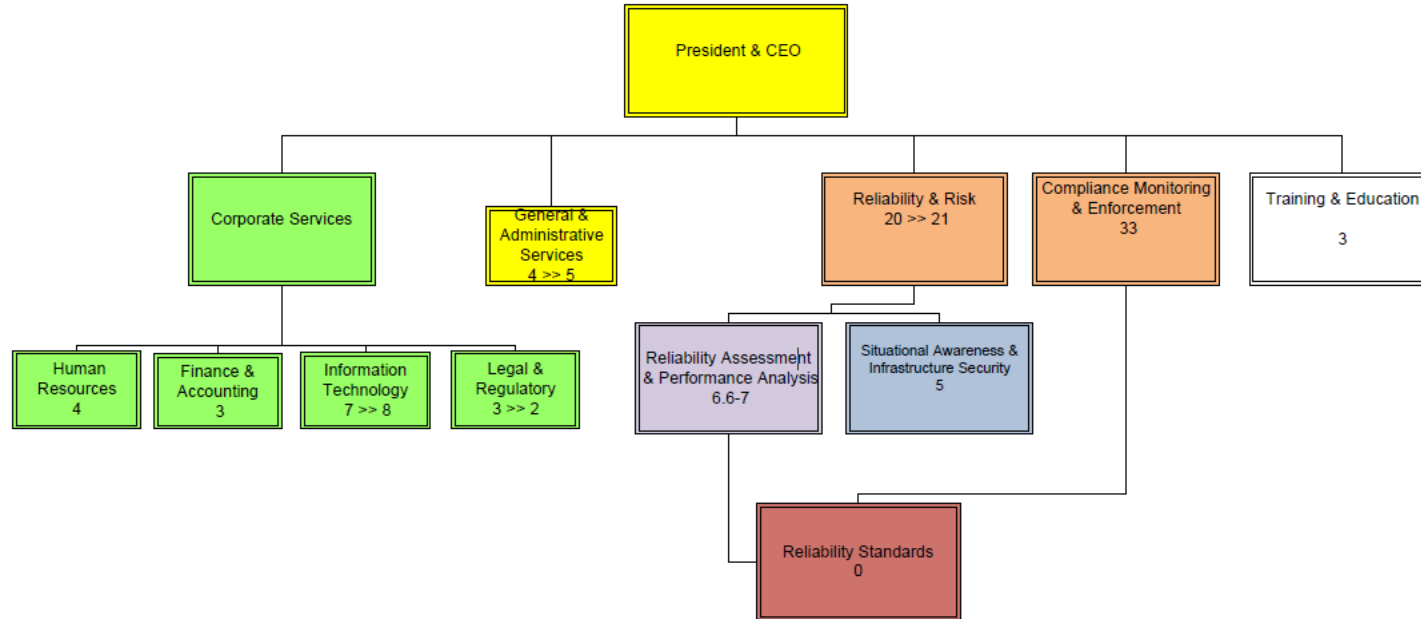
2023 Consolidated Statement of Activities by Program

	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Reliability Assurance	Compliance Monitoring and Enforcement	Reliability Assessment and Performance Analysis (Section 500)	Training and Education (Section 800)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding															
ReliabilityFirst Funding															
ReliabilityFirst Assessments	24,620,339	24,620,339	-	24,620,339	-	7,428,208	10,883,028	2,960,078	1,524,868	1,910,818	(86,662)	-	-	-	-
Penalty Sanctions	3,168,420	3,168,420	-	3,168,420	-	969,924	1,524,167	304,833	138,561	230,934	-	-	-	-	-
Total ReliabilityFirst Funding	27,788,759	27,788,759	-	27,788,759	-	8,398,132	12,407,195	3,264,912	1,663,429	2,141,753	(86,662)	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Investment Income	100,000	100,000	-	100,000	-	30,612	48,105	9,621	4,373	7,289	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	27,888,759	27,888,759	-	27,888,759	-	8,428,745	12,455,300	3,274,533	1,667,802	2,149,041	(86,662)	-	-	-	-
Expenses															
Personnel Expenses															
Salaries	16,913,744	16,913,744	-	16,913,744	-	3,892,253	5,764,740	1,603,212	676,925	925,927	1,474,188	540,138	1,072,957	593,605	369,799
Payroll Taxes	1,052,888	1,052,888	-	1,052,888	-	239,089	378,611	95,790	38,348	58,395	66,298	26,818	81,110	40,885	27,544
Benefits	2,773,918	2,773,918	-	2,773,918	-	530,960	917,255	216,919	115,486	176,783	165,292	88,264	216,623	267,642	78,694
Retirement Costs	2,706,562	2,706,562	-	2,706,562	-	613,752	876,614	253,352	108,256	146,309	208,918	72,926	167,838	87,996	170,598
Total Personnel Expenses	23,447,112	23,447,112	-	23,447,112	-	5,276,054	7,937,220	2,169,273	939,014	1,307,415	1,914,697	728,147	1,538,528	990,128	646,635
Meeting Expenses															
Meetings	432,855	432,855	-	432,855	-	10,880	12,425	10,550	223,100	3,500	120,000	3,000	1,500	46,700	1,200
Conference Calls	15,000	15,000	-	15,000	-	-	-	-	-	-	-	-	15,000	-	-
Travel	648,100	648,100	-	648,100	-	169,300	237,200	95,000	21,600	50,000	28,000	15,000	13,000	15,000	6,000
Total Meeting Expenses	1,095,955	1,095,955	-	1,095,955	-	180,180	249,625	105,550	244,700	53,500	148,000	18,000	29,500	61,700	7,200
Operating Expenses															
Consultants & Contracts	837,549	837,549	-	837,549	-	186,667	10,000	111,278	80,000	-	200,000	-	208,004	26,500	15,100
Office Rent	682,584	682,584	-	682,584	-	-	-	-	-	-	612,024	-	70,560	-	-
Office Costs	1,066,747	1,066,747	-	1,066,747	-	134,013	83,464	55,313	24,898	156,976	76,260	25,062	437,241	19,347	54,173
Professional Services	685,915	685,915	-	685,915	-	-	-	-	-	-	462,000	-	-	30,440	193,475
Miscellaneous	49,559	49,559	-	49,559	-	1,000	9,400	-	500	-	14,749	1,000	3,910	19,000	-
Total Operating Expenses	3,322,354	3,322,354	-	3,322,354	-	321,680	102,864	166,591	105,398	156,976	1,365,033	26,062	719,715	95,287	262,748
Total Direct Expenses	27,865,420	27,865,420	-	27,865,420	-	5,777,914	8,289,709	2,441,414	1,289,112	1,517,891	3,425,730	772,209	2,287,743	1,147,115	916,583
Indirect Expenses	0	0	-	0	-	2,617,157	4,112,676	822,535	373,880	623,133	(3,425,730)	(772,209)	(2,287,743)	(1,147,115)	(916,583)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	27,865,420	27,865,420	-	27,865,420	-	8,395,071	12,402,385	3,263,949	1,662,991	2,141,024	-	-	-	-	-
Change in Assets	23,338	23,338	-	23,338	-	33,673	52,915	10,583	4,810	8,017	(86,662)	-	-	-	-
Fixed Assets															
Computer & Software CapEx	110,000	110,000	-	110,000	-	-	-	-	-	-	-	-	110,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Fixed Assets	110,000	110,000	-	110,000	-	-	-	-	-	-	-	-	110,000	-	-
Allocation of Fixed Assets	-	-	-	-	-	33,673	52,915	10,583	4,810	8,017	-	-	(110,000)	-	-
Inc/(Dec) Fixed Assets	110,000	110,000	-	110,000	-	33,673	52,915	10,583	4,810	8,017	-	-	-	-	-
Total Budget	27,975,420	27,975,420	-	27,975,420	-	8,428,745	12,455,300	3,274,533	1,667,802	2,149,041	-	-	-	-	-
Change in Working Capital	(86,662)	(86,662)	-	(86,662)	-	-	-	-	-	-	(86,662)	-	-	-	-
FTEs	91.00	91.00	-	91.00	-	21.00	33.00	7.00	3.00	5.00	5.00	2.00	8.00	4.00	3.00

Statement of Financial Position

2021 Statement of Financial Position	
STATUTORY and NON-STATUTORY	
	(Per Audit)
	31-Dec-21
ASSETS	
Current Assets	
Cash	2,365,145
Cash - Regulatory Designated	3,488,681
Investments	10,209,432
Accounts receivable, net of allowance for uncollectible accounts	181,095
Prepaid expenses	362,706
Total Current Assets	16,607,059
Noncurrent Assets	
Cash-regulatory designated (net of current portion)	1,773,200
Deferred Compensation Plan Assets	356,098
Total Noncurrent Assets	2,129,298
Fixed Assets	
Furniture and Equipment	410,579
Leasehold Improvements	2,086,939
Computer Hardware and Software	3,553,877
Construction in Progress	152,521
	6,203,916
Less Accumulated Depreciation	4,699,664
Total Fixed Assets	1,504,252
	3,633,550
Total Noncurrent Assets	3,633,550
Total Assets	20,240,609
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	275,426
Accrued expenses	5,103,695
Deferred Rent	142,569
Total Current Liabilities	5,521,690
Long Term Liabilities	
Deferred Revenue	350,000
Accrued Expenses (net of current portion)	122,536
Deferred Rent (net of current portion)	1,174,014
Deferred Compensation	356,098
Total Long Term Liabilities	2,002,648
Total Liabilities	7,524,338
Net Assets	
Without Donor Restrictions	
Undesignated	5,549,856
Operating Reserve Fund	1,000,000
Working Capital Reserve Fund	904,534
Regulatory Designated Funds	5,261,881
Total Net Asset	12,716,271
Total Liabilities and Net Assets	20,240,609

Appendix A: 2022 – 2023 Organization Chart



DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 6

SERC RELIABILITY CORPORATION

PROPOSED 2023 BUSINESS PLAN AND BUDGET



2023 Business Plan and Budget

**Approved By Board of Directors
June 23, 2022**

Table of Contents

Introduction 3

 Organizational Overview 3

 2023 Strategic Focus Areas 5

 Membership and Governance 8

 Statutory Functional Scope 8

 2023 Overview of Budget 9

 Summary of Budget by Program Area 10

 FTE by Program Area..... 11

 2022 Budget and Projection and 2023 Budget Comparisons 12

Section A – Statutory Programs 13

Section A – Statutory Programs 14

 Reliability Standards Program 14

 Reliability Standards Budget Detail 16

 Compliance Monitoring and Enforcement; Organization Registration and Certification Program 17

 Compliance Monitoring, Enforcement, and Organization Registration and Certification Budget
 Detail..... 23

 Reliability Assessment and Performance Analysis Program 24

 Reliability Assessment and Performance Analysis Budget Detail..... 26

 Training, Education, and Stakeholder Outreach 27

 Training, Education, and Stakeholder Outreach Budget Detail..... 29

 Situational Awareness and Infrastructure Security Program..... 30

 Situational Awareness and Infrastructure Security Budget Detail..... 32

 Corporate Services 33

 Technical Committees and Member Forums 34

 General and Administrative 36

 Legal and Regulatory 37

 Analytics and Information Technology 39

 Finance and Accounting 43

 Corporate Services Program Budget Detail 44

Section B – Supplemental Financial Information 45

Section B – Supplemental Financial Information 46

 Working Capital and Assessment Stabilization Reserve Analysis 46

 Breakdown by Statement of Activity Sections 47

Section C – Non-Statutory Activities 57

Section C – Non-Statutory Activities 58

 2023 Non-Statutory Business Plan and Budget 58

Section D – Additional Consolidated Financial Statements 59

Consolidated Financial Statement of Activities by Program, Statutory and Non-Statutory 60

 Statement of Financial Position 61

Appendix A: Organization Chart 62

Appendix B: Index of Figures and Tables 63

Introduction

The following table summarizes the 2023 SERC Reliability Corporation (SERC) budget.

TOTAL RESOURCES (in whole dollars)				
	2023 Budget	U.S.	Canada	Mexico
Statutory FTEs	106.0			
Non-statutory FTEs	-			
Total FTEs	106.0			
Statutory Expenses	\$ 28,173,895			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 28,173,895			
Statutory Incr(Decr) in Fixed Assets	\$ 42,000			
Non-Statutory Incr(Decr) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 42,000			
Statutory Working Capital Requirement	\$ (535,680)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (535,680)			
Total Statutory Funding Requirement	\$ 27,680,214			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 27,680,214			
Statutory Assessments	\$ 26,192,876	\$ 26,192,876	n/a	n/a
Non-Statutory Fees	\$ -	n/a	n/a	n/a
NEL	1,304,773,923	1,304,773,923	n/a	n/a
NEL%	100%	100%	n/a	n/a

Table 1. SERC Budget for 2023

Organizational Overview

SERC is a nonprofit corporation whose mission is to assure effective and efficient reduction of risks to the reliability and security of the bulk power system (BPS) in all or portions of 16 central and southeastern states. The SERC Region presently covers an area of approximately 650,000 square miles, and a growing population in excess of 91 million. Electric systems in the SERC Region currently serve approximately 29% of the net energy for load (NEL) in North America, approximately 33% of the NEL in the United States, and 40% of the NEL in the Eastern Interconnection.

SERC's mission is rooted in a risk-based approach that aligns with and supports the mission of the North American Electric Reliability Corporation (NERC) and the broader Electric Reliability Organization (ERO) Enterprise. To achieve its mission, SERC maintains a diverse team of experts across numerous disciplines to address the complex, evolving, and dynamic challenges facing the grid. The SERC team also partners with the best and brightest individuals from both the power industry and the federal government to understand and address the challenges facing the grid. These key partnerships make our work more informed, pragmatic, responsive, and impactful.

SERC has developed four cultural attributes that help guide its conduct and three key strategic focus areas to help ensure it is best positioned to achieve its mission and further support the ERO Enterprise Long-Term Strategy Focus Areas and the ERO Enterprise Operating Plan.

- ❖ At SERC, every individual is a **LEADER** across every level of our organization. We are trustworthy, principled, inclusive, and respectful. We strive to create value that reduces risk to reliability and security. Leading means having a positive vision and actively building support for executing it.
- ❖ At SERC, we are **COLLABORATIVE** both internally and externally. We partner and engage in focused communication within and across our organization, with our stakeholders, the ERO Enterprise, and the Federal Energy Regulatory Commission (FERC) to drive meaningful action. We leverage our diverse experiences, skills, knowledge, and tools to ensure the effective reductions of risk to reliability and security.
- ❖ At SERC, we strive to be **EXPERTS** that are sought after for our credibility, objectivity, and discipline. We understand our strengths and opportunities, and pursue continuous learning and improvement. We value intellectual curiosity, innovation, and creativity.
- ❖ At SERC, we take action to execute our risk-based mission by demonstrating **PURPOSEFUL** proactive initiative, intentionality, and resourcefulness in anticipation of current and future challenges and opportunities. We strategically plan and pursue activities that deliver value with intended results.

VISION

A highly reliable and secure bulk power system

MISSION

To assure effective and efficient reduction of risks to the reliability and security of the bulk power system

CULTURAL ATTRIBUTES

- ❖ Leader
- ❖ Collaborative
- ❖ Expert
- ❖ Purposeful

2023 Strategic Focus Areas

SERC's Strategic Planning Process considered common themes throughout the industry, evaluated SERC's strengths and areas for improvement, and identified risk priorities to develop SERC's Strategic Focus Areas.

SERC's strategic focus is centered on three principles:

- SERC must be a **Credible and Trusted Expert** organization for its stakeholders, one that is truly risk-based. SERC strives for excellence in risk identification, risk mitigation, and risk communication.
- SERC must be a respected **Leader across the ERO Enterprise**, as well as in the eyes of FERC. This is accomplished through innovation, collaboration, and meaningful relationships.
- SERC must be a **Highly Desirable Place to Work**. SERC fosters a culture of trust, teamwork, and continuous improvement; and our work at every level is deeply tied to furthering our essential mission.



SERC's Operating Plan articulates key deliverables that ensure the day-to-day operations match the objectives laid out in the Strategic Plan:

- Administer effective and efficient programs for identifying, prioritizing, and mitigating known risks to the BPS;
- Ensure timely recognition and understanding of emerging risks to the Region and to the organization;
- Verify effectiveness of internal controls for cybersecurity;
- Transition internal risk processes to relevant maturity models and assess effectiveness to improve performance;
- Foster engagement among employees in a collaborative and respectful environment;
- Develop external training programs that set the gold standard for Region-based operating and technical training;
- Strengthen communication and relationships with state and regulatory agencies; and
- Identify opportunities for Reliability Standards improvements.

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American BPS. Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;
- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.

Building upon these commitments, the ERO Enterprise is now engaging in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



ERO Enterprise Strategic and Operational Planning

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regions, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the *ERO Enterprise Long-Term Strategy* as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the NERC Board of Trustees on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, includes the following strategic focus areas:

- Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
- Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the Reliability Issues Steering Committee (RISC)'s biennial ERO Reliability Risk Priorities Report;
- Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
- Strengthen engagement across the reliability and security ecosystem in North America; and
- Capture effectiveness, efficiency, and continuous improvement opportunities.

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each organization's Business Plan and Budget may reference how activities support each of the strategic focus areas.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.

Membership and Governance

Membership in SERC is voluntary and free of charge. SERC member companies (Members) meet at least annually to elect Independent Directors and Sector Directors, and conduct other such business as may come before the meeting. Additionally, Members approve amendments to Bylaws as recommended by the SERC Board of Directors (Board) and advise the Board with respect to the development of annual budgets, business plans, and other matters pertinent to the purpose and operations of the organization.

SERC's governance structure allows for participation from a diverse mix of stakeholders while also ensuring the need for independent decision-making. SERC is governed by a balanced, hybrid Board consisting of 18 Directors comprised of a combination of stakeholder representatives from SERC member companies (i.e., Sector Directors) and independent representatives (i.e., Independent Directors) that add independent balance, perspective, and expertise. This combination of stakeholder and Independent Directors allows the Board to focus on the most important and significant risks to reliability in the SERC footprint.

The Board currently has the following committees, which report directly to the Board:

- **Risk Committee:** Provides oversight on behalf of the Board over several risk-based activities undertaken by SERC, including the identification and management of Regional risks, especially by SERC's Technical Committees; the organization's Enterprise Risk Management framework; and other critical organization and Regional risk-based activities. The committee also periodically reports these risk oversight findings to the Board.
- **Human Resources and Compensation Committee (HRCC):** Provides oversight on behalf of the Board over SERC's organization and staffing needs, employee compensation, and other matters related to human resources.
- **Finance and Audit Committee (FAC):** Provides oversight on behalf of the Board to SERC on the organization's finances and internal controls.
- **Nominating and Governance Committee:** Identifies, vets, and recommends candidates for Board Officer and committee positions for approval by the Board. This committee is also responsible for providing oversight to SERC on the organization's Bylaws and other governing policies and procedures.

Statutory Functional Scope

SERC performs the following statutory functions in furtherance of its mission and in accordance with its FERC approved Delegation Agreement with NERC:

- Analyzes events to identify lessons learned that will improve reliability;
- Proposes and helps develop NERC Reliability Standards and Regional Reliability Standards;
- Monitors compliance with and enforces approved mandatory Reliability Standards;
- Registers and certifies responsible entities under the reliability compliance program;
- Assesses the past, present, and future risk profile of the BPS to ensure grid reliability, adequacy, and security; and
- Provides training and education to registered entities, as it deems necessary, in support of its performance of delegated functions.

2023 Overview of Budget

SERC proposes to increase its operating budget in 2023 from \$26,708,260 to \$28,215,895 an increase of \$1,507,635 or 5.6%.

SERC's proposed 2023 assessment of \$26,192,876 represents an increase of 5.6%, or \$1,393,943 from the 2022 assessment.

SERC believes that in 2023, it will continue to realize material efficiencies that will allow the organization to effectively perform its mission and deliver value by reducing risks to the reliability and security of the grid. SERC will also continue to perform its essential mission at a cost that balances the longstanding tradition of affordable and reliable electricity across SERC's footprint.

The following targeted budget changes allow SERC to accomplish the specific objectives outlined in the *2023 Business Plan and Budget* (BP&B) (dollars are stated as an increase in the 2023 budget compared to the 2022 budget). The most significant changes to the budget are in personnel, which includes the following two components:

- **Staffing changes proposed for 2023** – The targeted staffing level for 2023 is 106 Full-Time Equivalents (FTEs), which is a total increase of two FTEs compared to the 2022 budget. These additional personnel are needed to strengthen SERC's security posture and address expected impacts of the rapidly evolving cyber security threat landscape and ERO Enterprise-wide Align Project and Secure Evidence Locker (SEL), resulting in an overall increase of two FTEs.
- **Cost increase for maintaining staff budgeted in 2023** – The net increase in Personnel Expenses of \$1,711,766 compared to 2022 reflects a Board approved merit increase and an increase in employee benefit costs. A 5% vacancy rate has been applied to all Personnel Expenses.

Other notable changes in the proposed budget from year-to-year include the following:

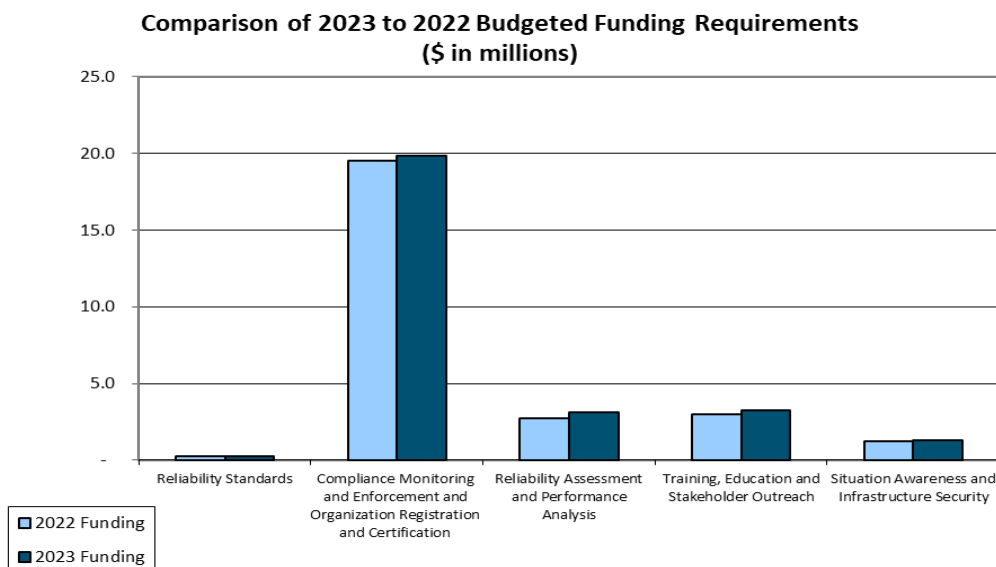
- **Meetings and Travel** – A combined modest increase of \$27,916 reflects efficiencies realized in SERC's Compliance Monitoring audit process, which includes utilizing a hybrid of on-site and virtual monitoring activities.
- **Consultants and Contracts** – SERC anticipates an overall decrease in consultants and contracts of \$283,533 as reliance on outside IT support is reduced combined with fewer large projects in 2023.
- **Office Costs** – An increase of \$236,696 is due primarily to anticipated additional software costs associated with the support and maintenance of SERC's robust cyber security goals.
- **Professional Services** – A net increase of \$26,790 is due to an increase in HR fees based on historical norms.
- **Fixed Assets** – An overall decrease of \$222,000 is due to fewer capitalized purchases for cyber security enhancements as long-term projects move into the maintenance phase.

Summary of Budget by Program Area

The following table and figure summarize and illustrate the funding requirements for SERC's primary statutory program areas.

Program	Budget	Projection	Budget	Variance	
	2022	2022	2023	2022 Budget v 2023 Budget	Variance %
Reliability Standards	\$ 221,085	\$ 225,573	\$ 235,778	\$ 14,693	6.6%
Compliance Monitoring and Enforcement; Organization Registration and Certification	19,534,883	19,452,097	20,645,648	1,110,765	5.7%
Reliability Assessment and Performance Analysis	2,735,869	2,777,422	3,093,647	357,778	13.1%
Training, Education and Stakeholder Outreach	2,988,657	3,042,471	2,964,567	(24,090)	(0.8%)
Situation Awareness and Infrastructure Security	1,227,766	1,246,697	1,276,254	48,488	3.9%
Total	\$ 26,708,260	\$ 26,744,260	\$ 28,215,894	\$ 1,507,634	5.6%
Working Capital Reserve	(513,326)	(549,326)	(535,681)	(22,355)	
Total Funding	26,194,934	26,194,934	27,680,213	1,485,279	5.7%

Table 2. Budgeted Funding by Program Area



This graphical representation does not include an allocation of working capital requirements among the program areas.

Figure 1. Budgeted Funding by Program Area Chart

FTE by Program Area

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

Total FTEs by Program Area	Budget 2022	Projection 2022	Budget 2023	Increase (Decrease)
STATUTORY				
Operational Programs				
Reliability Standards	0.50	0.50	0.50	0.00
Compliance Monitoring and Enforcement; Organization Registration and Certification	50.45	48.45	50.45	0.00
Reliability Assessment and Performance Analysis	6.30	6.30	6.30	0.00
Training, Education and Stakeholder Outreach	8.00	8.00	8.00	0.00
Situation Awareness and Infrastructure Security	3.00	3.00	3.00	0.00
Total FTEs Operational Programs	68.25	66.25	68.25	0.00
Corporate Services				
Technical Committees and Member Forums	3.90	3.90	3.90	0.00
General & Administrative	8.65	8.65	8.65	0.00
Legal and Regulatory	2.90	2.90	2.90	0.00
Analytics & Information Technology	14.30	16.30	16.30	2.00
Human Resources	3.00	3.00	3.00	0.00
Finance and Accounting	3.00	3.00	3.00	0.00
Total FTEs Corporate Services	35.75	37.75	37.75	2.00
Total FTEs	104.00	104.00	106.00	2.00

Table 3. Total FTEs by Program Area

2022 Budget and Projection and 2023 Budget Comparisons

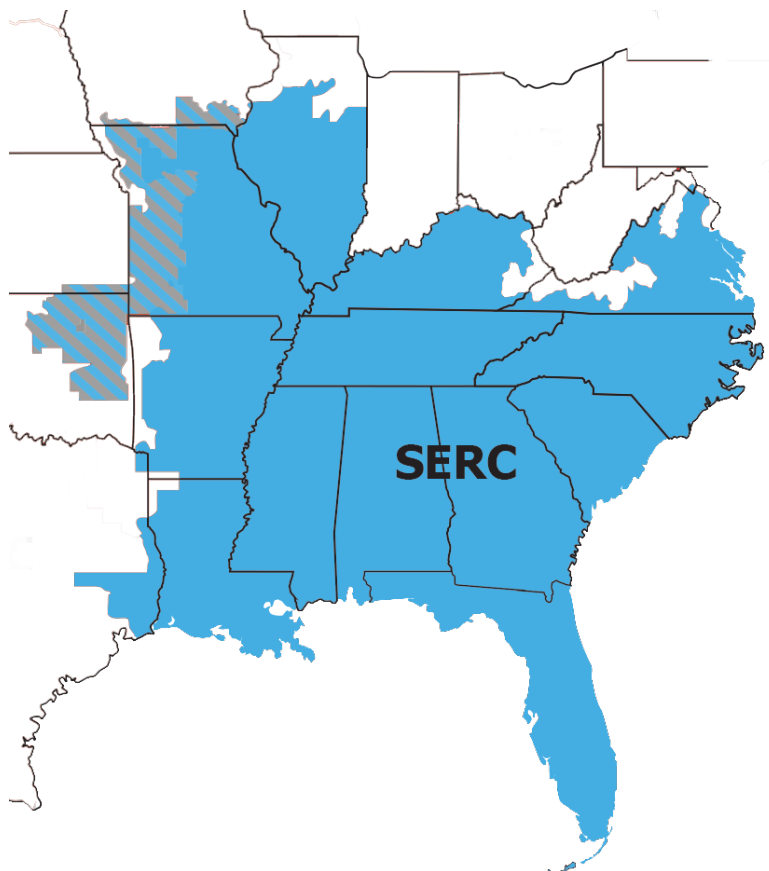
Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
STATUTORY					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget	Budget	2023 Budget
			v 2022 Projection		v 2022 Budget
			Over(Under)		Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 24,798,934	\$ 24,798,934	\$ -	\$ 26,192,877	\$ 1,393,943
Penalties Released*	1,200,000	1,200,000	-	1,291,337	91,337
Total Statutory Funding	\$ 25,998,934	\$ 25,998,934	\$ -	\$ 27,484,214	\$ 1,485,280
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	166,000	166,000	-	166,000	-
Interest	30,000	30,000	-	30,000	-
Total Funding (A)	\$ 26,194,934	\$ 26,194,934	\$ -	\$ 27,680,214	\$ 1,485,280
Expenses					
Personnel Expenses					
Salaries	\$ 16,239,814	\$ 16,114,814	\$ (125,000)	\$ 17,445,769	\$ 1,205,955
Payroll Taxes	971,965	971,965	-	1,042,996	71,031
Benefits	1,981,828	1,981,828	-	2,256,982	275,154
Retirement Costs	2,061,442	2,061,442	-	2,221,068	159,626
Total Personnel Expenses	\$ 21,255,049	\$ 21,130,049	\$ (125,000)	\$ 22,966,815	\$ 1,711,766
Meeting Expenses					
Meetings & Conference Calls	\$ 443,307	\$ 443,307	\$ -	\$ 448,836	\$ 5,529
Travel	855,340	680,340	(175,000)	877,727	22,387
Total Meeting Expenses	\$ 1,298,647	\$ 1,123,647	\$ (175,000)	\$ 1,326,563	\$ 27,916
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 1,377,944	\$ 1,327,944	\$ (50,000)	\$ 1,094,411	\$ (283,533)
Office Rent	840,067	840,067	-	850,067	10,000
Office Costs	1,171,193	1,171,193	-	1,407,889	236,696
Professional Services	501,360	501,360	-	528,150	26,790
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 3,890,564	\$ 3,840,564	\$ (50,000)	\$ 3,880,517	\$ (10,047)
Total Direct Expenses	\$ 26,444,260	\$ 26,094,260	\$ (350,000)	\$ 28,173,895	\$ 1,729,635
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 26,444,260	\$ 26,094,260	\$ (350,000)	\$ 28,173,895	\$ 1,729,635
Change in Assets	\$ (249,326)	\$ 100,674	\$ 350,000	\$ (493,681)	\$ (244,355)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 264,000	\$ 650,000	\$ 386,000	\$ 42,000	\$ (222,000)
TOTAL BUDGET (B+C)	\$ 26,708,260	\$ 26,744,260	\$ 36,000	\$ 28,215,895	\$ 1,507,635
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (513,326)	\$ (549,326)	\$ (36,000)	\$ (535,681)	\$ (22,355)
FTEs	104.0	104.0	-	106.0	2.0

* Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the SERC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Table 4. Budget and Projection Comparison, 2022 to 2023

Section A – Statutory Programs

2023 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	-
Direct Expenses	\$ 132,157	\$ 138,644	\$ 6,487
Indirect Expenses	\$ 86,994	\$ 96,826	\$ 9,832
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 1,934	\$ 308	\$ (1,626)
Total Funding Requirement	\$ 221,085	\$ 235,778	\$ 14,693

Table A-1. Reliability Standards Budget

Program Scope and Functional Description

SERC may develop Regional Reliability Standards to establish threshold requirements for assuring the planning and operation of the Bulk Electric System (BES). In accordance with the SERC Reliability Standards Development Procedure, SERC develops and maintains its Regional Reliability Standards to minimize the risks of cascading failures and avoid damage to major equipment. These Standards must be more stringent than a NERC Reliability Standard, or address a regional difference or a physical difference in the BES.

SERC may also develop regional criteria and guidelines. Regional criteria and guidelines are clear, timely, and effective in mitigating risks to good utility practices used to enhance the reliability of the BES, consider cost-effectiveness/impact, and may augment Reliability Standards. Regional criteria and guidelines are not Reliability Standards, and therefore are not enforceable. SERC develops its regional criteria and guidelines in accordance with the Organization and Procedures Manual for SERC Technical Committees.

2023 Key Assumptions

The 2023 key assumptions for the Reliability Standards program are as follows:

- SERC expects the overall volume of NERC Reliability Standard changes to remain at levels consistent with prior years, as several new standards are in the process of being developed and existing standards are being modified.
- SERC resources will support the Standards development per the NERC Standards Process Manual.
- SERC anticipates that regional criteria and guideline development will continue as needed to support reliability and security.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC Reliability Standards program are as follows:

- Manage the SERC Technical Committee documents per the approved 2023 Review Work Plan;
- Support the ERO Enterprise to develop, modify, and conduct periodic reviews of the Reliability Standards to ensure Standards are written clearly and properly structured for existing and emerging risks; and
- Provide information to SERC staff and stakeholders on upcoming Standard changes or implementation dates to ensure awareness and preparedness.

Resource Requirements

Personnel

The number of FTEs assigned to the Reliability Standards program is consistent with 2022.

Reliability Standards Budget Detail

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
RELIABILITY STANDARDS					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 207,642	\$ 207,642	\$ -	\$ 221,439	\$ 13,797
Penalties Released	8,791	8,791	-	9,460	669
Total Statutory Funding	\$ 216,433	\$ 216,433	\$ -	\$ 230,899	\$ 14,466
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	183	-	(183)	183	-
Interest	220	226	6	220	-
Total Funding (A)	\$ 216,836	\$ 216,659	\$ (177)	\$ 231,302	\$ 14,466
Expenses					
Personnel Expenses					
Salaries	\$ 100,868	\$ 100,868	\$ -	\$ 106,056	\$ 5,188
Payroll Taxes	6,052	6,052	-	6,363	311
Benefits	10,043	10,043	-	10,378	335
Retirement Costs	12,694	12,694	-	13,347	653
Total Personnel Expenses	\$ 129,657	\$ 129,657	\$ -	\$ 136,144	\$ 6,487
Meeting Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,500	2,500	-	2,500	-
Total Meeting Expenses	\$ 2,500	\$ 2,500	\$ -	\$ 2,500	\$ -
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 132,157	\$ 132,157	\$ -	\$ 138,644	\$ 6,487
Indirect Expenses	\$ 86,994	\$ 93,416	\$ 6,422	\$ 96,826	\$ 9,832
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 219,151	\$ 225,573	\$ 6,422	\$ 235,470	\$ 16,319
Change in Assets	\$ (2,315)	\$ (8,914)	\$ (6,599)	\$ (4,168)	\$ (1,853)
Fixed Assets, excluding Right of Use Assets (C)	\$ 1,934	\$ -	\$ (1,934)	\$ 308	\$ (1,626)
TOTAL BUDGET (B+C)	\$ 221,085	\$ 225,573	\$ 4,488	\$ 235,778	\$ 14,693
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (4,249)	\$ (8,914)	\$ (4,665)	\$ (4,476)	\$ (227)
FTEs	0.50	0.50	-	0.50	-

Table A-2. Reliability Standards Budget Detail

Compliance Monitoring and Enforcement; Organization Registration and Certification Program

Compliance Monitoring and Enforcement; Organization Registration and Certification Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	50.45	50.45	-
Direct Expenses	\$ 10,562,037	\$ 10,844,861	\$ 282,824
Indirect Expenses	\$ 8,777,698	\$ 9,769,741	\$ 992,043
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 195,148	\$ 31,046	\$ (164,102)
Total Funding Requirement	\$ 19,534,883	\$ 20,645,648	\$ 1,110,765

Table A-3. Compliance Monitoring and Enforcement; Organization Registration and Certification Program Budget

Program Scope and Functional Description

The purpose of the Compliance Monitoring and Enforcement program is to ensure that all compliance monitoring, risk assessment, mitigation, and enforcement activities are risk-based, reliability-focused, and adhere to the requirements of the SERC Delegation Agreement and the ERO Enterprise Compliance Monitoring and Enforcement Program (CMEP) Implementation Plan. To accomplish this objective, SERC has divided its Compliance Monitoring and Enforcement program into five areas: Organization Registration and Certification, Compliance Monitoring, Risk Assessment and Mitigation, Risk Awareness and Oversight, and Enforcement.

Organization Registration and Certification

- Registers owners, operators, and users of the Bulk Power System (BPS) for compliance with Reliability Standards; and
- Certifies applicable entities.

Compliance Monitoring

- Uses a risk-based monitoring approach to conduct SERC compliance monitoring activities (e.g., compliance audits, spot checks, self-certifications, and compliance investigations);
- Reviews entity internal controls during monitoring engagements;
- Provides subject matter experts for Standards and Requirements; and
- Implements and maintains the Critical Infrastructure Protection (CIP) Standards Technical Feasibility Exceptions (TFEs) process.

Risk Assessment and Mitigation (RAM)

- Serves as the technical point of contact for all noncompliance issues identified through one of the discovery methods (e.g., self-report, self-Log, compliance Audit, self-certification, spot check);

- Performs risk-harm assessments on noncompliance issues, which include determining the scope and root cause of the noncompliance, and the potential and actual risk or harm to BPS reliability;
- Reviews and approves the registered entity’s mitigating activities to ensure the registered entity performs the actions necessary to correct the noncompliance and prevent recurrence to protect BPS reliability;
- Administers the SERC Regional self-logging program; and
- Performs Compliance Evaluations, when required, on events reported by registered entities.

Risk Awareness and Oversight (RAO)

- Conducts registered entity Inherent Risk Assessments;
- Develops and implements entity Compliance Oversight Plans (COPs); and
- Maintains an awareness of existing and emerging risks, which may affect entities or groups of entities in the aggregate, and incorporates mitigation strategies into various other SERC programs such as training, outreach, communication, and Technical Committee engagements.

Enforcement

SERC Enforcement staff are responsible for resolving violations/noncompliance issues of NERC Reliability Standards and/or SERC Regional Reliability Standards, and imposing monetary and/or non-monetary penalties, as appropriate. SERC Enforcement staff follows these steps:

- Notifies the registered entity of the findings and filing disposition regarding the violation/noncompliance and any applicable monetary and/or non-monetary penalties;
- Negotiates settlement with the registered entity or issues a Notice of Alleged Violation and Proposed Penalty and/or Sanction, if SERC and the registered entity cannot reach a settlement agreement;
- Submits the proposed enforcement action, along with any proposed monetary and/or non-monetary penalties, to NERC for review, approval, and subsequent submittal to FERC for review and approval; and
- Prosecutes the case before a Hearing Body if a registered entity contests the findings of the violation, penalty, and/or non-monetary sanction.

2023 Key Assumptions

Compliance Monitoring, RAM, and RAO

The 2023 key assumptions for Compliance Monitoring, RAM, and RAO are as follows:

- The Compliance Monitoring team incorporates a purposeful risk-based approach into audit planning and execution. This risk-based approach generally results in more frequent visits to entities posing a higher risk to the grid, and fewer visits to entities posing a lower risk.
- The Compliance Monitoring team works to continuously improve by incorporating lessons learned during the COVID-19 pandemic, and performing virtual audits during

2020 and 2021. Incorporating lessons learned resulted in the modification of audit team sizes.

- Compliance Monitoring plans to increase the use of self-certifications for monitoring engagements for lower risk entities and to use the results to inform the scope for monitoring in future years, as we have smaller more risk-focused engagements with the highest risk entities.
- The number of incoming issues, whether through audit findings or self-reports, will remain relatively consistent with trends over the past 12 to 24 months.
- As subject matter experts, the Compliance Monitoring, RAM, and RAO staff will continue to receive training on risk principles, internal controls, and enhanced audit practices. Additionally, staff will pursue or maintain professional credentials and further enhance their knowledge on risk-based CMEP processes. This will ensure the skills of SERC staff remain current on industry trends and Reliability Standards.

Organization Registration and Certification

The 2023 key assumptions for the Organization Registration and Certification program area are as follows:

- SERC Registration and Certification staff will continue to address the Regional Risk identified in SERC’s annual Regional Risk Report associated with the potential for the incorrect registration of entities within the SERC Region.
- Due to the significant changes to the generation fuel mix in the SERC Region, the volume of registration changes is expected to continue increasing as a result of generation decommissioning (retirements) and subsequent installation of new generation Facilities.
- SERC Registration and Certification staff will continue to collaborate with NERC and implement the NERC ROP changes to the approved certification process to assess a registered entity’s capability for performing its registered function(s). SERC expects the volume of certification engagements to increase.
- The volume of documents for the Joint Registration Organization (JRO), Coordinated Functional Registration (CFR), and the Multi-Regional Registered Entity (MRRE) may increase as registered entities better delineate shared responsibilities and promote efficiency and effectiveness in compliance. This increase will affect the workload for Registration and Compliance Monitoring within SERC.
- The ERO Enterprise will facilitate meetings with Regional Entities in the development of application business requirements and the testing of business functionality for ERO Enterprise projects. SERC Registration and Certification staff expects to have an active role in the development of ERO Enterprise CMEP Tools, which may require additional resources to provide an adequate level of support.

Enforcement

The 2023 key assumptions for the SERC Enforcement program area are as follows:

- SERC will likely continue to see a high number of enforcement actions due to the implementation of new Standards and new versions of Standards, both CIP and Operations and Planning.

- SERC will process or dismiss Possible Violations in a timely and fair manner; and
- There will be no significant increase in travel for Enforcement staff to process Possible Violations.

2023 Goals and Key Deliverables

Compliance Monitoring, Risk Awareness & Oversight, and Risk Assessment and Mitigation

The 2023 goals and key deliverables for Compliance Monitoring, RAO, and RAM are as follows:

- Plan, prepare, and conduct scheduled risk based Compliance Monitoring engagements pursuant to the 2023 Implementation Plan. Compliance Monitoring engagements for 2023 will consider on-site audits, off-site audits, spot checks, and self-certifications. As the RAM team completes or refreshes registered entities' Inherent Risk Assessments and Compliance Oversight Plans (COPs), the 2023 Compliance Monitoring schedule may change, with additional engagements added;
- Continue to process and reduce backlog inventory, achieving an average age of open inventory that does not exceed 12 months;
- Facilitate efficient and collaborative transitions to new and revised Standards through continued ERO Enterprise-wide collaboration;
- Work with the ERO Enterprise and industry to provide information on effective procedures and programs to monitor, detect, correct, report, and prevent deficiencies in compliance, reliability, and security;
- Collaborate with the ERO Enterprise and encourage effective internal controls models;
- Evaluate the compliance monitoring, violation/noncompliance processing, risk assessment, and registration and certification activities for sufficiency and effectiveness, and modify the activities, as needed;
- Collaborate with the ERO Enterprise to develop common and consistent CMEP processes, information systems, and methods among Regions;
- Refine and implement risk-based compliance monitoring and enforcement by focusing on serious risk violations to improve the effectiveness of SERC operations, and reducing unnecessary costs of compliance on registered entities while ensuring achievement of reliability objectives;
- Ensure timely mitigation of all violations/noncompliance to restore compliance and prevent recurrence, thereby maintaining the reliability of the BPS;
- Develop mature violation/noncompliance processing management tools and training based on risk-based techniques to improve the efficiency, transparency, consistency, quality, and timeliness of violation/noncompliance processing;
- Continue an active role in ERO Enterprise-wide Align and Secure Evidence Locker (SEL) development and implementation; and
- Continue to support the training requirements necessary to meet the criteria set forth by the ERO Auditor Manual and Handbook and the Compliance Auditor Capabilities and Competency Guide. SERC will work to ensure that:

- Compliance Monitoring staff and other personnel, as necessary, understand Compliance implementation guidance documents and risk-based principles;
- An annual process exists for personnel to acknowledge their commitment to Professional Standards, Ethical Principles, and Rules of Conduct;
- A continual assessment process exists to evaluate audit team content and capability needs; and
- Training exists that addresses initial and continuing training for capability and competency development.

Organization Registration and Certification

The 2023 goals and key deliverables for Organization Registration and Certification are as follows: Operate an efficient Registration and Certification program that:

- Ensures that SERC provides NERC timely and accurate information about changes in registrations;
- Performs certification reviews, or if a new certification is required, accommodates a change in a registered entity's status; and
- Documents certification activities sufficiently and makes recommendations to NERC regarding certification.

Enforcement

The 2023 goals and key deliverables for the Enforcement program area are as follows:

- Manage Enforcement activities in an unbiased, fair, and consistent manner to ensure due process for all registered entities;
- Collaborate with the RAM team to continue to reduce backlog inventory, achieving an average age of open inventory that does not exceed 12 months;
- Hold registered entities accountable for violations that create a serious risk to the BES with monetary and/or non-monetary penalties commensurate with the risk posed to the security and reliability of the BES;
- Continue messaging to registered entities, via monetary penalties, non-monetary penalties, or otherwise, desired behavior that SERC and the ERO Enterprise value, including self-reporting, continued engagement and cooperation during enforcement processing, maintaining a strong Internal Compliance Program, voluntary and prompt mitigation to reduce risk, taking ownership of undesired behavior by admitting to violations, and resolving violations through a settlement agreement;
- Collaborate with the RAM, Advanced Analytics, and IT departments to develop effective tools to quickly identify and share with stakeholders themes, trends, and emerging risks associated with their noncompliance;
- Continue to collaborate and strategize with the ERO Enterprise on enforcement policy initiatives and guidance that increases efficiency and consistency in processing violations; and
- Continue an active role in ERO Enterprise-wide Align and SEL development and implementation.

Resource Requirements

Personnel

The number of FTEs assigned to the Compliance Monitoring and Enforcement; Organization Registration and Certification program is consistent with 2022.

**Compliance Monitoring, Enforcement, and Organization Registration and
Certification Budget Detail**

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
COMPLIANCE MONITORING AND ENFORCEMENT; ORGANIZATION REGISTRATION AND CERTIFICATION					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 18,220,737	\$ 18,220,737	\$ -	\$ 19,247,483	\$ 1,026,746
Penalties Released	887,034	887,034	-	954,549	67,515
Total Statutory Funding	\$ 19,107,771	\$ 19,107,771	\$ -	\$ 20,202,032	\$ 1,094,261
Membership Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	29,480	11,000	(18,480)	29,480	-
Interest	22,176	21,940	(236)	22,176	-
Total Funding (A)	\$ 19,159,427	\$ 19,140,711	\$ (18,716)	\$ 20,253,688	\$ 1,094,261
Expenses					
Personnel Expenses					
Salaries	\$ 7,811,906	\$ 7,736,906	\$ (75,000)	\$ 7,991,710	\$ 179,804
Payroll Taxes	468,714	468,714	-	479,503	10,789
Benefits	825,332	825,332	-	889,013	63,681
Retirement Costs	984,930	984,930	-	1,007,692	22,762
Total Personnel Expenses	\$ 10,090,882	\$ 10,015,882	\$ (75,000)	\$ 10,367,918	\$ 277,036
Meeting Expenses					
Meetings & Conference Calls	\$ 12,600	\$ 12,600	\$ -	\$ 13,090	\$ 490
Travel	419,975	332,975	(87,000)	426,487	6,512
Total Meeting Expenses	\$ 432,575	\$ 345,575	\$ (87,000)	\$ 439,577	\$ 7,002
Operating Expenses, excluding Depreciation					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	38,580	38,581	1	37,366	(1,214)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 38,580	\$ 38,581	\$ 1	\$ 37,366	\$ (1,214)
Total Direct Expenses	\$ 10,562,037	\$ 10,400,038	\$ (161,999)	\$ 10,844,861	\$ 282,824
Indirect Expenses	\$ 8,777,698	\$ 9,052,059	\$ 274,361	\$ 9,769,741	\$ 992,043
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 19,339,735	\$ 19,452,097	\$ 112,362	\$ 20,614,602	\$ 1,274,867
Change in Assets	\$ (180,308)	\$ (311,386)	\$ (131,078)	\$ (360,914)	\$ (180,606)
Fixed Assets, excluding Right of Use Assets (C)	\$ 195,148	\$ -	\$ (195,148)	\$ 31,046	\$ (164,102)
TOTAL BUDGET (B+C)	\$ 19,534,883	\$ 19,452,097	\$ (82,787)	\$ 20,645,648	\$ 1,110,765
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (375,456)	\$ (311,386)	\$ 64,071	\$ (391,960)	\$ (16,504)
FTEs	50.45	48.45	(2.00)	50.45	-

Table A-4. Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	6.30	6.30	-
Direct Expenses	\$ 1,615,375	\$ 1,869,763	\$ 254,388
Indirect Expenses	\$ 1,096,125	\$ 1,220,007	\$ 123,882
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 24,369	\$ 3,877	\$ (20,492)
Total Funding Requirement	\$ 2,735,869	\$ 3,093,647	\$ 357,778

Table A-5. Reliability Assessments and Performance Analysis Budget

Program Scope and Functional Description

SERC's Reliability Assessments and Performance Analysis (RAPA) program provides the overall assessment of reliability and security of the BPS for the SERC region for the seasonal and long-term time frames. The RAPA function identifies reliability risks to the BPS in the SERC footprint for the purpose of integrated risk analysis. The program supports SERC's mission by identifying and prioritizing risks to reliability and security, analyzing performance, and maintaining a focus on activities to mitigate risk.

SERC conducts an independent reliability assessment of the BPS within the SERC Region, including model building, performing studies, and analysis of the results. The assessment program uses internal data collection along with other data sources, such as NERC Transmission Availability Data System (TADS), Generating Availability Data Systems (GADS), Demand Response Availability Data System (DADS), and the Mis-operations Information Data Analysis System (MIDAS) to perform both future reliability assessments and historic performance analysis.

SERC evaluates the overall reliability, performance, and adequacy of the SERC Region and reports its results to NERC. SERC's work supports NERC's obligation to perform similar analysis of the interconnected North American BPS.

2023 Key Assumptions

The 2023 key assumptions for the SERC RAPA program are as follows:

- SERC will continue to support NERC's RAPA program to analyze data, develop assessments, and report on the reliability of the BPS.
- SERC will support the ERO Enterprise in the identification and mitigation of significant current reliability risks, as well as the identification and assessment of emerging risks.
 - SERC will continue to support its role per the Eastern Interconnection Regional Entity Assessments and Model Building Agreement, developed within the Eastern Interconnection Reliability Assessment Group (ERAG).
- SERC will continue to support its integrated risk management initiatives to promote awareness and discuss strategies for risk mitigation.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the RAPA program will support the following goals:

- Continue to support NERC Reliability Assessments, Performance Analysis, and System Analysis programs;
- Support Regional analysis that contributes to NERC reliability analysis efforts, SERC reliability risk discussions, and performance analysis efforts;
- Continue to submit timely and quality probabilistic, seasonal, and long-term SERC and NERC reliability assessments and studies;
- Continue to support ongoing improvements to SERC and ERAG Eastern Interconnection planning model development, to produce assessments, and analyses that shine the light on significant risks to the BPS;
- Provide support to the associated SERC and NERC committees and initiatives;
- Continue to support entity outreach efforts to promote reliability risk-related discussions;
- Utilize advanced probabilistic tools to perform resource adequacy studies and sensitivities to support assessment of resource adequacy for the SERC region. Continue regional model improvements, and focus on scenarios to study based on inputs from the Engineering Committee and subgroups;
- Complete annual FERC Form 715 and Energy Information Administration (EIA) submittals on behalf of SERC registered entities within specified periods; and
- Continue NERC and Regional coordination to improve processes, and information sharing.

Resource Requirements

Personnel

The number of FTEs assigned to RAPA is consistent with 2022.

Meeting & Travel Expenses

Meeting and travel costs associated with the System Operator Conference have moved from the Outreach and Training group into the RAPA group, which results in increases over 2022.

Contractors and Consultants

The 2023 budget includes contractor support for Dynamic model reduction performed through the Dynamic Working Group, seasonal probabilistic assessment support through the Resource Adequacy Working Group, the performance of the Under Frequency Load Shed study as well as the additional contractor support for the special scenario study as proposed by NERC.

Reliability Assessment and Performance Analysis Budget Detail

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 2,567,440	\$ 2,567,440	\$ -	\$ 2,910,637	\$ 343,197
Penalties Released	110,769	110,769	-	119,200	8,431
Total Statutory Funding	\$ 2,678,209	\$ 2,678,209	\$ -	\$ 3,029,837	\$ 351,628
Membership Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	2,308	-	(2,308)	2,308	-
Interest	2,769	2,853	84	2,769	-
Total Funding (A)	\$ 2,683,286	\$ 2,681,062	\$ (2,224)	\$ 3,034,914	\$ 351,628
Expenses					
Personnel Expenses					
Salaries	\$ 977,497	\$ 977,496	\$ (1)	\$ 1,002,102	\$ 24,605
Payroll Taxes	58,650	58,650	-	60,126	1,476
Benefits	103,741	103,740	(1)	110,965	7,224
Retirement Costs	123,207	123,208	1	126,308	3,101
Total Personnel Expenses	\$ 1,263,095	\$ 1,263,094	\$ (1)	\$ 1,299,501	\$ 36,406
Meeting Expenses					
Meetings & Conference Calls	\$ 42,000	\$ 42,000	\$ -	\$ 165,000	\$ 123,000
Travel	72,000	57,000	(15,000)	97,500	25,500
Total Meeting Expenses	\$ 114,000	\$ 99,000	\$ (15,000)	\$ 262,500	\$ 148,500
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 212,500	\$ 212,500	\$ -	\$ 282,482	\$ 69,982
Office Rent	-	-	-	-	-
Office Costs	25,780	25,780	-	25,280	(500)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 238,280	\$ 238,280	\$ -	\$ 307,762	\$ 69,482
Total Direct Expenses	\$ 1,615,375	\$ 1,600,374	\$ (15,001)	\$ 1,869,763	\$ 254,388
Indirect Expenses	\$ 1,096,125	\$ 1,177,048	\$ 80,923	\$ 1,220,007	\$ 123,882
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,711,500	\$ 2,777,422	\$ 65,922	\$ 3,089,770	\$ 378,270
Change in Assets	\$ (28,214)	\$ (96,360)	\$ (68,146)	\$ (54,856)	\$ (26,642)
Fixed Assets, excluding Right of Use Assets (C)	\$ 24,369	\$ -	\$ (24,369)	\$ 3,877	\$ (20,492)
TOTAL BUDGET (B+C)	\$ 2,735,869	\$ 2,777,422	\$ 41,553	\$ 3,093,647	\$ 357,778
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (52,583)	\$ (96,360)	\$ (43,777)	\$ (58,733)	\$ (6,150)
FTEs	6.30	6.30	-	6.30	-

Table A-6. Reliability Assessment and Performance Analysis Budget Detail

Training, Education, and Stakeholder Outreach

Training, Education and Stakeholder Outreach (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	8.00	8.00	-
Direct Expenses	\$ 1,565,807	\$ 1,410,428	\$ (155,379)
Indirect Expenses	\$ 1,391,905	\$ 1,549,216	\$ 157,311
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 30,945	\$ 4,923	\$ (26,022)
Total Funding Requirement	\$ 2,988,657	\$ 2,964,567	\$ (24,090)

Table A-7. Training, Education, and Stakeholder Outreach Budget

Program Scope and Functional Description

The SERC Training, Education, and Stakeholder Outreach programs provide education and training necessary to obtain essential knowledge of BPS operations, reliability and security. These programs collectively provide many risk-based outreach options to stakeholders to increase engagement, knowledge, and understanding in the SERC Region and beyond. These options offer access to coaching, training, and educational opportunities through several formats, tools, and venues.

SERC Training and Education programs have annual scheduled events and targeted efforts directed at external stakeholders. Additionally, Training and Educational programs support the continuing education of NERC Certified System Operators, security and compliance professionals, trainers, and other critical subject matter experts. Stakeholder Outreach is a voluntary program that offers targeted coaching and training to requesting registered entities, focused on best practices and risk mitigation.

2023 Key Assumptions

The 2023 key assumptions for the SERC Training, Education, and Stakeholder Outreach programs are as follows:

- SERC will support the ERO Enterprise initiative to expand risk-based focused programs and committees. Achieving this goal will require structured training and outreach.
- SERC will support the ERO Enterprise goal to mitigate known and emerging risks by providing timely and valuable outreach and training events to stakeholders. Additionally, the Stakeholder Outreach program provides guidance and coaching to entities on effective mitigation of identified and emerging risks.
- SERC's Training program will maintain SERC's status as a NERC certified Continuing Education Provider and provide training to operating personnel to promote effective operating, reliability, and security of the BPS.
- SERC will educate utility personnel regarding changes to NERC Reliability Standards, ERO Enterprise procedures, and programs that detect, monitor, report, correct, and prevent recurrence of issues with risk, reliability, security, and compliance.

- SERC will increase targeted outreach and remote (e-learning) training efforts that promote BPS reliability, security, and risk mitigation across its footprint.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC Training, Education, and Stakeholder Outreach programs are as follows:

- Develop and deliver training on required technical knowledge, skills, and abilities for key staff positions within SERC;
- Develop and deliver four System Operator Conferences that promote BPS reliability by assuring the competence of real-time operating personnel through continuing education on power system operating topics;
- Deliver risk-based security and reliability seminars or webinars to BPS system operators, operating support personnel, compliance personnel, security personnel, and training personnel to raise awareness and provide training on identified and emerging reliability, security, and compliance threats;
- Provide guidance and expectations of new or revised Reliability Standards and related procedures and programs, as well as changes in observed performance;
- Develop and deliver to internal and external stakeholders, timely and effective technical training and education that promotes the mission of SERC and the ERO Enterprise; and
- Provide targeted outreach that communicates, trains, and supports the mitigation of current and emerging threats to the BPS.

Resource Requirements

Personnel

The number of FTEs assigned to the Training, Education, and Stakeholder Outreach programs is consistent with 2022.

Meeting & Travel Expenses

Meeting and travel costs associated with the System Operator Conference have moved from the Outreach and Training group into the RAPA group, which results in decreases over 2022.

Training, Education, and Stakeholder Outreach Budget Detail

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
TRAINING AND OUTREACH					
	2022	2022	Variance	2023	Variance
	Budget	Projection	v 2022 Projection	Budget	v 2022 Budget
			Over(Under)		Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 2,654,111	\$ 2,654,111	\$ -	\$ 2,620,473	\$ (33,638)
Penalties Released	140,659	140,659	-	151,366	10,707
Total Statutory Funding	\$ 2,794,770	\$ 2,794,770	\$ -	\$ 2,771,839	\$ (22,931)
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	132,930	130,000	(2,930)	132,930	-
Interest	3,516	3,623	107	3,516	-
Total Funding (A)	\$ 2,931,216	\$ 2,928,393	\$ (2,823)	\$ 2,908,285	\$ (22,931)
Expenses					
Personnel Expenses					
Salaries	\$ 980,344	\$ 980,344	\$ -	\$ 1,021,928	\$ 41,584
Payroll Taxes	58,821	58,821	-	61,316	2,495
Benefits	98,832	98,832	-	117,689	18,857
Retirement Costs	123,580	123,580	-	128,830	5,250
Total Personnel Expenses	\$ 1,261,577	\$ 1,261,577	\$ -	\$ 1,329,763	\$ 68,186
Meeting Expenses					
Meetings & Conference Calls	\$ 120,153	\$ 120,153	\$ -	\$ 3,483	\$ (116,670)
Travel	85,690	67,690	(18,000)	74,965	(10,725)
Total Meeting Expenses	\$ 205,843	\$ 187,843	\$ (18,000)	\$ 78,448	\$ (127,395)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 96,570	\$ 96,570	\$ -	\$ -	\$ (96,570)
Office Rent	-	-	-	-	-
Office Costs	1,817	1,817	-	2,217	400
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 98,387	\$ 98,387	\$ -	\$ 2,217	\$ (96,170)
Total Direct Expenses	\$ 1,565,807	\$ 1,547,807	\$ (18,000)	\$ 1,410,428	\$ (155,379)
Indirect Expenses	\$ 1,391,905	\$ 1,494,664	\$ 102,759	\$ 1,549,216	\$ 157,311
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,957,712	\$ 3,042,471	\$ 84,759	\$ 2,959,644	\$ 1,932
Change in Assets	\$ (26,496)	\$ (114,078)	\$ (87,582)	\$ (51,359)	\$ (24,863)
Fixed Assets, excluding Right of Use Assets (C)	\$ 30,945	\$ -	\$ (30,945)	\$ 4,923	\$ (26,022)
TOTAL BUDGET (B+C)	\$ 2,988,657	\$ 3,042,471	\$ 53,814	\$ 2,964,567	\$ (24,090)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (57,441)	\$ (114,078)	\$ (56,637)	\$ (56,282)	\$ 1,159
FTEs	8.00	8.00	-	8.00	-

Table A-8. Training, Education, and Stakeholder Outreach Budget Detail

Situational Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	-
Direct Expenses	\$ 694,198	\$ 693,453	\$ (745)
Indirect Expenses	\$ 521,964	\$ 580,956	\$ 58,992
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 11,604	\$ 1,846	\$ (9,758)
Total Funding Requirement	\$ 1,227,766	\$ 1,276,255	\$ 48,489

Table A-9. Situational Awareness and Infrastructure Security Budget

Program Scope and Functional Description

The SERC Situational Awareness and Infrastructure Security (SAIS) program identifies and analyzes events and conditions that present risk to the BPS. This is accomplished by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. SERC analyzes significant BPS events and develops lessons learned to educate stakeholders on risks and vulnerabilities that could recur elsewhere within the BPS.

2023 Key Assumptions

The 2023 key assumptions for the SERC SAIS program are as follows:

- SERC will support the ERO Enterprise in the identification and mitigation of significant reliability risks, as well as the identification and assessment of conditions that indicate emerging risks.
- SERC will continue to work with NERC’s Electricity Information Sharing and Analysis Center (E-ISAC) and SERC registered entities to identify opportunities for improving information sharing on CIP-related events, threats, and vulnerabilities to improve reliability within the BPS.
- SERC will continue its Outreach program to communicate lessons learned from analysis of SAIS events.
- SERC will continue to review, track, and trend reliability events to support the ERO Enterprises’ goal of fewer, less severe events in the SERC Region.
- SERC will share mitigating measures and other BPS improvements with SERC entities and the ERO Enterprise to improve reliability on the BPS.
- SERC will continue to work with other Regional SAIS groups to identify conditions or best practices that improve reliability within the BPS.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC SAIS program are as follows:

- Continue to increase the utilization of data collection tools and data analysis to provide oversight of the BPS to support NERC reporting requirements;

- Evaluate events information to identify risk trends and benchmarking efforts;
- Develop SERC Reliability Bulletins and support NERC Lessons Learned initiatives;
- Continue stakeholder outreach efforts that encourage stakeholder participation in the SAIS program;
- Facilitate and promote post-event collaboration and coordination with NERC and applicable governmental agencies;
- Identify and prioritize risks based on reliability impacts, assessments, projected resources, and emerging issues; and
- Monitor and evaluate CIP-related threats, vulnerabilities, and events for information sharing with internal and external stakeholders.

Resource Requirements**Personnel**

The number of FTEs assigned to the SAIS program is consistent with 2022.

Meeting & Travel Expenses

Travel costs associated with the System Operator Conference have moved into the RAPA group, and budgeted travel reduced to reflect historical norms, both of which result in decreases over 2022.

Situational Awareness and Infrastructure Security Budget Detail

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
SITUATION AWARENESS AND INFRASTRUCTURE SECURITY					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ 1,149,004	\$ 1,149,004	\$ -	\$ 1,192,845	\$ 43,841
Penalties Released	52,747	52,747	-	56,762	4,015
Total Statutory Funding	\$ 1,201,751	\$ 1,201,751	\$ -	\$ 1,249,607	\$ 47,856
Membership Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	1,099	-	(1,099)	1,099	-
Interest	1,319	1,358	39	1,319	-
Total Funding (A)	\$ 1,204,169	\$ 1,203,109	\$ (1,060)	\$ 1,252,025	\$ 47,856
Expenses					
Personnel Expenses					
Salaries	\$ 507,248	\$ 507,248	\$ -	\$ 524,780	\$ 17,532
Payroll Taxes	30,435	30,435	-	31,487	1,052
Benefits	49,258	49,258	-	49,269	11
Retirement Costs	63,928	63,928	-	66,138	2,210
Total Personnel Expenses	\$ 650,869	\$ 650,869	\$ -	\$ 671,674	\$ 20,805
Meeting Expenses					
Meetings & Conference Calls	-	-	-	-	-
Travel	42,500	34,500	(8,000)	20,700	(21,800)
Total Meeting Expenses	\$ 42,500	\$ 34,500	\$ (8,000)	\$ 20,700	\$ (21,800)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	829	829	-	1,079	250
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 829	\$ 829	\$ -	\$ 1,079	\$ 250
Total Direct Expenses	\$ 694,198	\$ 686,198	\$ (8,000)	\$ 693,453	\$ (745)
Indirect Expenses	\$ 521,964	\$ 560,499	\$ 38,535	\$ 580,956	\$ 58,992
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,216,162	\$ 1,246,697	\$ 30,535	\$ 1,274,409	\$ 58,247
Change in Assets	\$ (11,993)	\$ (43,588)	\$ (31,595)	\$ (22,384)	\$ (10,391)
Fixed Assets, excluding Right of Use Assets (C)	\$ 11,604	\$ -	\$ (11,604)	\$ 1,846	\$ (9,758)
TOTAL BUDGET (B+C)	\$ 1,227,766	\$ 1,246,697	\$ 18,931	\$ 1,276,255	\$ 48,489
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (23,597)	\$ (43,588)	\$ (19,991)	\$ (24,230)	\$ (633)
FTEs	3.00	3.00	-	3.00	-

Table A-10. Situational Awareness and Infrastructure Security Budget Detail

Corporate Services

Corporate Services (in whole dollars) Direct Expenses and Fixed Assets						
	2022 Budget	2023 Budget	Increase (Decrease)	FTEs 2022 Budget	FTEs 2023 Budget	Increase (Decrease)
Technical Committees and Member Forums	\$ 1,129,720	\$ 1,162,859	\$ 33,139	3.90	3.90	-
General and Administrative	\$ 4,357,419	\$ 4,840,782	\$ 483,363	8.65	8.65	-
Legal and Regulatory	\$ 1,441,805	\$ 1,499,408	\$ 57,603	2.90	2.90	-
Analytics & Information Technology	\$ 3,585,056	\$ 4,137,943	\$ 552,887	14.30	16.30	2.00
Human Resources	\$ 1,138,627	\$ 1,139,531	\$ 904	3.00	3.00	-
Accounting and Finance	\$ 486,059	\$ 478,223	\$ (7,836)	3.00	3.00	-
Total Corporate Services	\$ 12,138,686	\$ 13,258,746	\$ 1,120,060	35.75	37.75	2.00

Table A-11. Corporate Services Budget

Program Scope and Functional Description

SERC's Corporate Services program includes the budget for all business and administrative functions of the organization:

- Technical Committees and Member Forums
- General and Administrative
- Legal and Regulatory
- Analytics and Information Technology (IT)
- Human Resources
- Finance and Accounting

Methodology for Allocation of Corporate Services Expenses to Programs

Expenses related to indirect programs are allocated proportionally to the direct programs for 2023 based on the number of FTEs in those programs.

Where applicable, Operating Expenses are accounted for within the related department's budget. If an expense cannot be attributed to a specific department, it is included in one of the Corporate Services programs. All expenses for the Corporate Services program, referred to as indirect expenses, are allocated proportionately based on FTE count to the direct programs. This allocation provides improved financial perspective for the direct program areas.

Technical Committees and Member Forums

Program Scope and Functional Description

The Technical Committees and Member Forums programs engage reliability expertise within the Region through the active participation of industry volunteers to plan and operate the BPS reliably, securely, and in compliance with Reliability Standards.

The success of SERC's Technical Committees and Member Forums depends on the active and direct participation of its members to collectively solve technical challenges facing the grid. The forums are also a source of expertise in the industry to identify, prioritize and mitigate current and emerging risk to the BPS.

2023 Key Assumptions

The 2023 key assumptions for the SERC Technical Committees and Member Forums programs are as follows:

- SERC will continue its Technical Committee and subgroup structure for effective stakeholder involvement in 2023.
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.
- SERC's Reliability Risk Working Group (RRWG) will continue to identify, and educate SERC staff and Regional members about the reliability risks to the BPS in the SERC Region from an engineering, operations, and security perspective.
- SERC will continue to partner with its members as volunteer technical resources to support the Region's mission and initiatives. As needs change, SERC will assess committee structure to continue to meet the needs of our members.
- SERC Technical Committees and Member Forums programs will manage committee work according to the *Organization and Procedures Manual for SERC Technical Committees*.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC Technical Committees and Member Forums programs are as follows:

- Convene regular meetings of the standing committees and their subordinate groups, as necessary;
- Communicate to the Board and SERC staff on issues pertaining to operation, planning, and engineering of the BPS, and the advancement of the physical and cyber security of the BPS;
- Provide a forum for representatives to share experience and discuss issues of operating, planning and engineering, and physical and cyber security;
- Perform special projects at the request of the Board;
- Review the measurement of performance relative to Reliability Standards and performance measures (e.g., GADS, TADS, Mis-operations, etc.) to determine the risk level within the SERC Region;
- Review activities within the SERC Region that affect reliability and adequacy, as necessary, to meet Reliability Standards and other reliability initiatives;

- Perform technical functions through the assignment of specific tasks to subordinate groups to address current and emerging risks;
- Coordinate the System Operator Conferences for SERC members through the SERC System Operator Working Group (SOWG)
- Provide key inputs from the SERC RRWG for the CMEP Implementation Plan; and
- Establish the Generator Working Group and engage SERC members to develop best practices for issues related to generation.

Resource Requirements**Personnel**

The number of FTEs assigned to the Technical Committees and Member Forums programs is consistent with 2022.

General and Administrative

Program Scope and Functional Description

The SERC General and Administrative function provides executive management and oversight of the corporation. Responsibilities include interacting with the Board, performing the Corporate Treasurer function, and fostering strong relationships through coordinated and consistent outreach with governmental agencies, regulators, stakeholders, and other industry organizations.

The department ensures execution of the SERC strategic priorities and the day-to-day management of the corporation.

2023 Key Assumptions

The 2023 key assumptions for the SERC General and Administrative function are as follows:

- SERC will emphasize effective execution, efficiency, and transparency with a strong culture of continuous improvement and program readiness.
- SERC will facilitate reliability-enhancing activities.
- SERC will continue its outreach and communication with stakeholders to promote effective reduction of risk to the BPS.

The General and Administrative Program incorporates the regional specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. ERO Enterprise strategic and operational objectives are considered in the development and maintenance of the SERC Strategic Plan on an annual basis.

2023 Goals and Key Deliverables

The SERC General and Administrative function will support the following goals:

- Continue high-quality performance of delegated functions while maintaining an appropriate resource requirement; and
- Provide pertinent and timely information to stakeholders to improve efficiency of interactions with SERC staff.
- Manage interface with NERC enterprise-wide internal audit initiatives

Resource Requirements

Personnel

The number of FTEs assigned to the General and Administrative function is consistent with 2022.

Contractors and Consultants

The 2023 budget includes support for corporate strategic initiatives.

Legal and Regulatory

Program Scope and Functional Description

SERC maintains in-house legal staff and hires outside legal consultants, as needed. These legal resources provide the following services:

- Provide legal advice to the Chief Executive Office, Board, and staff on legal and regulatory matters that affect SERC and the Electric Reliability Organization;
- Reconcile and determine SERC's legal position on all legal matters;
- Draft and review items filed with governmental agencies for legal sufficiency;
- Support SERC's corporate governance function, including facilitating implementation of governance changes to transition the Board into a more strategic oversight body and providing input on matters for the Board's consideration;
- Review contracts and corporate documents;
- Ensure continuing recognition of SERC as a Regional Entity;
- Negotiate and author necessary changes to SERC's governing documents, including the SERC Bylaws and Regional Delegation Agreement with NERC;
- Provide input and obtain regulatory approvals, as needed, on governance changes and for new and revised Regional Reliability Standards;
- Review legal documents, including Notices of Penalty and settlement agreements, required to be filed with FERC. Provide legal support for contested enforcement actions and other assistance;
- Provide legal counsel during compliance and enforcement proceedings and support the approval process of enforcement filings before the NERC Board of Trustees Compliance Committee and FERC;
- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders;
- Develop SERC's strategic engagement with states by building relationships with policy makers and regulators in each of the 16 states in the SERC footprint to educate on what SERC does in the areas of reliability and security, NERC and regional assessments, and reports.
- Assist in the development of and ensure proper administration of SERC corporate policies and procedures; and
- Manage relationships with SERC's outside counsel.

2023 Key Assumptions

The 2023 key assumptions for the SERC Legal and Regulatory function are as follows:

- SERC will continue to support SERC's governance structure by supporting the Board and Board committees, facilitating the selection of stakeholder and independent directors, and drafting and obtaining approval of any necessary modifications to Bylaws and other corresponding governance changes.
- SERC will continue to support the processing of enforcement actions through the development of settlement agreements and Notices of Penalty, leading settlement

negotiations with the registered entities, discussing resolutions with NERC, obtaining approvals from the NERC Board of Trustees Compliance Committee, and with FERC;

- SERC will continue to enhance its strategic engagement with states by building relationships with policy makers and regulators in each of the 16 states in the SERC footprint to educate on what SERC does in the areas of reliability and security, NERC and regional assessments, and reports.
- SERC will proactively engage with NERC and FERC to help ensure SERC's continued recognition as a Regional Entity.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC Legal and Regulatory function are as follows:

- Work with Enforcement to support processing enforcement actions, including the documentation of settlement agreements and Notices of Penalty, through the filing process at FERC;
- Support SERC's corporate governance needs;
- Support SERC's corporate legal needs; and
- Work with NERC and other Regions on obtaining renewal of SERC's Regional Delegation Agreement with NERC.

Resource Requirements

Personnel

The number of FTEs assigned to the Legal and Regulatory function is consistent with 2022.

Analytics and Information Technology

Program Scope and Functional Description

SERC's Analytics and Data Management, Information Technology (IT), and Security departments are implementing and integrating maturity model frameworks to increase the effectiveness and efficiency of SERC's security, technology, and data management. Increased maturity in these areas will provide security risk mitigation, increased technology innovation, support data collection and accuracy, and improve data-driven decisions and insights across SERC. The Analytics and Data Management, Information Technology, and Security programs include the following functions:

- IT Operations
- Analytics and Data Management
- Security Operations

The IT function offers computer and network services, including design and maintenance for the SERC computer and network infrastructure, as well as project and vendor management for all current and future technology-related contracts. The IT program executes and maintains the following functions:

- Improves Technology Service Delivery through implementing Information Technology Infrastructure Library's (ITIL) Information Technology Service Management (ITSM) Framework;
- Supports Security initiatives and NIST Cyber Security Framework;
- Ensures protection of SERC and registered entity data;
- Provides onsite end user support and services to conduct SERC business;
- Provides SERC users with Align and the Secure Evidence Locker support; and
- Provides project management and deployment of technical solutions.

The Analytics and Data Management function leverages information as a strategic asset. Data is critical to SERC's continued success, deepening relationships with stakeholders, and providing meaningful analysis of risk areas across the SERC Region. Analytics executes the following functions:

- Manage usability and integrity of data;
- Evaluation of data to determine risk;
- Visualization and reporting of data;
- Insight development; and
- Calculation of key performance indicators and operations metrics for SERC.

SERC's Security Operations function will continue efforts to enhance the company's security posture to ensure cybersecurity is an essential component of the organization's culture. The Security program executes the following functions:

- Ensuring the proper controls are in place to protect the confidentiality, integrity and availability of SERC's IT infrastructure, business critical assets and data;
- Monitoring, evaluating and reporting control deficiencies and recommendations on a periodic basis;

- Partnering within SERC and the ERO to provide necessary cyber security awareness training

SERC supports the NERC Project Management Office (PMO) in its efforts to provide technology tools across the ERO Enterprise. SERC's budget assumes the availability of new and existing technology tools from the PMO and other sources. If the required technology tools are not available as planned, SERC could incur additional costs to ensure fulfillment of its core responsibilities.

NERC and the Regional Entities will collaborate to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture and software and data systems supporting both NERC and Regional Entity operations. NERC's BP&B will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity-approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved BP&B.

2023 Key Assumptions

The 2023 key assumptions for the Analytics and Information Technology program are as follows:

- SERC will continue to evaluate and consider shared ERO services and partnerships.
- SERC will continue to purchase and maintain a hardware and software lifecycle necessary to conduct business.
- SERC will continue utilizing secure third-party hosting centers.
- SERC will continue to support the ERO's Cybersecurity Strategy objectives and initiatives.
- SERC will continue to assess, enhance, and strengthen SERC's security posture.

2023 Goals and Key Deliverables

The 2023 goals and deliverables for the Analytics and Information Technology program are as follows:

- Improve the capabilities of SERC's Business Intelligence Center (BIC) to include internally focused operations reporting;
- Update and consolidate SERC committee and reliability portals, as the compliance portal is phased out to continue to provide the remaining functionality;
- Support the deployment of the Align application tool and Secure Evidence Locker (SEL);
- Upgrade Information Technology infrastructure per lifecycle management;
- Implement a multi-year plan that implements Information Technology and Security NIST Cybersecurity framework and strategy;
- Implement a multi-year plan to integrate a Data Management framework;
- Improve cyber and physical security controls to defend against emerging threats;
- Formalize and define Information Technology and Security policies, processes and procedures; and
- Implement new ERO-sponsored Security and Information Technology consolidation efforts.

Resource Requirements

Personnel

SERC has increased staffing levels in the IT department as personnel are needed to strengthen SERC's security posture and address expected impacts of the rapidly evolving cyber security threat landscape and ERO wide Align Project and Secure Evidence Locker (SEL), resulting in an overall increase of two FTEs.

Contractors and Consultants

The 2023 budget decreased as SERC anticipates an overall decrease in consultants and contracts as reliance on outside IT contractor support transitions to FTEs combined with fewer large projects in 2023.

Office Costs

The 2023 budget increase for the Advanced Analytics and IT program is primarily due to anticipated additional software costs associated with the support and maintenance of SERC's robust cyber security goals.

Human Resources

Program Scope and Functional Description

The SERC Human Resources function provides the organization with structure and the ability to meet business needs through managing our most valuable resources— our employees. The Human Resources department is responsible for a variety of essential functions:

- Strategic and succession planning across all areas of human resources.
- Recruitment and retention, hiring for cultural fit, employee relations, performance management, training and professional development and employee engagement.
- Compliance with state and federal laws to minimize organizational liability.
- Analysis and administration of competitive compensation and total rewards programs.
- Management of payroll, Human Resource Information Systems, and employee benefits administration.

2023 Key Assumptions

The 2023 key assumptions for the Human Resources function are as follows:

- SERC assumes a 5% vacancy rate to total Personnel Expenses.
- SERC will provide competitive compensation and benefits packages.
- SERC will ensure that staff attains and maintains elevated professional credentials to remain a leader in the industry.
- SERC will provide a Board-approved merit salary increase. The salary expense budget for all program areas reflects this assumption.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the Human Resources department are as follows:

- Promote employee engagement and empowerment;

- Attract, develop, and retain highly competent and motivated staff;
- Review compensation and benefits to ensure organization and industry competitiveness;
- Create growth, training and development opportunities for staff
- Promote a diverse and inclusive workplace; and
- Lead efforts to keep SERC a highly desirable place to work.

Resource Requirements

Personnel

The number of FTEs assigned to the Human Resources program is consistent with 2022.

Contractors and Consultants

The 2023 budget decreased and includes contractor support for leadership development and staff training.

Finance and Accounting

Program Scope and Functional Description

The SERC Finance and Accounting department provides accounting, analytical, and treasury services for SERC by performing the following functions:

- Develop SERC’s BP&B and provide ongoing financial analysis regarding expenditures and forecasts;
- Prepare monthly, quarterly, and annual financial statements;
- Review and refine accounting policies, procedures, and internal fiscal controls to support the changing business environment;
- Coordinate with external auditors to ensure timely completion of the annual audit;
- Prepare and file required federal and state tax returns;
- Maintain banking relationships and manage cash flow and investments; and
- Support the ERO’s funding process by annually collecting NEL data as mandated by FERC;
- Work with the ERO Finance Working Group to provide consistent reporting throughout NERC and the Regions; and
- Manage accounts payable, accounts receivable, and fixed assets.

2023 Key Assumptions

The 2023 key assumptions for the Finance and Accounting function are as follows:

- Current accounting systems and controls are effective.
- There are no major changes in applicable accounting regulations.

2023 Goals and Key Deliverables

The 2023 goals and key deliverables for the SERC Finance and Accounting department are as follows:

- Allocate financial resources in a manner that best promotes the security and reduction of risk to the BPS;
- Identify and prioritize opportunities, and create efficiency through new processes, procedures, and technology;
- Provide timely, relevant, and accurate reporting and financial analysis to SERC management, the FAC, and the Board; and
- Ensure SERC has effective financial controls and exercises fiscal prudence.

Resource Requirements

Personnel

The number of FTEs assigned to the Finance and Accounting program is consistent with 2022.

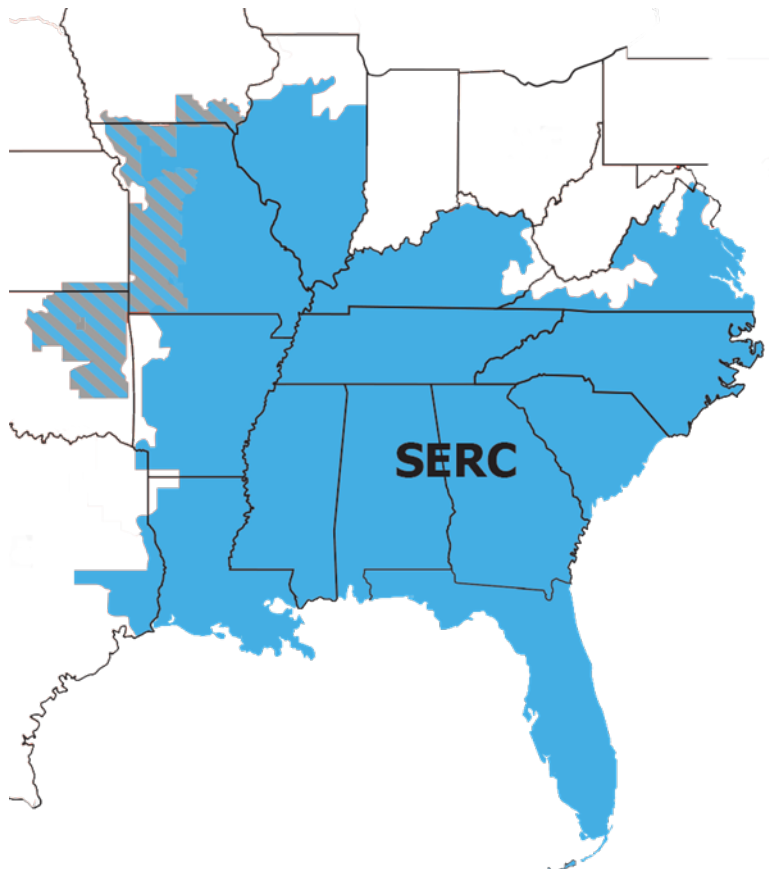
Corporate Services Program Budget Detail

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
CORPORATE SERVICES					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total Statutory Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops & Miscellaneous	-	25,000	25,000	-	-
Interest	-	-	-	-	-
Total Funding (A)	\$ -	\$ 25,000	\$ 25,000	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 5,861,951	\$ 5,811,951	\$ (50,000)	\$ 6,799,194	\$ 937,243
Payroll Taxes	349,293	349,293	-	404,201	54,908
Benefits	894,622	894,622	-	1,079,668	185,046
Retirement Costs	753,103	753,103	-	878,752	125,649
Total Personnel Expenses	\$ 7,858,969	\$ 7,808,969	\$ (50,000)	\$ 9,161,815	\$ 1,302,846
Meeting Expenses					
Meetings & Conference Calls	\$ 268,554	\$ 268,554	\$ -	\$ 267,263	\$ (1,291)
Travel	232,675	185,675	(47,000)	255,575	22,900
Total Meeting Expenses	\$ 501,229	\$ 454,229	\$ (47,000)	\$ 522,838	\$ 21,609
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 1,068,874	\$ 1,018,874	\$ (50,000)	\$ 811,929	\$ (256,945)
Office Rent	840,067	840,067	-	850,067	10,000
Office Costs	1,104,187	1,104,187	-	1,341,947	237,760
Professional Services	501,360	501,360	-	528,150	26,790
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 3,514,488	\$ 3,464,488	\$ (50,000)	\$ 3,532,093	\$ 17,605
Total Direct Expenses	\$ 11,874,686	\$ 11,727,686	\$ (147,000)	\$ 13,216,746	\$ 1,342,060
Indirect Expenses	\$ (11,874,686)	\$ (11,727,686)	\$ 147,000	\$ (13,216,746)	\$ (1,342,060)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ 25,000	\$ 25,000	\$ -	\$ -
Fixed Assets, excluding Right of Use Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ 25,000	\$ 25,000	\$ -	\$ -
FTEs	35.75	37.75	2.00	37.75	2.00

Table A-12. Corporate Services Budget Detail

Section B – Supplemental Financial Information

2023 Business Plan and Budget



Section B – Supplemental Financial Information**Working Capital and Assessment Stabilization Reserve Analysis**

Reserve Analysis			
STATUTORY			
	Total Reserves	Working Capital Reserve	Assessment Stabilization Reserve¹
Beginning Reserves, January 1, 2022	\$ 8,186,304	\$ 2,777,966	\$ 5,408,338
Plus: 2022 Funding (from Load-Serving Entities (LSE) or designees)	\$ 24,798,934	\$ 24,798,934	\$ -
Plus: 2022 Other funding sources	196,000	196,000	-
Penalties released from Assessment Stabilization Reserve in 2022	-	1,200,000	(1,200,000)
Penalty Sanctions January 1 - June 30, 2022	1,183,000	-	1,183,000
Less: 2022 Projected expenses & capital expenditures	(26,744,260)	(26,744,260)	-
Projected Reserves, December 31, 2022	\$ 7,619,978	\$ 2,228,640	\$ 5,391,338
Targeted Reserve, December 31, 2023	\$ 5,792,960	\$ 1,692,960	\$ 4,100,000
Less: Projected Reserves, December 31, 2022	(7,619,978)	(2,228,640)	(5,391,338)
Increase/(decrease) to 2022 Assessments	\$ (1,827,018)	\$ (535,680)	\$ (1,291,338)
2023 Expenses and Capital Expenditures	\$ 28,215,894		
Less: Penalties released from Assessment Stabilization Reserve	(1,291,338)		
Adjustment to achieve targeted Working Capital Reserve	(535,680)		
Less: Other funding sources	(196,000)		
2023 SERC Assessment	\$ 26,192,876		

¹ Penalty sanctions are added to the Assessment Stabilization Reserve upon approval of the enforcement action by FERC, and released to offset future assessments, as approved by SERC's Board of Directors.

Table B-1. Working Capital Reserve Analysis 2022- 2023**Explanation of the Working Capital Reserve**

Pursuant to SERC's Cash Reserves Policy, as approved by the Board on June 26, 2019, SERC maintains a Working Capital Reserve to satisfy cash flow needs for daily operations, as well as for contingencies that were not anticipated at the time the BP&B was prepared. The policy provides for a working capital target of up to 10% of the annual budget. The targeted Working Capital Reserve included in SERC's 2023 BP&B is \$1,692,960. SERC reduced the 2023 ERO Assessments by \$535,680 to adjust its Working Capital Reserve to the targeted amount.

Explanation of the Assessment Stabilization Reserve

Pursuant to SERC's Cash Reserves Policy, SERC maintains an Assessment Stabilization Reserve to mitigate annual assessment volatility. With NERC and FERC approval, Penalty sanctions are added to the reserve, and released to offset assessments in future years. SERC is requesting to place \$3,226,338 of Penalty sanctions received between July 1, 2021 and June 30, 2022, into the Assessment Stabilization Reserve, and to release \$1,291,338 from the Assessment Stabilization Reserve to offset 2023 SERC Assessments.

Breakdown by Statement of Activity Sections

The following detailed schedules support the Statement of Activities and Capital Expenditures, page 12, of the 2023 BP&B. All significant variances have been disclosed by program area on the preceding pages.

Penalty Sanctions

All penalty monies received between July 1, 2021 and June 30, 2022, are detailed below, including the amount and date received.

Pursuant to the NERC ROP Section 1107.4, SERC is requesting an exception to NERC ROP 1107.2. *All funds from financial Penalties assessed in the United States received by the entity initiating the compliance monitoring and enforcement process shall be applied as a general offset to the entity's budget requirements for the subsequent fiscal year, if received by July 1, or for the second subsequent fiscal year, if received on or after July 1.* Specifically, SERC is requesting an exception in order to place \$3,226,338 of Penalty sanctions received between July 1, 2021 and June 30, 2022, into the Assessment Stabilization Reserve, and to release \$1,291,338 from the Assessment Stabilization Reserve to offset 2023 SERC Assessments.

Allocation Method: Penalty sanctions released to offset 2023 assessments have been allocated to the following statutory programs to reduce assessments: Reliability Standards, Compliance Monitoring and Enforcement, RAPA, Training, Education and Stakeholder Outreach, and SAIS. Penalty sanctions are allocated based upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2022.

Penalty Sanctions Received on or Prior to June 30, 2022			
Payment	Date Received	Amount Received	
Penalty payment 1	9/15/2021	\$	420,000
Penalty payment 2	9/15/2021		260,000
Penalty payment 3	11/8/2021		1,188,000
Penalty payment 4	11/10/2021		175,338
Penalty payment 5	1/24/2022		40,000
Penalty payment 6	3/10/2022		111,000
Penalty payment 7	3/29/2022		120,000
Penalty payment 8	3/31/2022		165,000
Penalty payment 9	4/14/2022		36,000
Penalty payment 10	4/21/2022		435,000
Penalty payment 11	4/25/2022		245,000
Penalty payment 12	5/3/2022		31,000
Total Penalties Received		\$	3,226,338

Table B-2. Penalty Sanctions Received

Table B-3 Supplemental Funding

Other Revenue Breakdown By Program (Excludes Assessments & Penalty Sanctions)	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget
Reliability Standards				
Workshops & Miscellaneous	\$ 183	\$ -	\$ 183	\$ -
Interest	\$ 220	\$ 226	\$ 220	\$ -
Total	\$ 403	\$ 226	\$ 403	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Workshops & Miscellaneous	\$ 29,480	\$ 11,000	\$ 29,480	\$ -
Interest	\$ 22,176	\$ 21,940	\$ 22,176	\$ -
Total	\$ 51,656	\$ 32,940	\$ 51,656	\$ -
Reliability Assessment and Performance Analysis				
Workshops & Miscellaneous	\$ 2,308	\$ -	\$ 2,308	\$ -
Interest	\$ 2,769	\$ 2,853	\$ 2,769	\$ -
Total	\$ 5,077	\$ 2,853	\$ 5,077	\$ -
Training, Education and Stakeholder Outreach				
Workshops & Miscellaneous	\$ 132,930	\$ 130,000	\$ 132,930	\$ -
Interest	\$ 3,516	\$ 3,623	\$ 3,516	\$ -
Total	\$ 136,446	\$ 133,623	\$ 136,446	\$ -
Situation Awareness and Infrastructure Security				
Workshops & Miscellaneous	\$ 1,099	\$ -	\$ 1,099	\$ -
Interest	\$ 1,319	\$ 1,358	\$ 1,319	\$ -
Total	\$ 2,418	\$ 1,358	\$ 2,418	\$ -
Corporate Services				
Workshops & Miscellaneous	\$ -	\$ 25,000	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 25,000	\$ -	\$ -
Total Outside Funding	\$ 196,000	\$ 196,000	\$ 196,000	\$ -

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Workshops and Miscellaneous funding in 2023 remains the same from the 2022 budget due to anticipated return to in-person workshop attendance.

Table B-4 Personnel Expenses

Personnel Expenses	Budget 2022	Projection 2022	Budget 2023	Variance	
				2022 Budget v 2023 Budget	Variance %
Total Salaries	\$ 16,239,814	\$ 16,114,814	\$ 17,445,769	\$ 1,205,955	7.4%
Total Payroll Taxes	\$ 971,965	\$ 971,965	\$ 1,042,996	\$ 71,031	7.3%
Total Benefits	\$ 1,981,828	\$ 1,981,828	\$ 2,256,982	\$ 275,154	13.9%
Total Retirement	\$ 2,061,442	\$ 2,061,442	\$ 2,221,068	\$ 159,626	7.7%
Total Personnel Costs	\$ 21,255,049	\$ 21,130,049	\$ 22,966,815	\$ 1,711,766	8.1%
FTEs	104.0	104.0	106.0	2.0	1.9%
Cost per FTE					
Salaries	\$ 156,152	\$ 154,950	\$ 164,583	\$ 8,431	5.4%
Payroll Taxes	9,346	9,346	9,840	494	5.3%
Benefits	19,056	19,056	21,292	2,236	11.7%
Retirement	19,822	19,822	20,953	1,132	5.7%
Total Cost per FTE	\$ 204,375	\$ 203,174	\$ 216,668	\$ 12,293	6.0%

Table B-4. Personnel Expenses**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

The budget reflects a Board-approved merit increase and an increase in health insurance premiums. A vacancy rate of 5% has been applied to all Personnel Expenses.

The combination of two incremental FTEs and a shift toward in-house versus third party resources is driving increases in Salaries, Benefits and Retirement expenses.

Table B-5 Meeting Expenses

Meeting, Conference & Travel Expense	Budget		Projection		Variance	
	2022	2022	2023	2023	2022 Budget v 2023 Budget	Variance %
Meeting & Conference Expenses	\$ 443,307	\$ 443,307	\$ 448,836	\$ 448,836	\$ 5,529	1.2%
Travel Expenses	\$ 855,340	\$ 680,340	\$ 877,727	\$ 877,727	\$ 22,387	2.6%
Total Meeting, Conference & Travel Expenses	\$ 1,298,647	\$ 1,123,647	\$ 1,326,563	\$ 1,326,563	\$ 27,916	2.1%

Table B-5. Meeting Expenses**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

The 2023 budget includes a slight increase in Meeting Expenses related to Training and Outreach activities.

Travel expenses reflect a moderate increase associated with rising travel costs as SERC staff continue to utilizing a hybrid mix of on-site and virtual meetings.

Consultants and Contracts	Budget	Projection	Budget	Variance	
	2022	2022	2023	2022 Budget v 2023 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	-	-	-	-	
Reliability Assessment and Performance Analysis	212,500	212,500	282,482	69,982	32.9%
Training and Outreach	96,570	96,570	-	(96,570)	(100.0%)
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	1,068,874	1,018,874	811,929	(256,945)	(24.0%)
Total Consultants and Contracts	\$ 1,377,944	\$ 1,327,944	\$ 1,094,411	\$ (283,533)	(20.6%)

Table B-6 Consultants and Contracts

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

RAPA – The 2023 increase is due to Contract support for the System Operator Conferences being moved from Training and Outreach to RAPA. The budget also includes contractor support for Dynamic model reduction performed through the Dynamic Working Group, seasonal probabilistic assessment support through the Resource Adequacy Working Group, the performance of the Under Frequency Load Shed study as well as the additional contractor support for the special scenario study as proposed by NERC.

Training and Outreach – The 2023 decrease is due to Contract support for the System Operator Conferences being moved from Training and Outreach to RAPA.

Corporate Services:

- **General & Administrative** – The 2023 budget includes support for corporate strategic initiatives which are lower than what was required in 2022.
- **IT** – Reduced reliance on third party resources is driving the reduction to contractor and consulting expenses.

Table B-7 Office Rent

Office Rent	Budget		Projection		Variance	
	2022	2022	2023	2023	2022 Budget v 2023 Budget	Variance %
Office Rent	\$ 840,067	\$ 840,067	\$ 850,067	\$ 850,067	10,000	1.2%
Utilities	-	-	-	-	-	0.0%
Maintenance	-	-	-	-	-	0.0%
Total Office Rent	\$ 840,067	\$ 840,067	\$ 850,067	\$ 850,067	10,000	1.2%

Table B-7. Office Rent

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Increase in building's operational Common Area Maintenance expenses.

Table B-8 Office Costs

Office Costs	Budget		Projection		Variance	
	2022	2022	2023	2023	2022 Budget v 2023 Budget	Variance %
Telephone	\$ 160,420	\$ 160,420	\$ 182,340	\$ 182,340	21,920	13.7%
Office Supplies	97,408	97,408	86,209	86,209	(11,199)	(11.5%)
Computers, Hardware and Supplies	112,000	112,000	75,000	75,000	(37,000)	(33.0%)
Software	607,233	607,233	838,243	838,243	231,010	38.0%
Publications & Subscriptions	20,420	20,420	20,500	20,500	80	0.4%
Dues	29,712	29,712	33,997	33,997	4,285	14.4%
Postage, Shipping & Copying	14,000	14,000	14,000	14,000	-	0.0%
Equipment Repair/Service Contracts	36,000	36,000	66,000	66,000	30,000	83.3%
Bank Charges	3,000	3,000	3,000	3,000	-	0.0%
Taxes	25,000	25,000	25,000	25,000	-	0.0%
Merchant Credit Card Fees	12,000	12,000	9,600	9,600	(2,400)	(20.0%)
Insurance - Commercial	54,000	54,000	54,000	54,000	-	0.0%
Total Office Costs	\$ 1,171,193	\$ 1,171,193	\$ 1,407,889	\$ 1,407,889	236,696	20.2%

Table B-8. Office Costs

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Telephone - expenses projected to increase as cost of wireless services and phone equipment rise.

Office Supplies – a printer lease program planned for 2023 will reduce the need to purchase toner supplies. Increase is reflected in Equipment Repairs/Service Contracts.

Computer, Hardware and Supplies – decreases as some server purchases will be capitalized in 2023.

Software – increase due to anticipated additional software costs associated with the support and maintenance of SERC's robust cyber security goals.

Table B-9 Professional Services

Professional Services	Budget 2022	Projection 2022	Budget 2023	Variance	
				2022 Budget v 2023 Budget	Variance %
Outside Legal	\$ 72,400	\$ 72,400	\$ 49,000	\$ (23,400)	(32.3%)
Independent Director Fees	\$ 394,800	\$ 394,800	\$ 440,000	\$ 45,200	11.4%
Accounting & Auditing Fees	34,160	34,160	39,150	4,990	14.6%
Total Services	\$ 501,360	\$ 501,360	\$ 528,150	\$ 26,790	5.3%

Table B-9. Professional Services

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

Outside Legal expenses are decreasing based on historical norms. Independent Director Fees have increased to reflect actual cost.

Table B-10 Miscellaneous

Miscellaneous Expenses	Budget 2022	Projection 2022	Budget 2023	Variance	
				2022 Budget v 2023 Budget	Variance %
Miscellaneous	\$ -	\$ -	\$ -	\$ -	-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	-

Table B-10. Miscellaneous

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

There are no costs budgeted for these items in 2022 or 2023.

Table B-11 Non-Operating Expenses

Other Non-Operating Expenses	Budget 2022	Projection 2022	Budget 2023	Variance	
				2022 Budget v 2023 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Table B-11. Other Non-Operating Expenses

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

There are no costs budgeted for these items in 2022 or 2023.

Table B-12 Fixed Assets

Fixed Assets	Budget 2022	Projection 2022	Budget 2023	Variance	
				2022 Budget v 2023 Budget	Variance %
Computer & Software CapEx	\$ 264,000	\$ 650,000	\$ -	\$ (264,000)	(100.0%)
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	42,000	42,000	
Leasehold Improvements	-	-	-	-	
	\$ 264,000	\$ 650,000	\$ 42,000	\$ (222,000)	(84.1%)

Table B-12. Fixed Assets

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

An overall Fixed Asset decrease of \$222,000 is due to fewer capitalized purchases for cyber security enhancements. Planned server hardware purchases will be capitalized in 2023.

Table B-13 2023 and 2024 Projections

Statement of Activities and Capital Expenditures							
2023 Budget & Projected 2024 and 2025 Budgets							
Statutory							
	2023	2024	\$ Change	% Change	2025	\$ Change	% Change
	Budget	Projection	23 v 24	23 v 24	Projection	24 v 25	24 v 25
Funding							
Statutory Funding							
SERC Assessments	\$ 26,192,877	\$ 27,774,907	\$ 1,582,030	6.0%	\$ 29,014,882	\$ 1,239,975	4.5%
Penalties Released*	1,291,337	1,425,000	133,663	10.4%	1,300,000	(125,000)	(8.8%)
Total Statutory Funding	\$ 27,484,214	\$ 29,199,907	\$ 1,715,693	6.2%	\$ 30,314,882	\$ 1,114,975	3.8%
Membership Fees	\$ -	\$ -	\$ -		\$ -	\$ -	
Workshops & Miscellaneous	166,000	166,000	-	0.0%	166,000	-	0.0%
Interest	30,000	30,000	-	0.0%	30,000	-	0.0%
Total Funding (A)	\$ 27,680,214	\$ 29,395,907	\$ 1,715,693	6.2%	\$ 30,510,882	\$ 1,114,975	3.8%
Expenses							
Personnel Expenses							
Salaries	\$ 17,445,769	\$ 18,143,600	\$ 697,831	4.0%	\$ 18,687,908	\$ 544,308	3.0%
Payroll Taxes	1,042,996	1,084,716	41,720	4.0%	1,117,257	32,541	3.0%
Benefits	2,256,982	2,426,256	169,274	7.5%	2,499,043	72,788	3.0%
Retirement Costs	2,221,068	2,309,911	88,843	4.0%	2,379,208	69,297	3.0%
Total Personnel Expenses	\$ 22,966,815	\$ 23,964,482	\$ 997,667	4.3%	\$ 24,683,416	\$ 718,934	3.0%
Meeting Expenses							
Meetings & Conference Calls	\$ 448,836	\$ 448,836	\$ -	0.0%	\$ 453,324	\$ 4,488	1.0%
Travel	877,727	877,727	-	0.0%	886,504	8,777	1.0%
Total Meeting Expenses	\$ 1,326,563	\$ 1,326,563	\$ -	0.0%	\$ 1,339,829	\$ 13,266	1.0%
Operating Expenses, excluding Depreciation							
Consultants & Contracts	\$ 1,094,411	1,094,411	\$ -	0.0%	1,105,355	\$ 10,944	1.0%
Office Rent	850,067	858,568	8,501	1.0%	1,200,000	341,432	39.8%
Office Costs	1,407,889	1,407,889	-	0.0%	1,421,968	14,079	1.0%
Professional Services	528,150	543,995	15,845	3.0%	560,314	16,320	3.0%
Miscellaneous	-	-	-		-	-	
Total Operating Expenses	\$ 3,880,517	\$ 3,904,862	\$ 24,345	0.6%	\$ 4,287,637	\$ 382,775	9.8%
Total Direct Expenses	\$ 28,173,895	\$ 29,195,907	\$ 1,022,012	3.6%	\$ 30,310,882	\$ 1,114,975	3.8%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses (B)	\$ 28,173,895	\$ 29,195,907	\$ 1,022,012	3.6%	\$ 30,310,882	\$ 1,114,975	3.8%
Change in Assets	\$ (493,681)	\$ 200,000	\$ 693,681	(140.5%)	\$ 200,000	\$ -	0.0%
Fixed Assets							
Computer & Software CapEx	-	200,000	200,000		200,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	42,000	-	(42,000)	(100.0%)	-	-	
Leasehold Improvements	-	-	-		-	-	
Allocation of Fixed Assets	-	-	-		-	-	
Incr(Dec) in Fixed Assets (C)	\$ 42,000	\$ 200,000	\$ 158,000	376.2%	\$ 200,000	\$ -	0.0%
TOTAL BUDGET (B+C)	\$ 28,215,895	\$ 29,395,907	\$ 1,180,012	4.2%	\$ 30,510,882	\$ 1,114,975	3.8%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (535,681)	\$ -	\$ 535,681	(100.0%)	\$ -	\$ -	
FTEs	106.0	106.0	-	0.0%	106.0	-	0.0%

* Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the SERC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Table B-13. Budget 2023 Compared with 2023-2023 Projections

Approved By Board of Directors June 23, 2022

Explanation of 2024 and 2025 Budget Projections

Personnel Expenses

- Annual merit pay increases in 2024 and 2025
- Annual increase in insurance premiums; and
- A continuation of a 5% vacancy rate.

Meeting Expenses

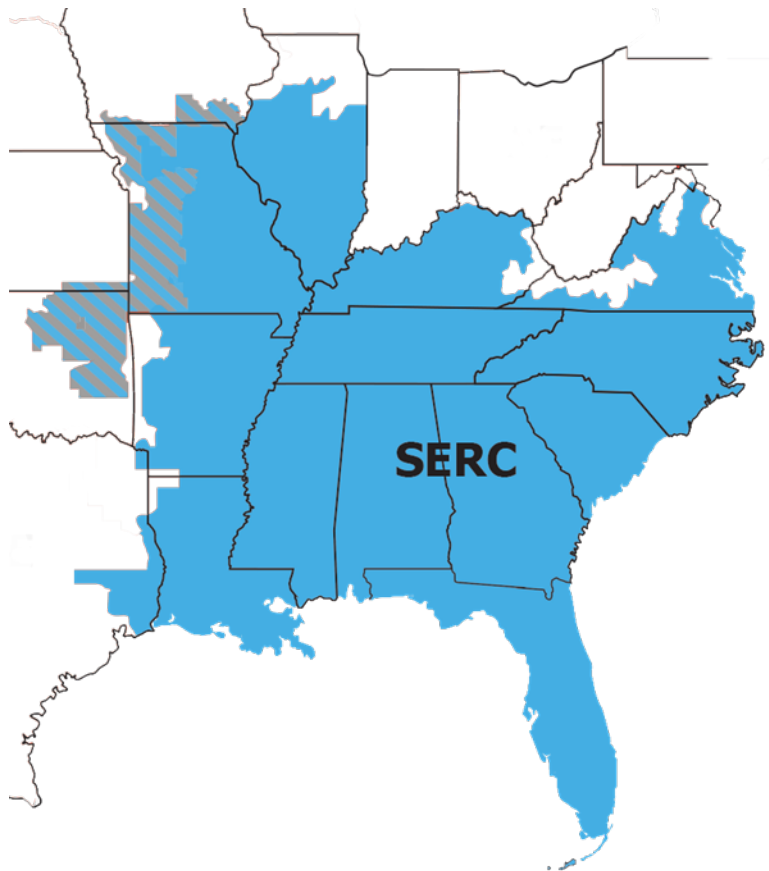
- Meetings and travel costs include a 1% inflationary increase in 2025.

Operating Expenses

- Commercial lease rates have increased significantly in recent years, and will have an impact on rent expense when the current office lease expires in 2025.
- Professional services include a 3% increase in both 2024 and 2025 associated with Independent Director Fees.
- Other operating expenses remain flat for 2024 and include a 1% inflationary increase in 2025.

Section C – Non-Statutory Activities

2023 Business Plan and Budget



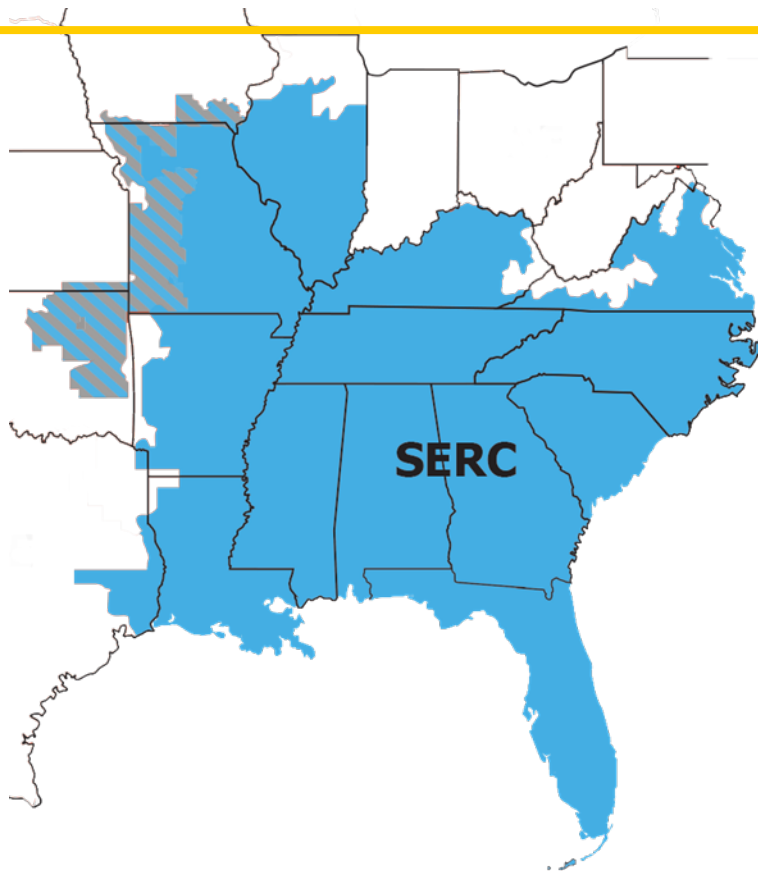
Section C – Non-Statutory Activities

2023 Non-Statutory Business Plan and Budget

At present, SERC does not provide any non-statutory functions; therefore, Section C is not applicable at this time. However, SERC may in the future consider providing non-statutory functions from time to time, as appropriate and as permitted by its Board and applicable statutes and regulations.

Section D – Additional Consolidated Financial Statements

2023 Business Plan and Budget



Consolidated Financial Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards	Compliance Monitoring and Enforcement; Organization Registration and Certification	Reliability Assessment and Performance Analysis	Training and Outreach	Situation Awareness and Infrastructure Security	Corporate Services
Funding										
Statutory Funding										
SERC Assessments	\$ 26,192,877	\$ 26,192,877	\$ -	\$ 26,192,877	\$ 221,439	\$ 19,247,483	\$ 2,910,637	\$ 2,620,473	\$ 1,192,845	\$ -
Penalties Released	1,291,337	1,291,337	-	1,291,337	9,460	954,549	119,200	151,366	56,762	-
Total Statutory Funding	\$ 27,484,214	\$ 27,484,214	\$ -	\$ 27,484,214	\$ 230,899	\$ 20,202,032	\$ 3,029,837	\$ 2,771,839	\$ 1,249,607	\$ -
Non-statutory Funding										
Workshops & Miscellaneous	\$ 166,000	\$ 166,000	\$ -	\$ 166,000	\$ 183	\$ 29,480	\$ 2,308	\$ 132,930	\$ 1,099	\$ -
Interest	30,000	30,000	-	30,000	220	22,176	2,769	3,516	1,319	-
Total Funding (A)	\$ 27,680,214	\$ 27,680,214	\$ -	\$ 27,680,214	\$ 231,302	\$ 20,253,688	\$ 3,034,914	\$ 2,908,285	\$ 1,252,025	\$ -
Expenses										
Personnel Expenses										
Salaries	\$ 17,445,770	\$ 17,445,770	\$ -	\$ 17,445,770	\$ 106,056	\$ 7,991,710	\$ 1,002,102	\$ 1,021,928	\$ 524,780	\$ 6,799,194
Payroll Taxes	1,042,996	1,042,996	-	1,042,996	6,363	479,503	60,126	61,316	31,487	404,201
Benefits	2,256,982	2,256,982	-	2,256,982	10,378	889,013	110,965	117,689	49,269	1,079,668
Retirement Costs	2,221,067	2,221,067	-	2,221,067	13,347	1,007,692	126,308	128,830	66,138	878,752
Total Personnel Expenses	\$ 22,966,815	\$ 22,966,815	\$ -	\$ 22,966,815	\$ 136,144	\$ 10,367,918	\$ 1,299,501	\$ 1,329,763	\$ 671,674	\$ 9,161,815
Meeting Expenses										
Meetings & Conference Calls	\$ 448,836	\$ 448,836	\$ -	\$ 448,836	\$ -	\$ 13,090	\$ 165,000	\$ 3,483	\$ -	\$ 267,263
Travel	877,727	877,727	-	877,727	2,500	426,487	97,500	74,965	20,700	255,575
Total Meeting Expenses	\$ 1,326,563	\$ 1,326,563	\$ -	\$ 1,326,563	\$ 2,500	\$ 439,577	\$ 262,500	\$ 78,448	\$ 20,700	\$ 522,838
Operating Expenses, excluding Depreciation										
Consultants & Contracts	\$ 1,094,411	\$ 1,094,411	\$ -	\$ 1,094,411	\$ -	\$ -	\$ 282,482	\$ -	\$ -	\$ 811,929
Office Rent	850,067	850,067	-	850,067	-	-	-	-	-	850,067
Office Costs	1,407,889	1,407,889	-	1,407,889	-	37,366	25,280	2,217	1,079	1,341,947
Professional Services	528,150	528,150	-	528,150	-	-	-	-	-	528,150
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 3,880,517	\$ 3,880,517	\$ -	\$ 3,880,517	\$ -	\$ 37,366	\$ 307,762	\$ 2,217	\$ 1,079	\$ 3,532,093
Total Direct Expenses	\$ 28,173,895	\$ 28,173,895	\$ -	\$ 28,173,895	\$ 138,644	\$ 10,844,861	\$ 1,869,763	\$ 1,410,428	\$ 693,453	\$ 13,216,746
Indirect Expenses	\$ -	\$ 0	\$ -	\$ 0	\$ 96,826	\$ 9,769,741	\$ 1,220,007	\$ 1,549,216	\$ 580,956	\$ (13,216,746)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 28,173,895	\$ 28,173,895	\$ -	\$ 28,173,895	\$ 235,470	\$ 20,614,602	\$ 3,089,770	\$ 2,959,644	\$ 1,274,409	\$ -
Change in Assets	\$ (493,681)	\$ (493,681)	\$ -	\$ (493,681)	\$ (4,168)	\$ (360,914)	\$ (54,856)	\$ (51,359)	\$ (22,384)	\$ -
Capital Expenditures										
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	42,000	42,000	-	42,000	-	-	-	-	-	42,000
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	308	31,046	3,877	4,923	1,846	(42,000)
Fixed Assets, excluding Right of Use Assets (C)	\$ 42,000	\$ 42,000	\$ -	\$ 42,000	\$ 308	\$ 31,046	\$ 3,877	\$ 4,923	\$ 1,846	\$ -
TOTAL BUDGET (B+C)	\$ 28,215,895	\$ 28,215,895	\$ -	\$ 28,215,895	\$ 235,778	\$ 20,645,648	\$ 3,093,647	\$ 2,964,567	\$ 1,276,255	\$ -
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (535,681)	\$ (535,681)	\$ -	\$ (535,681)	\$ (4,476)	\$ (391,960)	\$ (58,733)	\$ (56,282)	\$ (24,230)	\$ -
FTEs	106.0	106.0	-	106.0	0.5	50.5	6.3	8.0	3.0	37.8

Table D-1. Consolidated Statements of Activities by Program, Statutory and Non-Statutory

Statement of Financial Position

Statement of Financial Position			
2021 Audited, 2022 Projection, and 2023 Budget			
STATUTORY and NON-STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-21	31-Dec-22	31-Dec-23
ASSETS			
Cash and cash equivalents	\$ 5,695,065	\$ 4,607,599	\$ 4,565,604
Investments	7,656,950	8,156,950	8,156,950
Accounts receivable, net	-	-	-
Prepaid expenses and other assets	446,007	400,000	400,000
Property and equipment, net	2,443,079	2,493,079	1,985,079
Total Assets	\$ 16,241,101	\$ 15,657,628	\$ 15,107,633
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 60,808	\$ 40,000	\$ 40,000
Accrued expenses	4,682,670	4,700,000	4,700,000
Deferred revenue	45,253	45,253	45,253
Other liabilities	822,987	797,987	772,987
Total Liabilities	\$ 5,611,718	\$ 5,583,240	\$ 5,558,240
Unrestricted net assets	10,629,383	10,074,388	9,549,393
Total Liabilities and Net Assets	\$ 16,241,101	\$ 15,657,628	\$ 15,107,633

Table D-2. Statement of Financial Position, Three-Year Comparison

Appendix A: Organization Chart

The SERC Organization chart shown here compares 2022 and 2023 SERC personnel counts.

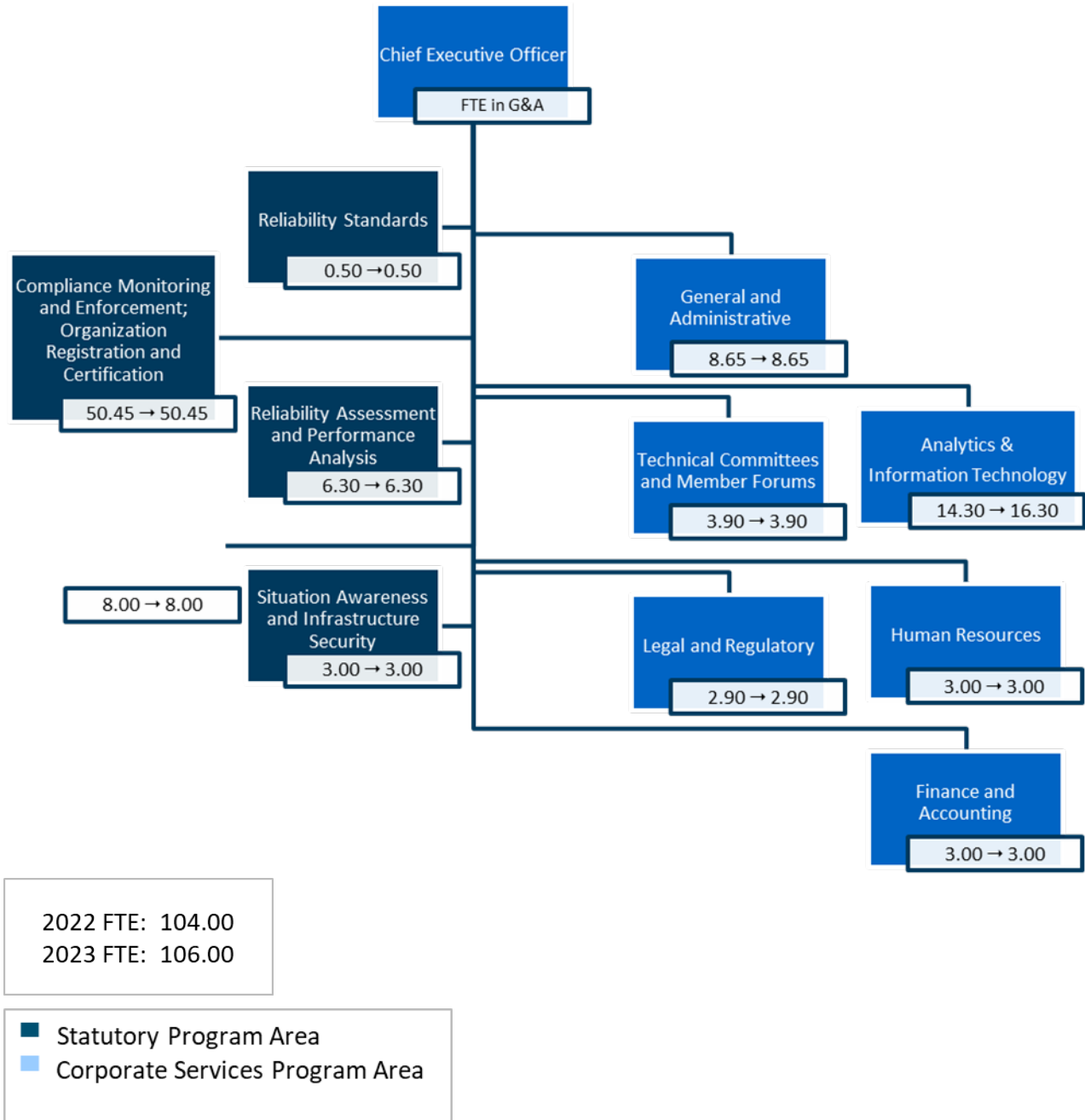


Figure 2. SERC Organization Chart

Appendix B: Index of Figures and Tables

List of Figures

Figure 1.	Budgeted Funding by Program Area Chart.....	10
Figure 2.	SERC Organization Chart.....	62

List of Tables

Table 1.	SERC Budget for 2023.....	3
Table 2.	Budgeted Funding by Program Area.....	10
Table 3.	Total FTEs by Program Area	11
Table 4.	Budget and Projection Comparison, 2022 to 2023.....	11
Table A-1.	Reliability Standards Budget.....	14
Table A-2.	Reliability Standards Budget Detail.....	16
Table A-3.	Compliance Monitoring and Enforcement; Organization Registration and Certification Program Budget	17
Table A-4.	Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail.....	23
Table A-5.	Reliability Assessments and Performance Analysis (RAPA) Budget	24
Table A-6.	Reliability Assessment and Performance Analysis Budget Detail.....	26
Table A-7.	Training, Education, and Stakeholder Outreach Budget.....	27
Table A-8.	Training, Education, and Stakeholder Outreach Budget Detail.....	29
Table A-9.	Situational Awareness and Infrastructure Security Budget.....	30
Table A-10.	Situational Awareness and Infrastructure Security Budget Detail.....	32
Table A-11.	Corporate Services Budget	33
Table A-12.	Corporate Services Budget Detail.....	44
Table B-1.	Working Capital Reserve Analysis 2022- 2023	46
Table B-2.	Penalty Sanctions Received	47
Table B-3.	Supplemental Funding	48
Table B-4.	Personnel Expenses.....	49
Table B-5.	Meeting Expenses.....	50
Table B-6.	Consultants and Contracts.....	51
Table B-7.	Office Rent.....	52
Table B-8.	Office Costs.....	52
Table B-9.	Professional Services	53
Table B-10.	Miscellaneous	53
Table B-11.	Other Non-Operating Expenses	53
Table B-12.	Fixed Assets.....	54
Table B-13.	Budget 2023 Compared with 2023-2023 Projections	55
Table D-1.	Consolidated Statements of Activities by Program, Statutory and Non-Statutory	60
Table D-2.	Statement of Financial Position, Three-Year Comparison.....	61

DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 7

TEXAS RELIABILITY ENTITY

PROPOSED 2023 BUSINESS PLAN AND BUDGET



2023 Business Plan and Budget

Texas Reliability Entity, Inc.

Approved by Texas RE Board of Directors

Date: May 18, 2022

Table of Contents

Table of Contents.....	2
Introduction	3
Section A – Statutory Programs	12
Reliability Standards Program	13
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	17
Reliability Assessment and Performance Analysis Program	22
Training and Education.....	26
Administrative Services	30
General and Administrative	30
Legal and Regulatory	31
Information Technology	32
Human Resources.....	34
Finance and Accounting	34
Section B – Supplemental Financial Information	37
Table B-1 – Reserve Balance	38
Table B-2 – Penalty Sanctions	40
Table B-3 – Supplemental Funding	41
Table B-4 – Personnel Expenses	42
Table B-5 – Meeting & Travel Expense	43
Table B-6 – Consultants and Contracts	44
Table B-7 – Office Rent.....	45
Table B-8 – Office Costs	46
Table B-9 – Professional Services.....	47
Table B-10 – Miscellaneous Expense.....	48
Table B-11 – Other Non-Operating Expenses	49
Table B-12 – Fixed Assets.....	50
Table B-13 – 2024 and 2025 Projection.....	51
Section C – Non-Statutory Activities.....	52
Section D – Supplemental Information	53
2023 Statement of Activities by Program.....	54
2023 Texas RE Organization Chart	55

Introduction

	TOTAL RESOURCES (in whole dollars)			
	2023 Budget	U.S.	Canada	Mexico
Statutory FTEs	67.0			
Non-statutory FTEs	-			
Total FTEs	67.0			
Statutory Expenses	\$ 17,633,467			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 17,633,467			
Statutory Inc(Dec) in Fixed Assets	\$ 100,000			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 100,000			
Statutory Working Capital Requirement	\$ -			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ -			
Total Statutory Funding Requirement	\$ 17,733,467			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 17,733,467			
Statutory Funding Assessments	\$ 17,155,278			
Non-Statutory Fees	\$ -			
NEL	392,847,979	392,847,979		
NEL%	100.00%	100.00%		

Refer to Table B-1 Reserve Analysis on page 37 in Section B

Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity for the Electric Reliability Council of Texas, Inc. (ERCOT) region, pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric Reliability Corporation (NERC) effective January 1, 2021. Texas RE ensures the reliability of the ERCOT region bulk-power system (BPS).

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the Public Utility Commission of Texas (PUCT) and is not synchronously interconnected with any electric utilities operating outside of Texas. The ERCOT region includes approximately 90% of Texas load and 75% of the Texas land area.

Membership and Governance

Membership

Texas RE has the following six membership sectors under its Bylaws:

- System Coordination and Planning
- Transmission and Distribution
- Cooperative Utility
- Municipal Utility
- Generation
- Load-Serving and Marketing

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS, who registers with Texas RE as a member and complies with the Texas RE Bylaws requirements. There is no charge for membership with Texas RE. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

Texas RE has one stakeholder committee, the Member Representatives Committee (MRC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Board on administrative, financial, reliability-related, or any other matters, through its elected Chair and Vice Chair, who also serve as Affiliated Directors on Texas RE's Board. In addition, the MRC facilitates the Regional Standards Development Process, and coordinates the development of Regional Standards and variances with the development of continent-wide standards. A subcommittee of the MRC, the NERC Standards Review Forum (NSRF), monitors, reviews, and discusses NERC (continent-wide) Reliability Standards under development and Reliability Standards interpretation requests.

Board of Directors

Texas RE is governed by a hybrid Board of Directors (Board), comprised of the following nine individuals:

- The Texas RE President and Chief Executive Officer (CEO)
- Four Independent Directors (elected by membership)
- Two Affiliated Directors (the Chair and Vice Chair of the Member Representatives Committee)
- Chairman of the PUCT or another PUCT Commissioner designated by the Chairman, as an *ex officio* non-voting member
- Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an *ex officio* non-voting member

The Board's primary role is to oversee the management of Texas RE, including assuring that Texas RE meets its requirements under the Bylaws and Delegation Agreement, and appointing a CEO to manage and be responsible for the day-to-day on-going activities of Texas RE.

Statutory Functional Scope

In accordance with its Delegation Agreement with NERC and in compliance with the NERC Rules of Procedure (NERC ROP), Texas RE performs the following statutory (or delegated) functions:

- Participation in the development of NERC Reliability Standards, or modifications thereof, and facilitation of developing needed Regional Standards or variances through Texas RE's Standards Development Process.
- Identification and registration of responsible entities with NERC and, as needed, certification of such entities within the ERCOT region.
- Monitoring and enforcement of compliance with approved NERC Reliability Standards and Regional Standards, in accordance with the NERC ROP, in the ERCOT region.
- Analysis and assessment of system events and disturbances.
- Assessment of the present and future reliability, adequacy, and security of the BPS.
- Promotion of effective training and education of personnel.
- Promotion of situation awareness and the protection of critical infrastructure.

Financial Policies

Texas RE has policies and procedures in place that address its overall financial management, including procurement and business expense reimbursement. Additionally, Texas RE has a working capital and operating reserve policy to ensure the stability of the ongoing operations of the organization. This policy is intended to provide funds for situations such as a sudden unanticipated increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses.

2023 Overview of Cost Impacts

In developing the Texas RE 2023 Business Plan and Budget, Texas RE reflects the collaborative development of the Electric Reliability Organization (ERO) Enterprise Long-Term Strategy. Texas RE also seeks input from its MRC, and posts the budget for comment. Prior to obtaining final approval from its Board, Texas RE seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

Overall, the Texas RE 2023 budgeted statutory expenses (\$17,733,467) increased by 3.3% from the 2022 budgeted statutory expenses (\$17,160,613). The \$572,855 increase in budget is due to adding one FTE for the IT department and higher rent cost.

The 2023 statutory assessment (\$17,155,278) increased 14.3% from the 2022 assessment (\$15,003,365).

Significant statutory expense changes (including capital expenditures) include:

- Total Personnel expenses are increasing by 3.1%. Salaries expense is increasing 3.6%, which includes adding one additional Full Time Equivalent (FTE) in 2023, in the Information Technology department, and an allowance for salary increases and promotions. Payroll taxes are increasing 3.6%. Total Benefits expense is decreasing 2.2%. Health plan expense did not increase as projected in 2022; however, health plan expense is projected to increase 8% for 2023 over actual 2022 cost, which is lower than the 2022 budgeted cost. Employee Benefits include education reimbursement, relocation expenses, and training and professional development. Including these expenses in Employee Benefits is consistent with the NERC budget guidelines. Retirement costs are increasing 6.6%. All personnel-related expenses are increasing based on the additional salary expense for an additional FTE. (See IT program for details concerning FTE increase).
- Total Meeting and Travel expenses are decreasing 2.2%. Meetings expense is decreasing by \$15,000. The 2023 budget includes Workshop Expense for one offsite workshop in the Training and Education Program. The 2022 Meeting budget includes two proposed offsite workshops. An annual meeting with the Texas RE Board of Directors and stakeholders is included in Meetings expense for 2023. Travel expense is increasing 1.4% for 2023.
- Total Operating expenses are increasing by 29.3%. The Consultants and Contracts expense is increasing 15.9%. The budget includes three compensation studies and one custom survey. Rent cost is increasing 50.1%. Higher rent rates for the larger office space is causing this increase. This includes higher utility costs. Office costs are increasing 6.8%. This increase is due to higher pricing for office services and maintenance for the larger office space. Professional Services is increasing 12.0% due to increases in risk insurance and additional outside legal fees.

All statutory activity in the 2023 Business Plan and Budget aligns with the ERO Enterprise Long-Term Strategy.

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American bulk power system (BPS). Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring

delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;
- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.

Building upon these commitments, the ERO Enterprise is now engaging in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



ERO Enterprise Long-Term Strategy

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regions, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the NERC Board of Trustees (Board) on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial [ERO Reliability Risk Priorities Report](#);
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities.

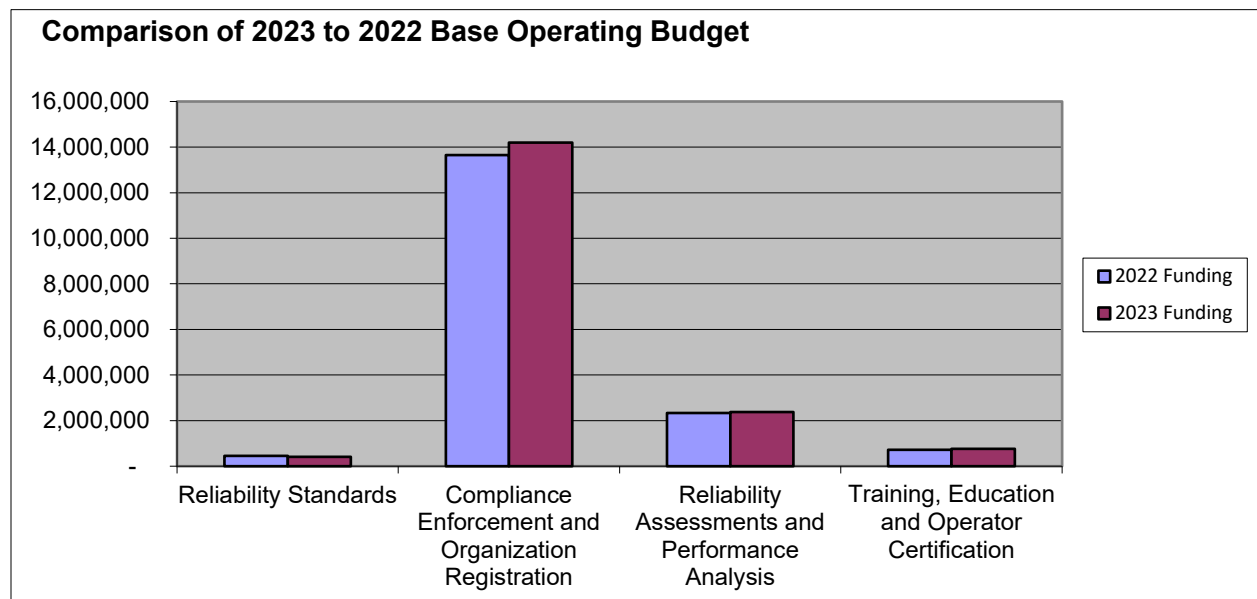
As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each organization's Business Plan and Budget may reference how activities support each of the strategic focus areas.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.

Summary by Program

The following table summarizes the Texas RE budget by program area.

Base Operating Budget	Budget	Projection	Budget	Variance	
	2022	2022	2023	2023 Budget v 2022 Budget	Variance %
Reliability Standards	\$ 450,580	\$ 450,580	\$ 407,931	\$ (42,649)	-9.5%
Compliance Enforcement and Organization Registration	13,648,328	13,648,328	14,194,994	546,666	4.0%
Reliability Assessments and Performance Analysis	2,338,222	2,338,222	2,370,932	32,710	1.4%
Training, Education and Operator Certification	723,482	723,482	759,610	36,128	5.0%
Total by Program	\$ 17,160,613	\$ 17,160,613	\$ 17,733,467	\$ 572,854	3.3%



FTEs by Program Area

Personnel Analysis

The following table displays total full-time equivalents (FTEs) by program area.

Total FTEs by Program Area	Budget 2022	Projection 2022	Direct FTEs 2023 Budget	Shared FTEs 2023 Budget	Total FTEs 2023 Budget	Change from 2022 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.25	1.25	1.25	-	1.25	-
Compliance and Organization Registration and Certification	41.75	41.75	41.75	-	41.75	-
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.00	6.00	6.00	-	6.00	-
Total FTEs Operational Programs	51.25	51.25	51.25	-	51.25	-
Administrative Programs						
General & Administrative	4.00	4.00	4.00	-	4.00	-
Legal and Regulatory	2.75	2.75	2.75	-	2.75	-
Information Technology	5.00	5.00	6.00	-	6.00	1.00
Human Resources	-	-	-	-	-	-
Finance and Accounting	3.00	3.00	3.00	-	3.00	-
Total FTEs Administrative Programs	14.75	14.75	15.75	-	15.75	1.00
Total FTEs	66.00	66.00	67.00	-	67.00	1.00

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2022 Budget and Projection and 2023 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
STATUTORY					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 15,003,365	\$ 15,003,365	\$ -	\$ 17,155,278	\$ 2,151,913
Penalties Released*	558,750	558,750	-	576,188	17,438
Total NERC Funding	<u>\$ 15,562,115</u>	<u>\$ 15,562,115</u>	<u>\$ -</u>	<u>\$ 17,731,466</u>	<u>\$ 2,169,351</u>
Interest	15,000	15,000	-	2,000	(13,000)
Total Funding (A)	<u>\$ 15,577,115</u>	<u>\$ 15,577,115</u>	<u>\$ -</u>	<u>\$ 17,733,466</u>	<u>\$ 2,156,351</u>
Expenses					
Personnel Expenses					
Salaries	\$ 9,199,332	\$ 9,199,332	\$ -	9,528,203	\$ 328,871
Payroll Taxes	635,827	635,827	-	658,636	22,809
Benefits	1,641,720	1,641,720	-	1,606,373	(35,346)
Retirement Costs	1,290,440	1,290,440	-	1,375,439	84,999
Total Personnel Expenses	<u>\$ 12,767,318</u>	<u>\$ 12,767,318</u>	<u>\$ -</u>	<u>\$ 13,168,651</u>	<u>\$ 401,333</u>
Meeting & Travel Expenses					
Meetings	\$ 71,900	\$ 71,900	\$ -	56,900	\$ (15,000)
Travel	371,684	371,684	-	376,735	5,051
Total Meeting & Travel Expenses	<u>\$ 443,585</u>	<u>\$ 443,584</u>	<u>\$ -</u>	<u>\$ 433,635</u>	<u>\$ (9,949)</u>
Operating Expenses, Excluding Depreciation					
Consultants & Contracts	\$ 351,700	\$ 351,700	\$ -	407,700	\$ 56,000
Office Rent	1,473,545	1,473,545	-	2,211,708	738,163
Office Costs	684,840	684,840	-	731,248	46,408
Professional Services	607,625	607,625	-	680,525	72,900
Total Operating Expenses	<u>\$ 3,117,710</u>	<u>\$ 3,117,710</u>	<u>\$ -</u>	<u>\$ 4,031,181</u>	<u>\$ 913,471</u>
Total Direct Expenses	<u>\$ 16,328,613</u>	<u>\$ 16,328,612</u>	<u>\$ -</u>	<u>\$ 17,633,467</u>	<u>\$ 1,304,855</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Non-Operating Expenses	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (320,000)</u>
Total Expenses (B)	<u>\$ 16,648,613</u>	<u>\$ 16,648,613</u>	<u>\$ -</u>	<u>\$ 17,633,467</u>	<u>\$ 984,855</u>
Change in Net Assets (A - B)	<u>\$ (1,071,498)</u>	<u>\$ (1,071,498)</u>	<u>\$ -</u>	<u>\$ 99,999</u>	<u>\$ 1,171,496</u>
Fixed Assets, excluding Right of Use Assets (C)	<u>512,000</u>	<u>512,000</u>	<u>-</u>	<u>100,000</u>	<u>(412,000)</u>
TOTAL BUDGET (B + C)	<u>17,160,613</u>	<u>17,160,613</u>	<u>\$ -</u>	<u>\$ 17,733,467</u>	<u>\$ 572,855</u>
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	<u>\$ (1,583,498)</u>	<u>\$ (1,583,498)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,583,496</u>
FTEs	66.00	66.00		67.00	

*Penalties Released in the current year reflects the designated amount of funds released to offset U.S. Assessments. Actual penalties invoiced in the current year are reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Section A – Statutory Programs

2023 Business Plan and Budget



Section A — 2023 Business Plan – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	1.25	1.25	-
Direct Expenses	\$ 262,704	\$ 203,871	\$ (58,833)
Indirect Expenses	\$ 175,389	\$ 201,621	\$ 26,232
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 12,488	\$ 2,439	\$ (10,049)
Total Funding Requirement	\$ 450,580	\$ 407,931	\$ (42,649)

Program Scope and Functional Description

Texas RE’s Reliability Standards Program supports the NERC Reliability Standards Program and facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE MRC’s standards development activities, the NERC Standards Review Forum (NSRF), and all regional standard drafting teams (SDTs).

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. Texas RE’s Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. The Standards Development Process includes an appeal process and an interpretation process.

Texas RE Standards staff supports and participates in the NERC Standards Committee and other NERC activities relating to standards development. Texas RE regularly comments and votes on proposed NERC Reliability Standards and revisions from its perspective as the Compliance Enforcement Authority, based on recommendations and input from subject matter experts employed by Texas RE.

In addition, Texas RE reviews proposed NERC Reliability Standards. This Program area supports and facilitates standards activities of the Texas RE MRC and the NSRF. The MRC is a stakeholder committee that oversees the execution of the Texas RE Standards Development Process. The NSRF provides a regional stakeholder forum for education and discussion of NERC Reliability Standards activities, both regional and continent-wide.

Texas RE Standards staff provides education and advice to other Texas RE departments regarding issues relating to standards, including applicability and interpretation of requirements in accordance with NERC processes.

When developing Regional Standards, Texas RE is responsible for adhering to its FERC-approved Regional Standards development processes, and for assisting NERC as needed with obtaining NERC Board approval and subsequent filing(s) with FERC and other regulatory authorities, as appropriate, including developing the record necessary to support approval.

2023 Key Assumptions

- Continent-wide NERC Reliability Standards projects will consist primarily of new Standards Authorization Requests, Periodic Reviews, Standards Efficiency Review (SER) Implementation, and Standards Grading, covering both Critical Infrastructure Protection (CIP) and Operations and Planning standards. These activities will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from across the ERO Enterprise.
- Regional Standards development activity will be driven by requests the Regional Entity may receive or reliability issues the Regional Entity may identify. Although Regional Standards development activity is expected to remain low, Texas RE Regional Standard BAL-001-TRE-2 is subject to periodic review and revision under the Texas RE Regional Standard development process, and additional technical resources may be required in support of region-specific activities in connection with this standard.
- In coordination with SDTs and consistent with current approaches, Regional Entities may support outreach during standards development. Additionally, following FERC approval, Regions will assist the transition of standards to compliance monitoring and enforcement, supporting industry and auditor training, or providing information regarding the intent of the standard.
- The number of interpretations is expected to remain low. However, guidance requests associated with the implementation of standards may increase.

2023 Goals and Key Deliverables

- Provide input on and facilitate industry review of new and existing NERC Reliability Standards, including cost effectiveness/impact analysis.
 - Provide input and feedback for new and existing NERC Reliability Standards using compliance monitoring experience as a basis.
 - Support stakeholder awareness of standards development through engagement and support of the NSRF.
 - Provide guidance and outreach on approved NERC Reliability Standards and Regional Standards.
 - Develop, as needed, regional variances or Regional Standards to address specific reliability risks and evaluate the need for existing Regional Standards.
 - Review existing Regional Standards to determine if any could be incorporated as a regional variance to a continent-wide NERC Reliability Standard.
-

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2022.

Consultants and Contracts

No consulting support and contracts are budgeted for 2023, which is consistent with the 2022 budget.

Section A — 2023 Business Plan and Budget – Statutory Programs

Reliability Standards Program

The following table shows the funding sources and related expenses for the Reliability Standards Program for 2023. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
RELIABILITY STANDARDS					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 365,936	\$ 365,936	\$ -	418,421	\$ 52,486
Penalties Released	13,628	13,628		14,053	425
Total NERC Funding	\$ 379,564	\$ 379,564	\$ -	\$ 432,475	\$ 52,911
Interest	366	366	-	49	(317)
Total Funding	\$ 379,930	\$ 379,930	\$ -	\$ 432,524	\$ 52,594
Expenses					
Personnel Expenses					
Salaries	\$ 178,151	\$ 178,151	\$ -	135,442	\$ (42,710)
Payroll Taxes	12,875	12,875	-	10,444	(2,431)
Benefits	41,405	41,405	-	31,537	(9,867)
Retirement Costs	23,373	23,373	-	19,548	(3,825)
Total Personnel Expenses	\$ 255,804	\$ 255,804	\$ -	\$ 196,971	\$ (58,833)
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	-	\$ -
Travel	6,900	6,900	-	6,900	-
Total Meeting & Travel Expenses	\$ 6,900	\$ 6,900	\$ -	\$ 6,900	\$ -
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	-	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 262,704	\$ 262,704	\$ -	\$ 203,871	\$ (58,833)
Indirect Expenses	\$ 175,389	\$ 175,389	\$ -	\$ 201,621	\$ 26,232
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 438,092	\$ 438,092	\$ -	\$ 405,492	\$ (32,601)
Change in Assets	\$ (58,163)	\$ (58,163)	\$ -	\$ 27,032	\$ 85,195
Fixed Assets, excluding Right of Use Assets (C)	\$ 12,488	\$ 12,488	-	\$ 2,439	(10,049)
TOTAL BUDGET	\$ 450,580	\$ 450,580	\$ -	\$ 407,931	\$ (42,649)
TOTAL CHANGE IN WORKING CAPITAL	\$ (70,650)	\$ (70,650)	\$ -	\$ 24,593	\$ 95,243
FTEs	1.25	1.25	-	1.25	-

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program			
(in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	41.75	41.75	-
Direct Expenses	\$ 7,373,253	\$ 7,379,404	\$ 6,151
Indirect Expenses	\$ 5,857,983	\$ 6,734,127	\$ 876,144
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 417,093	\$ 81,463	\$ (335,629)
Total Funding Requirement	\$ 13,648,328	\$ 14,194,994	\$ 546,666

Program Scope and Functional Description

Texas RE’s Compliance Monitoring and Enforcement and Organization Registration and Certification Program includes the key activities of registering (and where required, certifying) responsible entities, monitoring and assessing compliance with the NERC Reliability Standards and Regional Standards, and enforcing and ensuring mitigation of violations of standards in accordance with the NERC ROP. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance investigations, and data submittals.

There are several major ERO-wide activities that are expected to benefit NERC, the Regional Entities, and registered entities. The risk-based Compliance and Enforcement Monitoring Program (CMEP) is a multi-year effort to identify and implement changes to enhance the effectiveness of the ERO’s compliance and enforcement functions. To support this effort, a set of new tools, referred to as Align and the Secure Evidence Locker (SEL) have been developed collaboratively with NERC, the Regional Entities, and registered entities. Risk-based CMEP is designed to improve Bulk Electric System (BES) reliability by focusing efforts on serious and substantial reliability risks and on the internal controls that mitigate those risks. Align and SEL will support those initiatives across the ERO.

Implementation of, and consideration of enhancements for, Align and SEL are expected to be major activities for Texas RE and the registered entities in 2023. Risk-based CMEP efforts that continue to fully develop, and the increase in the number of registered entities, will require Texas RE to appropriately allocate current resources and may require additional resources to provide continuous improvement in the processes. Based on the high level of coordination between NERC, Regional Entities, and registered entities that is necessary for an efficient and effective implementation, Align and SEL will shift and in some cases increase workload levels. Risk-based CMEP, enhanced security, and other factors (e.g., CIP Low Impact, Supply Chain, additional

registered entities associated with solar and battery Facilities, etc.) have gradually but significantly impacted resource staffing of Texas RE.

2023 Key Assumptions

- Expand risk-based focus in all standards, compliance monitoring, and enforcement programs.
- Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the Reliability Issues Steering Committee’s biennial *ERO Reliability Risk Priorities Report*.
- Strengthen engagement across the reliability and security ecosystem in North America.
- Capture effectiveness, efficiency, and continuous improvement opportunities.

2023 Goals and Key Deliverables

COMPLIANCE MONITORING

- Participate in NERC standards development, including addressing FERC directives, emerging risks, Standards Authorization Requests, and other projects as needed.
- Enhance the risk-based approach to compliance monitoring processes.
- Review, refine, and enhance Internal Control processes and outreach.
- Actively engage in the enhancement and full deployment of Align and SEL to ensure CMEP processes are efficient, effective, secure, and consistent for staff and stakeholders.
- Identify current and emerging risks to security and reliability affecting the ERCOT Interconnection.
- Strengthen feedback loops, with emphasis on the identified ERO Reliability Risk Priorities, to enhance risk-based Compliance Oversight Plans.
- Identify and develop monitoring approaches focusing on emerging risks such as Distributed Energy Resources, storage, and demand side resources.
- Expand cybersecurity outreach focusing on the risks and mitigation to the risks.
- Provide increased awareness and share best practices for cybersecurity.
- Enhance outreach efforts to new registrants by conducting one-on-one touchpoints with newly registered entities to discuss reliability and security issues and share best practices.
- Continue targeted outreach for winterization and extreme weather events.
- Promote and encourage effective collaboration and engagement with Texas RE Board, industry, regulators, and stakeholders.
- Expand ERO Enterprise stakeholder engagement to ensure the right subject matter experts participate to resolve issues in a timely and cost-effective manner.

- Proactively participate in ERO working groups to efficiently and effectively work with the ERO Enterprise.
- Ensure Texas RE is appropriately staffed and managed to maximize stakeholder value, maintain independence, and perform all delegated responsibilities. Promote communication, motivation, team building, and workforce development within Texas RE.

ENFORCEMENT

- Review, validate, and process or dismiss all possible violations in a timely fashion using the Align and SEL systems.
- Undertake enforcement activities in accordance with established risk-based approaches.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to BPS reliability.
- Conduct technical assessments of registered entities' plans and activities to mitigate noncompliance.
- Support streamlined mechanisms implemented to expedite possible violations that pose a lesser reliability risk to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Texas RE Board, NERC, and stakeholders.
- Promote timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging, and mitigation aging metrics.
- Assure timely mitigation of all violations, assessing all mitigating activities and mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.
- Enhance feedback loops to the Reliability Standard development process.

REGISTRATION AND CERTIFICATION

- Identify and register BES owners, operators, and users. Maintain accurate, up-to-date registration information through the Centralized Organization Registration ERO System (CORES), identifying entities responsible for compliance.
- Ensure entities performing the functions of Reliability Coordinator, Balancing Authority, and Transmission Operator have and maintain the tools, processes, and training to meet applicable Reliability Standards requirements. Conduct

certifications or certification reviews as required by changes to entity registration or equipment; two or three engagements are expected in 2023 consistent with past years.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is remaining consistent with 2022.

Consultants and Contracts

No consulting support and contracts are budgeted for 2023, which is consistent with the 2022 budget.

Section A — 2023 Business Plan and Budget – Statutory Programs

Compliance Monitoring, Enforcement and Organization Registration and Certification Program

The following table shows the funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification Program for 2023. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 12,222,254	\$ 12,222,254	\$ -	\$ 13,975,276	\$ 1,753,022
Penalties Released	455,177	455,177	-	469,382	14,206
Total NERC Funding	\$ 12,677,430	\$ 12,677,430	\$ -	\$ 14,444,657	\$ 1,767,228
Interest	12,220	12,220	-	1,629	(10,590)
Total Funding	\$ 12,689,649	\$ 12,689,649	\$ -	\$ 14,446,287	\$ 1,756,637
Expenses					
Personnel Expenses					
Salaries	\$ 5,104,337	\$ 5,104,337	\$ -	\$ 5,150,734	\$ 46,398
Payroll Taxes	391,088	391,088	-	384,920	(6,168)
Benefits	992,629	992,629	-	933,315	(59,313)
Retirement Costs	721,425	721,425	-	743,520	22,095
Total Personnel Expenses	\$ 7,209,478	\$ 7,209,478	\$ -	\$ 7,212,490	\$ 3,011
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	143,175	143,175	-	144,875	1,700
Total Meeting & Travel Expenses	\$ 143,175	\$ 143,175	\$ -	\$ 144,875	\$ 1,700
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	20,600	20,600	-	22,040	1,440
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 20,600	\$ 20,600	\$ -	\$ 22,040	\$ 1,440
Total Direct Expenses	\$ 7,373,253	\$ 7,373,253	\$ -	\$ 7,379,404	\$ 6,151
Indirect Expenses	\$ 5,857,983	\$ 5,857,983	\$ -	\$ 6,734,127	\$ 876,144
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 13,231,235	\$ 13,231,235	\$ -	\$ 14,113,531	\$ 882,295
Change in Net Assets	\$ (541,586)	\$ (541,586)	\$ -	\$ 332,756	\$ 874,342
Fixed Assets, excluding Right of Use Assets	\$ 417,093	\$ 417,093	\$ -	\$ 81,463	\$ (335,629)
TOTAL BUDGET	\$ 13,648,328	\$ 13,648,328	\$ -	\$ 14,194,994	\$ 546,666
TOTAL CHANGE IN WORKING CAPITAL	\$ (958,678)	\$ (958,678)	\$ -	\$ 251,292	\$ 1,209,971
FTEs	41.75	41.75	-	41.75	-

Approved by the Texas RE Board of Directors May 18, 2022

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	6.00	6.00	-
Direct Expenses	\$ 1,436,415	\$ 1,391,446	\$ (44,969)
Indirect Expenses	\$ 841,866	\$ 967,779	\$ 125,913
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 59,941	\$ 11,707	\$ (48,234)
Total Funding Requirement	\$ 2,338,222	\$ 2,370,932	\$ 32,710

Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) Program supports assessment of system adequacy and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system disturbances in the ERCOT region. In addition to these assessments and analyses, Texas RE participates with NERC, the Regions and stakeholders in ongoing work to evaluate system performance, measure progress in improving current reliability and track leading indicators of future reliability. This program requires validation and analysis of data collected from registered entities, which is used in measurement of ongoing reliability performance of generation, transmission, and demand response. RAPA also identifies risks and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (HILF) events, and grid modifications. Event analyses will determine causative factors for system disturbances as well as "lessons learned" upon recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

RAPA also includes Situation Awareness (SA) and Infrastructure Security. Situation Awareness is closely tied to initial event notifications and review, performed as part of the Event Analysis Process in the RAPA Program, while Texas RE's Infrastructure Security effort is handled primarily by IT staff and CIP resources within CMEP.

2023 Key Assumptions

- Current staffing levels are expected to meet known and predicted program needs as well as adapt to any shifts in priorities. Evolution of ERO RAPA programs, particularly those involving data analytics and probabilistic analysis, have not established a need for additional Regional program resources at this time and Texas RE will continue to leverage support from IT staff and sharing ERO.
- Continued ERCOT ISO and Regional stakeholder support is expected in Regional planning activities that meet ERO schedules for the various proposed reliability assessments and Interconnection study case model building activities.

- Access to ERCOT-ISO data and applications continues as in the past, along with cooperation and coordination with ERCOT and registered entity technical experts for analysis of operations and trends.
- Travel and meeting expenses are held at 2022 levels given the fluid situation about COVID-19 impact on in-person gatherings and the continuing follow-up on recommendations in from the February 2021 extreme cold weather event report.

2023 Goals and Key Deliverables

- Provide independent review of regional data and assist NERC in overall development of the annual long-term, summer and winter reliability assessments, support enhanced use of probabilistic analysis and consideration of extreme condition scenarios due to weather or other causes.
- Support NERC-wide modeling improvement efforts, particularly those related to dynamic loads, inverter-based resources, Distributed Energy Resources and generator model validation. Serve as the Interconnection model designee associated with MOD-032 and MOD-033 Reliability Standards and provide outreach with stakeholders to integrate annual fidelity and quality tests into Interconnection study-case development processes.
- Participate in ERO technical working groups under the NERC Reliability and Security Technical Committee (RSTC) and contribute to development of Reliability Guidelines and Technical Reference documents. Provide follow-up on effectiveness of guidelines with stakeholder outreach, especially for related ERCOT technical groups.
- Provide Section 1600 data collection support and analysis to meet NERC Performance Analysis initiatives or FERC requests. In 2023, rollout of additional data collection for wind, solar and battery systems is expected to begin.
- Perform analysis and support NERC’s annual State of Reliability report along with Region-specific annual reports and quarterly reviews. Support NERC Reliability Standards development and provide related outreach. Evaluate against existing and proposed Regional criteria and processes for reliability concerns and possible gaps. Support CMEP activities as needed and coordinate with Risk Assessment activities.
- Implement the NERC event analysis and cause-coding process, expecting a similar volume of events as prior years, estimated at 12 Category 1 (minor). Conduct follow-up on recommendations and trends from the February 2021 cold weather event and other major power system events across the ERO. Review and trend approximately 80 lesser system events, such as remedial action scheme mis-operations, communications issues, and frequency disturbances.
- Support application of the BES Definition, Registration criteria and associated processes through technical review of Registration requests. Roughly ten requests with significant review are expected, including support of the BES Exception process and materiality panels involving other Regions.
- Promote NERC Reliability Issues Steering Committee’s (RISC) identification and prioritization of BPS reliability risks and incorporate into RAPA activities and projects, focusing on likely impacts within the Region and means to mitigate them.

- Provide content for workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate “lessons learned,” best practices, trends and observations. Conduct focused reviews with registered entities or ERCOT stakeholder groups on topics such as protection system mis-operations, model usage and validation, generator winter preparation or equipment performance.
- Support Texas RE cross-departmental use of software applications and data from ERCOT ISO, NERC, and other sources for analysis needs. Provide regional coordination to maintain the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, along with internal real-time visualization tools.
- Provide Situation Awareness during extreme conditions, major system events and ERO Crisis Action Plan drills. Manage NERC Alerts within the Region, anticipating four alerts, with two alerts expected to require extensive response coordination. Assist E-ISAC in outreach and planning NERC GridEx Security exercises. Texas RE will request to participate in Regional exercises for blackstart and severe weather operations.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2022.

Consultants and Contracts

No consulting support and contracts are budgeted for 2023, which is consistent with the 2022 budget. No task assignments have been identified that require consulting or contractor support.

Section A — 2023 Business Plan and Budget – Statutory Programs

Reliability Assessment and Performance Analysis Program

The following table shows the funding sources and related expenses for the Reliability Assessment and Performance Analysis Program for 2023. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,756,492	\$ 1,756,492	\$ -	\$ 2,008,423	\$ 251,931
Penalties Released	65,415	65,415	-	67,456	2,042
Total NERC Funding	\$ 1,821,906	\$ 1,821,906	\$ -	\$ 2,075,879	\$ 253,973
Interest	1,756	1,756	-	234	(1,522)
Total Funding	\$ 1,823,662	\$ 1,823,662	\$ -	\$ 2,076,113	\$ 252,451
Expenses					
Personnel Expenses					
Salaries	\$ 962,540	\$ 962,540	\$ -	\$ 940,898	\$ (21,642)
Payroll Taxes	67,054	67,054	-	64,970	(2,084)
Benefits	170,407	170,407	-	152,305	(18,103)
Retirement Costs	138,774	138,774	-	135,633	(3,141)
Total Personnel Expenses	\$ 1,338,775	\$ 1,338,775	\$ -	\$ 1,293,806	\$ (44,969)
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	87,500	87,500	-	87,500	-
Total Meeting & Travel Expenses	\$ 87,500	\$ 87,500	\$ -	\$ 87,500	\$ -
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	10,140	10,140	-	10,140	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 10,140	\$ 10,140	\$ -	\$ 10,140	\$ -
Total Direct Expenses	\$ 1,436,415	\$ 1,436,415	\$ -	\$ 1,391,446	\$ (44,969)
Indirect Expenses	\$ 841,866	\$ 841,866	\$ -	\$ 967,779	\$ 125,913
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,278,281	\$ 2,278,281	\$ -	\$ 2,359,225	\$ 80,944
Change in Net Assets	\$ (454,619)	\$ (454,619)	\$ -	\$ (283,112)	\$ 171,507
Fixed Assets, excluding Right of Use Assets	\$ 59,941	\$ 59,941	\$ -	\$ 11,707	\$ (48,234)
TOTAL BUDGET	\$ 2,338,222	\$ 2,338,222	\$ -	\$ 2,370,932	\$ 32,710
TOTAL CHANGE IN WORKING CAPITAL	\$ (514,560)	\$ (514,560)	\$ -	\$ (294,819)	\$ 219,741
FTEs	6.00	6.00	-	6.00	-

Training and Education

Training, Education and Operator Certification (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.25	2.25	-
Direct Expenses	\$ 385,305	\$ 392,303	\$ 6,998
Indirect Expenses	\$ 315,700	\$ 362,917	\$ 47,217
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 22,478	\$ 4,390	\$ (18,088)
Total Funding Requirement	\$ 723,482	\$ 759,610	\$ 36,128

Program Scope and Functional Description

Texas RE’s Training, Education, and Continuing Education Program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of NERC and Regional Reliability Standards, lessons learned from event analyses, and other related information pertinent to system reliability and compliance. Texas RE subject matter experts from other programs provide expertise for educational materials, meetings, and workshops. Texas RE also supports ERO-wide initiatives such as GridSecCon and the Electric Power Human Performance Improvement Symposium, including co-hosting on a rotational basis among the Regions. In addition, Texas RE host the Generator Winter Weatherization Workshop.

Texas RE will continue to coordinate Standards and Compliance workshops, Reliability 101, security-based CIP workshops, and other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2023. The purpose of these workshops, meetings, and webinars is to provide standards, compliance, and procedural information and expectations, share lessons learned and best practices, obtain feedback from stakeholders, and provide sharing opportunities for registered entities and other stakeholders. Texas RE will use cost-effective additional education mechanisms such as webinars, newsletters, and conference calls, and will coordinate presentations by Texas RE subject matter experts at other ERO Enterprise and external industry meetings.

2023 Key Assumptions

- Host a similar number of training and outreach events as in prior years.
- Share best practices concerning generator plant winter readiness.
- Provide continued guidance on the implementation of the Risk-Based CMEP, including Inherent Risk Assessments, Compliance Oversight Plans, and Internal Control Reviews.

- Identify and communicate common themes and root causes of Reliability Standard violations.
- Deliver internal and stakeholder training related to the implementation of the new releases of Align and the Secure Evidence Locker platforms.
- Texas RE will support the ERO goal to mitigate known and emerging risks by providing timely and valuable outreach and training events to stakeholders. Additionally, the Stakeholder Outreach program provides guidance and coaching to entities on effective mitigation of identified and emerging risks.
- Texas RE will educate registered entities regarding changes to NERC Reliability Standards, ERO procedures, and programs that detect, monitor, report, correct, and prevent recurrence of issues with risk, reliability, security, and compliance.
- Texas RE will increase targeted outreach efforts that promote BPS reliability, security, and risk mitigation across its footprint.

There are no additional assumptions unique to the Texas RE Training and Education Program.

2023 Goals and Key Deliverables

- Communicate and maintain effective relationships with industry, regulators, and stakeholders.
- Promote stakeholder engagement in Texas RE and the ERO Enterprise, including attending training opportunities.
- Develop technical materials for and present Reliability Standards and Compliance workshops for registered entities.
- Present additional workshops, webinars, meetings, and other industry outreach, including *Talk with Texas RE* meetings to support CMEP implementation and any new or modified NERC Reliability Standards, procedures, or programs.
- Create and publish newsletters that disseminate lessons learned for registered entities and include useful updates regarding Reliability Standards revisions and interpretations, other reliability or compliance-related information, and Texas RE and NERC activities.
- Maintain and continually enhance the Texas RE website.
- Develop an Annual Report summarizing Texas RE's accomplishments during the prior year.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance and reliability working groups.
- Provide a mechanism for workshop, webinar, and meeting participants and other stakeholders to provide feedback and suggestions to be used to enhance future workshops, webinars, and meetings.

- Explore opportunities to improve training for stakeholders and keep Texas RE's content and delivery mediums relevant.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2022.

Consultants and Contracts

No consulting support and contracts costs are budgeted for this department. No task assignments have been identified that require consulting or contractor support in 2023.

Section A — 2023 Business Plan and Budget – Statutory Programs

Training and Education

The following table shows the funding sources and related expenses for the Training and Education Program for 2023. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2022	2022	Variance	2023	Variance
Funding	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2022 Budget v 2023 Budget Over(Under)
ERO Funding					
NERC Assessments	\$ 658,684	\$ 658,684	\$ -	\$ 753,159	\$ 94,474
Penalties Released	24,530	24,530	\$ -	25,296	766
Total NERC Funding	\$ 683,215	\$ 683,215	\$ -	\$ 778,455	\$ 95,240
Interest	659	659	-	88	(571)
Total Funding	\$ 683,873	\$ 683,873	\$ -	\$ 778,542	\$ 94,669
Expenses					
Personnel Expenses					
Salaries	\$ 250,405	\$ 250,405	\$ -	\$ 269,177	\$ 18,772
Payroll Taxes	17,963	17,963	-	19,055	1,091
Benefits	34,339	34,339	-	32,100	(2,239)
Retirement Costs	35,727	35,727	-	38,451	2,724
Total Personnel Expenses	\$ 338,435	\$ 338,435	\$ -	\$ 358,783	\$ 20,348
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ 34,500	\$ 34,500	\$ -	\$ 19,500	\$ (15,000)
Travel	3,030	3,030	-	4,680	1,650
Total Meeting & Travel Expenses	\$ 37,530	\$ 37,530	\$ -	\$ 24,180	\$ (13,350)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,340	6,340	-	6,340	-
Professional Services	3,000	3,000	-	3,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 9,340	\$ 9,340	\$ -	\$ 9,340	\$ -
Total Direct Expenses	\$ 385,305	\$ 385,305	\$ -	\$ 392,303	\$ 6,998
Indirect Expenses	\$ 315,700	\$ 315,700	\$ -	\$ 362,917	\$ 47,217
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 701,004	\$ 701,004	\$ -	\$ 755,220	\$ 54,215
Change in Net Assets	\$ (17,132)	\$ (17,132)	\$ -	\$ 23,322	\$ 40,454
Fixed Assets, excluding Right of Use Assets	\$ 22,478	\$ 22,478	\$ -	\$ 4,390	\$ (18,088)
TOTAL BUDGET	\$ 723,482	\$ 723,482	\$ -	\$ 759,610	\$ 36,128
TOTAL CHANGE IN WORKING CAPITAL	\$ (39,609)	\$ (39,609)	\$ -	\$ 18,932	\$ 58,541
FTEs	2.25	2.25	-	2.25	-

Administrative Services

Administrative Services						
	Direct Expenses & Fixed Assets			FTEs		
	2022 Budget	2023 Budget	Inc (Dec)	2022 Budget	2023 Budget	Inc (Dec)
General and Administrative	4,690,214	4,942,436	252,222	4.00	4.00	-
Legal and Regulatory	638,226	681,516	43,290	2.75	2.75	-
Information Technology	1,699,319	1,903,482	204,163	5.00	6.00	1.00
Human Resources	73,595	119,545	45,950	-	-	-
Finance and Accounting	601,583	619,463	17,880	3.00	3.00	-
Total Administrative Services	7,702,937	8,266,443	563,506	14.75	15.75	1.00

Program Scope and Functional Description

The Administrative Services Program is comprised of the following programs: General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The resource requirements and comparative budget information for each of these functions is described below.

Texas RE allocates its Administrative Services expenses to the functional/direct areas proportionately based on FTE count. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total direct program FTEs.

Fixed asset additions that benefit the entire corporation that are not specific to any one activity/function will be allocated based on FTEs to all of the direct activities.

General and Administrative

This Program includes the President and CEO, the Vice President and Chief Operating Officer (VP), the personnel costs for the HR Department, and the compensation and expenses of the Texas RE Board. The President and CEO carries out the general affairs of Texas RE including administrative and corporate facilities support. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. The VP performs a leadership role in coordinating and facilitating the activities of all Texas RE programs. The VP reports to the CEO and acts on behalf of the CEO in his absence.

Personnel expenses for Human Resources (HR) are included in General and Administrative (G&A). The benefits expenses in G&A include tuition reimbursement, training and classes, and relocation costs.

The number of FTEs assigned to this Program is consistent with 2022. Administrative Services costs are allocated among Programs based on Program FTE count during the year.

Consulting support and contracts costs are increasing 12.9% in 2023 to include possible executive coaching.

Legal and Regulatory

The Legal and Regulatory group provides legal advice, counsel, and governmental and external relations support to Texas RE management, Board, and employees, on all legal and regulatory matters affecting the organization. The Legal and Regulatory group also oversees (1) corporate membership enrollment, meetings, and voting; (2) Board and committee meetings, minutes, support, training, and other activities; (3) corporate documents and transactions; (4) governmental, regulatory relations, and communications; (5) the work of any outside legal counsel; and (6) the prosecution of any contested enforcement matters.

2023 Key Assumptions

- Texas RE will maintain the scope of its current operations.
- Activities of the Legal and Regulatory program will be consistent with current levels, but may increase due to external litigation activities.

2023 Key Deliverables and Goals

- Provide timely, useful legal advice to the CEO, the Board, and all Program areas, and provide annual employee and Board ethics and antitrust compliance training.
- Effectively communicate information to the Board, Texas RE members, and registered entities.
- Oversee membership registration, membership voting and meetings, and maintain an accurate roster of members.
- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives, and timely file all documents required by NERC or FERC.
- Negotiate contracts and review corporate documents.
- Update and maintain corporate policies and procedures.
- Oversee the prosecution and any appeal of contested enforcement or disputed registration matters.
- Negotiate and author necessary changes to Texas RE's governing documents, including the Texas RE Bylaws and Regional Delegation Agreement with NERC.
- Provide input and obtain regulatory approvals, as needed, on governance changes and for new and revised Regional Reliability Standards.
- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Provide legal review of communication and outreach to Texas RE's stakeholders, the general public, and media.
- Support the internal and external audits of the corporation and overseeing all regulatory filings and interactions.

- Manage relationships with Texas RE's outside counsel.
- Provide legal support and perform the Corporate Secretary function (the General Counsel serves as the corporation's Corporate Secretary), such as preparing Board materials and minutes, facilitating and conducting Board training, and ensuring that Director elections, Board of Directors and Committee meetings, and Meetings of Members adhere to the Texas RE Bylaws and other relevant governing documents.
- Provide legal support to all other departments of the corporation to ensure that those departments and their activities are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.

The budgeted number of FTEs for Legal and Regulatory is remaining constant in 2023.

Consulting support and contracts are remaining consistent with 2022.

Legal Fees are increasing 66.7% in 2023 for possible outside legal services.

Information Technology

Texas RE's Information Technology (IT) and physical and cyber security program provides IT and security support to Texas RE, including the following: hardware, systems, software, and applications support; physical and electronic and security, data center operations, IT and security-related vendor management; strategy, planning, development, and deployment of enterprise systems and applications, including training and planning for improvement and efficiency of business processes and operations.

Texas RE's approach is to keep its in-house IT staff small and efficiently outsource maintenance, services, and major development to ensure that applications and hardware are well maintained, service levels remain high, costs are controlled, and systems are consistent with business, regional, and federal requirements.

Texas RE supports the ERO efforts to implement, operate, and maintain software tools supporting common enterprise-wide operations that have been approved by the ERO Executive Committee (ERO-EC), which is comprised of the senior leadership of NERC and each of the Regional Entities. Texas RE's budget assumes the availability of enterprise software tools as described in NERC's Business Plan and Budget. If implementation of these software applications is delayed or otherwise not available as planned, Texas RE could incur additional costs to conduct operations pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, software, and data systems supporting combined NERC and Regional Entity operations.

The NERC information technology budget does not supplant Texas RE's need for IT expenditures for specific regional projects and internal region-specific IT support needs. Texas RE's 2023 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes Texas RE costs for internal region-specific support needs.

2023 Key Assumptions

- Focus on better leverage of current technology to support business functions and workflow.
- Increase knowledge of industry best practices for security, data management, and system administration.

2023 Goals and Key Deliverables

- Provide IT and security support to all Texas RE's operations, including: IT and security; infrastructure; service support; service design and delivery; service transition; and hardware and network security in a secure and efficient manner, with the following strategy:
 - Continue to develop knowledge of systems through training and experience to reduce the reliance on external vendors.
 - Continue to use third-party security services to evaluate and test Texas RE's security posture, while fostering maturity in Texas RE's IT and Security internal controls program and security posture.
 - Continue to maintain the appropriate number of employees to oversee the strategy, policies and procedures, service, and performance, budget, and vendor management. Cross-train employees to serve as backups and mentors to each other.
 - Continue to outsource IT and security services that are not within the core competencies or IT's cost-containment plan, and augment employees with temporary contractors as needed to meet business requirements while developing knowledge of systems through training and experience to reduce the reliance on external vendors.
- Develop internal applications to increase consistency, efficiency, and assist users in business processes.
- Assist business staff with enhancement requests and other IT-related project requirements, and prioritize and oversee all IT or security-related projects.
- Coordinate and share best practices with other Regional Entities and NERC.
- Participate in the design, planning and implementation of ERO Centralized Applications.
- Continue the Security Awareness Program that addresses, through education and training, social media vulnerabilities that pose threats to Texas RE systems.
- Train and support Texas RE staff on software and applications.
- Continue to develop and test failover and disaster recovery methods for all Texas RE systems.

The budgeted number of FTEs is increasing by one in 2023.

IT-Managed Services, which is included in the consulting support and contracts category, is remaining consistent with 2022.

Human Resources

The Texas RE Human Resources (HR) program area is responsible for the delivery of all HR functions including: recruitment, staffing, compensation, benefits, health and safety, employee relations, performance management, and employee training and development. HR maintains Human Resources Information System products and ensures compliance with all federal and state requirements.

2023 Key Assumptions

- Provide competitive compensation and benefits.
- Ensure that Texas RE maintains a skilled, qualified workforce.
- Maintain appropriate salaries and benefits based on industry data.

2023 Goals and Key Deliverables

- Recruit highly skilled employees.
- Review and update employee handbook and policies and procedures, as needed.
- Review and manage employee benefit plans.
- Review Texas RE compensation strategy in concert with executive management team to ensure Texas RE remains a competitive employer in its industry.

Personnel expenses are reported under G&A.

Consulting services and contracts are increasing in 2023. The 2022 budget planned for two compensation studies and the 2023 budget plans for three studies, and custom Salary Survey.

Finance and Accounting

The Finance and Accounting function provides all accounting services and financial analysis for Texas RE. Texas RE Finance and Accounting personnel are responsible for general accounting and reporting, budget preparation and reporting, cash management, and tax filing.

2023 Key Assumptions

- Current accounting systems and controls are adequate.
- Identify and implement efficiencies in financial processes.
- Provide improved reporting and financial analysis to Directors, the Audit, Governance, and Finance Committee, and the Board of Directors.

2023 Goals and Key Deliverables

- Work with all Regional Entities to provide consistency in budget submittals to NERC and FERC.
- Provide improved reporting and financial analysis to the Texas RE CEO, Senior Management, and the Texas RE Board.

- Ensure strong internal controls designed to protect the assets of Texas RE and ensure accurate financial reporting.
- Identify and implement efficiencies in the financial processes.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.

The budgeted number of FTEs for Finance and Accounting are remaining constant in 2023.

No consulting support and contracts are budgeted for 2023, which is consistent with the 2022 budget.

Section A — 2021 Business Plan and Budget – Statutory Programs

Administrative Services

The following table shows funding sources and related expenses for the Administrative Services section of the 2023 Business Plan and Budget. Explanations of variances by expense category are included with the Department Section and with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
ADMINISTRATIVE SERVICES					
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget Over(Under)	2023 Budget	Variance 2022 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interest	-	-	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 2,703,899	\$ 2,703,899	\$ -	\$ 3,031,951	\$ 328,052
Payroll Taxes	146,847	146,847	-	179,247	32,401
Benefits	402,940	402,940	-	457,116	54,176
Retirement Costs	371,141	371,141	-	438,287	67,146
Total Personnel Expenses	<u>\$ 3,624,827</u>	<u>\$ 3,624,827</u>	<u>\$ -</u>	<u>\$ 4,106,602</u>	<u>\$ 481,775</u>
Meeting and Travel Expenses					
Meetings & Conference Call:	\$ 37,400	\$ 37,400	\$ -	\$ 37,400	\$ -
Travel	131,080	131,080	-	132,780	1,700
Total Meeting & Travel Expenses	<u>\$ 168,480</u>	<u>\$ 168,480</u>	<u>\$ -</u>	<u>\$ 170,180</u>	<u>\$ 1,700</u>
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 351,700	\$ 351,700	\$ -	\$ 407,700	\$ 56,000
Office Rent	1,473,545	1,473,545	-	2,211,708	738,163
Office Costs	647,760	647,760	-	692,728	44,968
Professional Services	604,625	604,625	-	677,525	72,900
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 3,077,630</u>	<u>\$ 3,077,630</u>	<u>\$ -</u>	<u>\$ 3,989,661</u>	<u>\$ 912,031</u>
Total Direct Expenses	<u>\$ 6,870,937</u>	<u>\$ 6,870,937</u>	<u>\$ -</u>	<u>\$ 8,266,443</u>	<u>\$ 1,395,506</u>
Indirect Expenses	<u>\$ (7,190,937)</u>	<u>\$ (7,190,937)</u>	<u>\$ -</u>	<u>\$ (8,266,443)</u>	<u>\$ (1,075,506)</u>
Other Non-Operating Expenses	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (320,000)</u>
Total Expenses					
Change in Assets					
Fixed Assets, excluding Right of Use Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET					
TOTAL CHANGE IN WORKING CAPITAL					
FTEs	14.75	14.75	-	\$ 15.75	1.00

Approved by the Texas RE Board of Directors May 18, 2022

Section B – Supplemental Financial Information

2023 Business Plan and Budget



Section B — Supplemental Financial Information

Table B-1 – Reserve Balance

Working Capital Reserve Analysis 2022-2023				
STATUTORY				
	Total Reserve & Stabilization	Operating Reserve	Assessment Stabilization	Unreleased Penalties
Beginning Reserves, January 1, 2022	3,954,777	\$ 2,000,000	\$ 1,378,589	\$ 576,188
Plus: 2022 Funding (from LSEs or designees)	15,003,365	\$ 15,003,365	\$ -	\$ -
Plus: 2022 Other funding sources	15,000	15,000	-	-
Released from Assessment Stabilization & Contingency	(465,091)	913,498	(1,378,589)	-
Penalties Released in 2022	-	558,750	-	(558,750)
Penalty Sanctions Received July 1, 2021 - June 30, 2022	-	-	-	-
Less: 2022 Projected expenses & capital expenditures	(17,160,613)	(17,160,613)	-	-
Projected Reserves, December 31, 2022	\$ 1,347,438	\$ 1,330,000	\$ -	\$ 17,438
Desired Reserves, December 31, 2023				
Target Reserve December 31, 2023	\$ 1,330,000	\$ 1,330,000	\$ -	\$ -
Minus: Projected Reserves, December 31, 2022	(1,347,438)	(1,330,000)	-	(17,438)
Increase(decrease) in funding requirement to achieve Reserve	\$ (17,438)	\$ -	\$ -	\$ (17,438)
2023 Expenses and Capital Expenditures	\$ 17,733,467			
Less: Other Funding Sources	(2,000)			
Adjustment to achieve targeted working capital	0			
Reserves released from Assessment Stabilization	0			
Penalty Sanctions Released	(576,188)			
2023 NERC Assessment to Texas RE	\$ 17,155,278			

Explanation of Changes in Reserve Policy from Prior Years

The Board approved Working Capital and Operating Reserve Policy calls for Texas RE to retain a \$2,000,000 cash reserve, or an amount as adjusted by the Board, or as required by regulators. The projected Operating Reserve for the 2023 budget period is \$1,330,000. \$670,000 of the Operating Reserve was used to reduce assessments for the 2022 Budget. The stabilization fund was exhausted with the 2022 Budget leaving a zero balance for 2023.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 11 of the 2023 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Texas RE anticipates no variance between budgeted and actual/forecasted results for 2022. The 2023 budget was based on this information.

Penalty Sanctions

Penalty monies received by June 30, 2022 are to be used to offset assessments in the 2023 Budget, as documented in the NERC Policy – *ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD*. Penalty monies received from July 1, 2022 through June 30, 2023 will be used to offset assessments in the 2024 Budget.

All penalties received by June 30, 2022 are detailed in Exhibit B-2.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; and Training and Education. Penalty sanctions are allocated based on the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Table B-2 – Penalty Sanctions

Penalty Sanctions Received On or Prior to June 30, 2022	Date Received	Amount Received
	9/1/2021	\$ 51,188
	2/6/2022	\$ 525,000
Total Penalties Released		\$ 576,188

Table B-3 – Supplemental Funding

	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 80,000	\$ 80,000	\$ 2,000	\$ (78,000)
Total	\$ 80,000	\$ 80,000	\$ 2,000	\$ (78,000)
Total Outside Funding	\$ 80,000	\$ 80,000	\$ 2,000	\$ (78,000)

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

- Texas RE anticipates its investments will earn interest of approximately \$2,000 in 2023. Texas RE’s banking account is the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account. This is based on interest rates being lower than prior year.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Total Salaries	\$ 9,199,332	\$ 9,199,332	\$ 9,528,203	\$ 328,871	3.6%
Total Payroll Taxes	635,827	635,827	658,636	22,809	3.6%
Total Benefits	1,641,720	1,641,720	1,606,373	(35,346)	-2.2%
Total Retirement	1,290,440	1,290,440	1,375,439	84,999	6.6%
Total Personnel Costs	\$ 12,767,318	\$ 12,767,318	\$ 13,168,651	\$ 401,333	3.1%
FTEs	66.00	66.00	67.00	1.00	1.5%
Cost per FTE					
Salaries	\$ 139,384	\$ 139,384	\$ 142,212	2,828	2.0%
Payroll Taxes	9,634	9,634	9,830	197	2.0%
Benefits	24,875	24,875	23,976	(899)	-3.6%
Retirement	19,552	19,552	20,529	977	5.0%
Total Cost per FTE	\$ 193,444	\$ 193,444	\$ 196,547	\$ 3,103	1.6%

Explanation of Significant Variances – 2023 Budget versus 2021 Budget

- Total costs for Texas RE personnel expenses are increasing by 3.1%. Salaries expense is increasing 3.6%, which includes one additional FTE for the IT department. Salaries expense also includes an allowance for salary increases, promotions, and market adjustments.
- Payroll taxes are increasing 3.6%, which includes State Unemployment Insurance Tax.
- Total Benefits expense is decreasing 2.2%. Health plan expense did not increase as projected in 2022; however, health plan expense is projected to increase 8% for 2023 over actual 2022 cost, which is lower than the 2022 budgeted cost. Employee Benefits include education reimbursement, relocation expenses, and training and professional development.
- Retirement costs are increasing 6.6%. Forfeiture funds are used when available to fund the employer portion of retirement plan cost. The overall cost for the plan has increased due to increases in fund costs and higher participation among FTEs.
- All personnel related expenses are increasing based on the additional salary expense for an added FTE.

Table B-5 – Meeting & Travel Expense

Meeting and Travel Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Meetings	\$ 71,900	\$ 71,900	\$ 56,900	\$ (15,000)	-20.9%
Travel	371,685	371,685	376,735	3,350	1.4%
Conference Calls	-	-	-	-	
	\$ 443,585	\$ 443,585	\$ 433,635	\$ (11,650)	-2.2%

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

- Meetings expense is decreasing 20.9%. The 2023 budget includes Workshop Expense for an offsite workshop in the Training and Education Program. The 2022 budget included two proposed offsite workshops. An annual meeting with the Texas RE Board of Directors and stakeholders is included in Meetings expense.
- The budget for Travel is increasing 1.4% in 2023.

Table B-6 – Consultants and Contracts

Consultants and Contracts	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
General and Administrative	85,000	85,000	96,000	11,000	12.9%
Legal and Regulatory	1,700	1,700	1,700	-	0.0%
Information Technology	225,000	225,000	225,000	-	0.0%
Human Resources	40,000	40,000	85,000	45,000	112.5%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 351,700	\$ 351,700	\$ 407,700	\$ 56,000	15.9%

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

- For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

Table B-7 – Office Rent

Rent	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Office Rent	\$ 742,000	\$ 742,000	\$ 951,708	\$ 209,708	28.3%
Utilities	324,000	324,000	\$ 1,200,000	876,000	270.4%
Maintenance	14,000	14,000	\$ 60,000	46,000	328.6%
Total Office Rent & Utilitites	\$ 1,080,000	\$ 1,080,000	\$ 2,211,708	\$ 1,131,708	104.8%

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

- An escalation in Office Rent, Utilities and Maintenance is due to a full year of expense in the larger office space and increasing cost for utilities and maintenance.

Table B-8 – Office Costs

Office Costs	Budget 2022	Projection 2022	Budget 2023	Variance	
				2023 Budget v 2022 Budget	Variance %
Telephone/Cell Phone	\$ 41,760	\$ 41,760	\$ 44,640	\$ 2,880	6.9%
Internet Expense	125,000	125,000	\$ 125,000	-	0.0%
Office Supplies	42,350	42,350	\$ 43,950	1,600	3.8%
Computer Supplies & Maintenance	31,400	31,400	\$ 32,250	850	2.7%
IT Remote Support	1,350	1,350	\$ 1,350	-	0.0%
Software & Software Maintenance	170,100	170,100	\$ 235,250	65,150	38.3%
Subscriptions & Publications	25,020	25,020	\$ 27,088	2,068	8.3%
Dues	8,200	8,200	\$ 8,920	720	8.8%
Postage	360	360	\$ 250	(110)	-30.6%
Express Shipping	300	300	\$ 300	-	0.0%
Stationary & Office Forms	1,950	1,950	\$ 1,950	-	0.0%
Equipment Repair/Srv. Contracts	10,000	10,000	\$ 9,500	(500)	-5.0%
Bank Charges	1,800	1,800	\$ 1,800	-	0.0%
Property Taxes	12,000	12,000	\$ 12,000	-	0.0%
Merchant Credit Card Fee	1,400	1,400	\$ 2,000	600	42.9%
IT-Leased Equipment	196,000	196,000	\$ 165,000	(31,000)	-15.8%
Office Furniture & Equipment Exp	2,500	2,500	\$ 17,500	15,000	600.0%
IT Maintenance	-	-	\$ -	-	-
Employment Related Fees	1,250	1,250	\$ 2,500	1,250	100.0%
Total Office Costs	\$ 672,740	\$ 672,740	\$ 731,248	\$ 58,508	8.7%

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

- All categories in the Office Costs have been adjusted in the 2023 budget to more accurately reflect actual experience.
- Software and Software Maintenance is increasing to reflect the costs of the PI Software and the new accounting software.
- IT-Leased Equipment is decreasing to reflect new contracts at lower prices.
- Office Furniture & Equipment is increasing to include non-capitalized furniture and equipment that may be needed for the office space.
- Employment related fees have been adjusted to reflect actual cost.

Table B-9 – Professional Services

Professional Services	Budget 2022	Projection 2022	Budget 2023	Variance	
				2023 Budget v 2022 Budget	Variance %
Board of Director Fees	\$ 359,835	\$ 359,835	\$ 382,675	\$ 22,840	6.3%
Accounting & Auditing Fees	58,000	58,000	62,100	4,100	7.1%
Legal Fees	30,000	30,000	50,000	20,000	66.7%
Insurance - Commercial	73,000	73,000	112,000	39,000	53.4%
Professional Services-Other	94,000	94,000	73,750	(20,250)	-21.5%
Total Professional Services	\$ 614,835	\$ 614,835	\$ 680,525	\$ 65,690	10.7%

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

- Board of Director Fees have been adjusted to reflect the potential increases that have been recommended by a third-party compensation study and approved by the Director Compensation Committee.
- Accounting and Auditing Fees are increasing slightly due to annual price adjustment.
- Commercial Insurance is projected to increase slightly based on an estimate from the broker.
- Legal Fees are increasing to provide for potential outside legal services and professional services are decreasing due to not including an external IT audit. Two penetration tests and an external IT audit were budgeted for 2022. One penetration test is in the 2023 budget and the external IT audit has been removed.

Table B-10 – Miscellaneous Expense

Miscellaneous	Budget		Projection 2022		Budget		Variance	
	2022		2022		2023		2023 Budget v 2022 Budget	Variance %
Miscellaneous Expense	\$	-	\$	-	\$	-	\$	-
Total Miscellaneous Expenses	\$	-	\$	-	\$	-	\$	-

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

- N/A

Table B-11 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget		Budget		Variance	
	2022	Projection 2022	2023	2023 Budget v 2022 Budget	Variance %	
Interest Expense	\$ -	\$ -	\$ -	\$ -	-	
Line of Credit Payment			\$ -	\$ -	-	
Office Relocation	\$ 320,000	\$ -	\$ -	\$ (320,000)	100.00%	
Total Non-Operating Expenses	\$ 320,000	\$ -	\$ -	\$ (320,000)	\$ -	

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

- The 2022 budget included one-time office relocation cost. There is no relocation cost for 2023.

Table B-12 – Fixed Assets

Fixed Assets	Budget		Budget		Variance	
	2022	Projection 2022	2023	2023 Budget v 2022 Budget	Variance %	
Computer & Software CapEx	\$ -	\$ -	\$ -	\$ -	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	512,000	512,000	100,000	(412,000)	-80.47%	
Leasehold Improvements	-	-	-	-	-	
Total Fix Assets	\$ 512,000	\$ 512,000	\$ 100,000	\$ (412,000)	-80.5%	

Explanation of Significant Variances – 2023 Budget versus 2022 Budget

- Fixed Assets are decreasing because the 2022 office move required furniture and equipment that is not needed in 2023.

Table B-13 – 2024 and 2025 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2023 Budget & Projected 2024 and 2025 Budgets								
	2023 Budget	2024 Projection	\$ Change 24 v 23	% Change 24 v 23	2025 Projection	\$ Change 25 v 24	% Change 25 v 24	
Funding								
ERO Funding								
NERC Assessments	\$ 17,155,279	\$ 18,483,040	\$ 1,327,761	7.7%	\$ 19,265,250	\$ 782,210	4.1%	
Penalties Released	576,188	-	(576,188)	-100.00%	-	-		
Total NERC Funding	\$ 17,731,467	\$ 18,483,040	\$ 751,573	4.2%	\$ 19,265,250	\$ 782,210	4.1%	
Interest	2,000	-	(2,000)	-100.00%	-	-		
Total Funding	\$ 17,733,467	\$ 18,483,040	\$ 749,573	4.2%	\$ 19,265,250	\$ 782,210	4.2%	
Expenses								
Personnel Expenses								
Salaries	\$ 9,528,203	\$ 9,909,331	\$ 381,128	4.0%	\$ 10,305,704	\$ 396,373	4.0%	
Payroll Taxes	658,636	684,982	26,345	4.0%	712,381	27,399	4.0%	
Benefits	1,606,373	1,670,628	64,255	4.0%	1,737,453	66,825	4.0%	
Retirement Costs	1,375,439	1,430,457	55,018	4.0%	1,487,675	57,218	4.0%	
Total Personnel Expenses	\$ 13,168,651	\$ 13,695,397	\$ 526,746	4.0%	\$ 14,243,213	\$ 547,816	4.0%	
Meeting & Travel Expenses								
Meetings & Conference Calls	\$ 56,900	\$ 59,176	\$ 2,276	4.0%	\$ 61,543.04	2,367	4.0%	
Travel	376,735	391,804	15,069	4.0%	407,476	15,672	4.0%	
Total Meeting & Travel Expenses	\$ 433,635	\$ 450,980	\$ 17,345	4.0%	\$ 469,019	\$ 18,039	4.0%	
Operating Expenses, excluding Depreciation								
Consultants & Contracts	\$ 407,700	\$ 424,008	16,308	4.0%	\$ 440,968	16,960	4.0%	
Office Rent	2,211,708	2,344,411	132,703	6.0%	2,485,075	140,665	6.0%	
Office Costs	731,248	760,498	29,250	4.0%	790,918	30,420	4.0%	
Professional Services	680,525	707,746	27,221	4.0%	736,056	28,310	4.0%	
Total Operating Expenses	\$ 4,031,181	\$ 4,236,663	\$ 205,481	5.1%	\$ 4,453,017	\$ 216,355	5.1%	
Total Direct Expenses	\$ 17,633,467	\$ 18,383,040	\$ 749,573	4.3%	\$ 19,165,250	\$ 782,210	4.3%	
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses	\$ 17,633,467	\$ 18,383,040	\$ 749,573	4.3%	\$ 19,165,250	\$ 782,210	4.3%	
Change in Net Assets	\$ 100,000	\$ 100,000	\$ 0	0.0%	\$ 100,000	\$ (0)	0.0%	
Fixed Assets, excluding Right of Use Assets	\$ 100,000	\$ 100,000	\$ -	0.0%	\$ 100,000	\$ (0)	0.0%	
TOTAL BUDGET	\$ 17,733,467	\$ 18,483,040	\$ 749,573	4.2%	\$ 19,265,250	\$ 782,210	4.2%	
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ 0	\$ 0	0.0%	\$ 0	(0)	-76.7%	
FTEs	66	67	-	0.0%	67	-	0.0%	

2024 and 2025 Projection Analysis

Reflects no additional FTEs and an overall expense increase of approximately 4% per year for all categories, except rent. Office Rent, which includes utilities and maintenance, is projected to increase 6.0% in years 2023 and 2024.

Section C – Non-Statutory Activities

2023 Business Plan and Budget

Texas RE has no Non-Statutory activities



Section D – Supplemental Information

2023 Business Plan and Budget



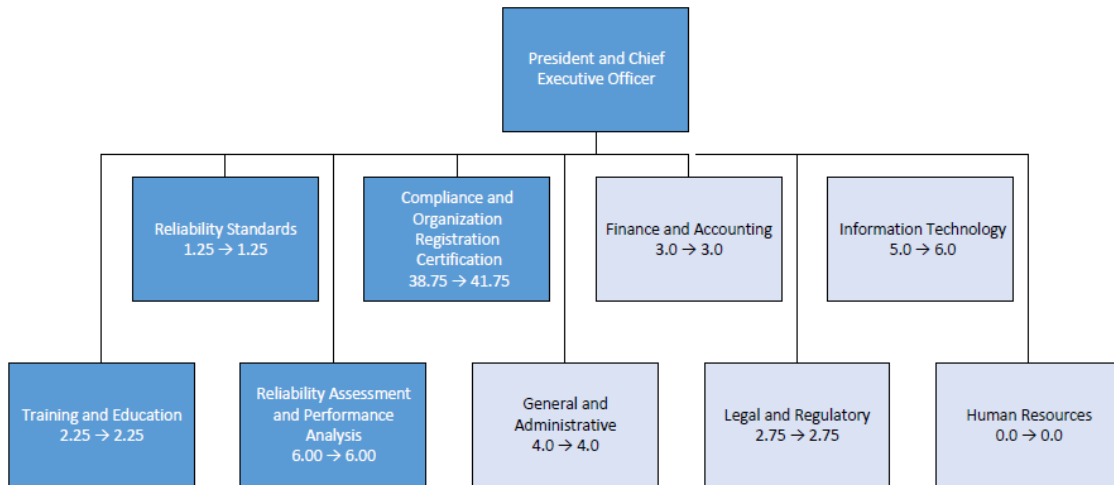
Section D – Supplemental Information



2023 Statement of Activities by Program.

Funding	Statutory Total	Reliability Standards	CMEP	RAPA	Training and Education	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
ERO Funding										
NERC Assessments	\$ 17,155,278	\$ 418,421	\$ 13,975,276	\$ 2,008,423	\$ 753,159	\$ -	\$ -		\$ -	
Penalties Released	576,188	14,053	469,382	67,456	25,296					
Total NERC Funding	\$ 17,731,466	\$ 432,475	\$ 14,444,658	\$ 2,075,879	\$ 778,455	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	2,000	49	1,629	234	88					
Total Funding	\$ 17,733,466	\$ 432,524	\$ 14,446,288	\$ 2,076,113	\$ 778,542	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses										
Personnel Expenses										
Salaries	\$ 9,528,203	\$ 135,442	\$ 5,150,734	\$ 940,898	\$ 269,177	\$ 1,493,805	\$ 448,082	\$ 688,945	\$ -	\$ 401,119
Payroll Taxes	658,636	10,444	384,920	64,970	19,055	74,537	26,974	51,102	-	26,634
Benefits	1,606,373	31,537	933,315	152,305	32,100	158,265	72,200	166,571	-	60,080
Retirement Costs	1,375,439	19,548	743,520	135,633	38,451	217,643	64,380	98,964	-	57,300
Total Personnel Expenses	\$ 13,168,651	\$ 196,971	\$ 7,212,490	\$ 1,293,806	\$ 358,783	\$ 1,944,250	\$ 611,636	\$ 1,005,582	\$ -	\$ 545,133
Meeting Expenses										
Meetings & Conference Calls	\$ 56,900	\$ -	\$ -	\$ -	\$ 19,500	\$ 10,000	\$ -	\$ 11,400	\$ 16,000	\$ -
Travel	376,735	6,900	144,875	87,500	4,680	94,395	13,650	9,950	7,285	7,500
Total Meeting Expenses	\$ 433,635	\$ 6,900	\$ 144,875	\$ 87,500	\$ 24,180	\$ 104,395	\$ 13,650	\$ 21,350	\$ 23,285	\$ 7,500
Operating Expenses, excluding Depreciation										
Consultants & Contracts	\$ 407,700	\$ -	\$ -	\$ -	\$ -	\$ 96,000	\$ 1,700	\$ 225,000	\$ 85,000	\$ -
Office Rent	2,211,708	-	-	-	-	2,211,708	-	-	-	-
Office Costs	731,248	-	22,040	10,140	6,340	91,408	4,530	581,550	10,510	4,730
Professional Services	680,525	-	-	-	3,000	494,675	50,000	70,000	750	62,100
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 4,031,181	\$ -	\$ 22,040	\$ 10,140	\$ 9,340	\$ 2,893,791	\$ 56,230	\$ 876,550	\$ 96,260	\$ 66,830
Total Direct Expenses	\$ 17,633,467	\$ 203,871	\$ 7,379,404	\$ 1,391,446	\$ 392,303	\$ 4,942,436	\$ 681,516	\$ 1,903,482	\$ 119,545	\$ 619,463
Indirect Expenses	\$ -	\$ 201,621	\$ 6,734,127	\$ 967,779	\$ 362,917	\$ (4,942,436)	\$ (681,516)	\$ (1,903,482)	\$ (119,545)	\$ (619,463)
Other Non-Operating	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 17,633,467	\$ 405,492	\$ 14,113,531	\$ 2,359,225	\$ 755,220	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets	\$ 100,000	\$ 27,032	\$ 332,757	\$ (283,112)	\$ 23,323	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets, excluding Right of Use Assets	\$ 100,000	\$ 2,439	\$ 81,463	\$ 11,707	\$ 4,390	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET	\$ 17,733,467	\$ 407,931	\$ 14,194,994	\$ 2,370,932	\$ 759,610	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL	\$ (0)	\$ 24,593	\$ 251,293	\$ (294,819)	\$ 18,932	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	67.00	1.25	41.75	6.00	2.25	4.00	2.75	6.00	-	3.00

2023 Texas RE Organization Chart

2023 Texas RE Organization Chart



-  Statutory Program Area
-  Administrative Services Program Area

Arrow indicates number of FTEs from 2022 to 2023.

DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 8

WESTERN ELECTRICITY COORDINATING COUNCIL

PROPOSED 2023 BUSINESS PLAN AND BUDGET



WECC

2023 Business Plan and Budget

Approved by: WECC Board of Directors

Date: June 15, 2022

Contents

- Introduction..... 2
 - Organizational Overview..... 2
 - Membership and Governance 3
 - 2023 Strategic Goals 4
 - 2023 Key Assumptions and Overview of Cost Impacts 7
 - 2022 Statutory Budget and Projection and 2023 Budget Comparisons 13
- Section A—Statutory Programs..... 15
 - Reliability Standards Program 15
 - Compliance Monitoring and Enforcement..... 19
 - Reliability Assessment and Performance Analysis 25
 - Training and Outreach 30
 - Situation Awareness and Infrastructure Security 34
 - Corporate Services 38
- Section B—Supplemental Financial Information..... 52
 - Reserve Analysis 52
 - Breakdown of Statement of Activities..... 53
- Section C—Non-Statutory Program 69
- Section D—Additional Financial Information..... 75
- Appendix A—Organizational Chart..... 76
 - Changes in Budgeted FTE by Program Area 76
- Appendix B—2023 Budget & Projected 2024 and 2025 Budgets..... 77
- Appendix C—Adjustment to the Alberta Electric System Operator (AESO) Assessment 78
- Appendix D—Statutory and Non-Statutory Budget History Charts..... 79



Introduction

TOTAL RESOURCES (in whole dollars)				
	2023 Budget	U.S.	Canada	Mexico
Statutory FTEs*	160.0			
Non-statutory FTEs	9.0			
Total FTEs	169.0			
Statutory Expenses	\$ 31,757,415			
Non-Statutory Expenses	\$ 2,852,906			
Total Expenses	\$ 34,610,322			
Statutory Incr(Decr) in Fixed Assets	\$ 54,868			
Non-Statutory Incr(Decr) in Fixed Assets	\$ 4,132			
Total Inc(Dec) in Fixed Assets	\$ 59,000			
Statutory Working Capital Requirement**	\$ (595,000)			
Non-Statutory Working Capital Requirement***	\$ (177,177)			
Total Working Capital Requirement	\$ (772,177)			
Total Statutory Funding Requirement	\$ 31,217,283			
Total Non-Statutory Funding Requirement	\$ 2,679,861			
Total Funding Requirement	\$ 33,897,144			
Statutory Assessments	\$ 19,750,537	15,747,192	3,425,574	577,771
Non-Statutory Fees	\$ 2,679,861	2,626,264	53,597	-
NEL****	866,219,863	725,329,758	125,349,171	15,540,934
NEL%	100.0%	83.7%	14.5%	1.8%

Organizational Overview

WECC is a 501(c)(4) social welfare organization funded through Load-Serving Entity (LSE) assessments authorized by the Federal Energy Regulatory Commission (FERC) under Section 215 of the Federal Power Act. WECC's mission is to effectively and efficiently mitigate risks to the reliability and security of the Western Interconnection's bulk power system (BPS), while carrying out the responsibilities of the Regional Entity. WECC operates under a delegation agreement with the North American Electric Reliability Corporation (NERC) and according to its bylaws. WECC executes its mission informed and assisted by working with a broad community of stakeholders and two advisory bodies—the Member Advisory Committee (MAC) and the Western Interconnection Regional Advisory Body (WIRAB).

The Western Interconnection is a geographic area in which the use and generation of electricity is synchronized. This area includes all or part of 14 Western states in the United States, the Canadian provinces of British Columbia and Alberta, and a portion of Baja California Norte, Mexico.



WECC delivers on its mission through:

- Effective risk-based monitoring and enforcement of Reliability Standards through standards development, entity certification and registration, compliance risk assessment, and audits and investigations;
- Informed actions, practices, and decisions of industry participants, regulators, and policymakers through strategic engagement regarding reliability planning, performance analysis, situation awareness, and event analysis; and
- Targeted training, outreach, and dialogue to build relationships that foster a culture of reliability and security throughout the West.

WECC's business philosophy is guided by three principles:

Independence—We serve the public interest and represent what is best for reliability and security within the Western Interconnection with an impartial and unbiased voice.

Perspective—We are uniquely situated, with an interconnection-wide view, to develop comprehensive and influential work products for the benefit of reliability and security.

Partnership—We collaborate with, learn from, and inform industry leaders and technical experts, and decision-makers at the state, provincial, and national level, to reduce risks to reliability and security.

WECC is evolving to better serve stakeholders by:

- Increasing our leadership through strategic partnerships, proactive and deliberate engagements, and technical competence and credibility;
- Building strong and constructive relationships with NERC and our regional partners, members, and stakeholders;
- Implementing risk-based concepts to provide consistency for industry, and increased flexibility within a rule-based, regulatory framework;
- Encouraging forward-looking reliability and security by assessing and advising industry on the design and implementation of effective internal controls; and
- Identifying and mitigating known and emerging risks to the reliability and security of the Western Interconnection.

Membership and Governance

WECC has 310 members¹ divided into the following five Membership Classes:

1. Large Transmission Owners;
2. Small Transmission Owners;

¹ As of May 24, 2022.



3. Electric Line of Business Entities doing business in the Western Interconnection that do not own, control, or operate transmission or distribution lines in the Western Interconnection;
4. End users and entities that represent the interests of end users; and
5. Representatives of state and provincial governments.

WECC membership is open to any person or entity that has an interest in the reliable and secure operation of the Western Interconnection BPS. WECC membership is not required for participation in the WECC Standards Development process.²

WECC is governed by a Board of Directors (Board), composed of nine independent Directors elected by the WECC membership, and WECC's president and CEO as appointed by the Board. The nine Directors are compensated by WECC for their governance and oversight activities.

Four governance committees provide functional oversight of WECC operations:

- Finance and Audit Committee (FAC);
- Governance Committee (GC);
- Human Resources and Compensation Committee (HRCC); and
- Nominating Committee (NC).

Under the direction of the Board, other committees provide technical advice and policy recommendations to the Board:

- Joint Guidance Committee (JGC);
- Member Advisory Committee (MAC);
- Reliability Assessment Committee (RAC);
- Reliability Risk Committee (RRC); and
- WECC Standards Committee (WSC).

2023 Strategic Goals

The electric industry is undergoing profound changes nationally, especially in the West. Organizations such as WECC help to further the understanding of these changes. Working with other stakeholders helps build trust, promote transparency, set priorities, and enhance the reliability and security of the Western Interconnection. WECC proactively addresses issues for which the impacts to the Western Interconnection's reliability and security are less understood (e.g., the risk is unique to the Western Interconnection) or for which WECC and its stakeholders (including its technical committees) can make a significant contribution to Western BPS reliability and security. Strategic engagement allows WECC to thoughtfully and intentionally interact with stakeholders to ensure WECC's work is relevant and valuable.

² Non-WECC members may participate in standards drafting teams and may vote on Regional Reliability Standards (RRS). See WECC's Reliability Standards Development Procedures.



WECC's Board-approved [Long-Term Strategy](#) builds on the foundation established by the Electric Reliability Organization (ERO) Enterprise Long-Term Strategy. Described more fully below, the ERO Enterprise Long-Term Strategy is representative of continent-wide risks and was vetted through a stakeholder process. WECC's Long-Term Strategy then identifies unique Western long-term focus areas to address the reliability and security needs of the Western Interconnection while supporting reliability and security across North America. These two strategy documents, coupled with the ERO Enterprise-driven program areas, will guide the work of WECC in 2023 and beyond.

Additionally, the Board approved the following [WECC Reliability Risk Priorities \(RRP\)](#) at its June 2022 meeting. These risk priorities guide both committee and program area work plans. Much of the work related to the WECC RRP involves staff time; examples of activities supporting these priorities are noted in the appropriate statutory program area sections of the business plan.

Reliability Risk Priorities

The WECC RRP approved in 2022 are further described below.

Cybersecurity

Cyberthreats can result in loss of control or damage to communications, data, monitoring, protection and control systems, and operational tools. Attacks can cause the loss of situational awareness or even the loss of load. These attacks may also hinder resilience and recovery measures, further jeopardizing reliable grid operations. WECC will continue to facilitate efforts to share NERC information, best practices, and lessons learned with parties that need to prepare for cyberattacks.

Extreme Natural Events

Extreme natural events are becoming more common in the Western Interconnection due to wide-ranging changes in climate and weather patterns. Record-breaking temperatures, extended cold weather, prolonged drought, and increasing intensity of wildfires have forced entities to rethink how they plan and operate the system. WECC has monitored, participated in, and led work in this area and will continue to do so.

Resource Adequacy and Performance

Resource adequacy has grown more complex and intertwined with other important considerations such as transmission adequacy. Extreme events, clean energy policies, wide variance in state regulatory and policy actions, customer choice patterns (e.g., the move toward vehicle electrification), and other drivers are increasing variability and causing the generation and load patterns in the West to shift.



WECC currently studies and evaluates resource adequacy and transmission plans in the Western Interconnection. It uses input from industry, policymakers, and regulators to shape its work. WECC then shares information from its analysis with planning entities, regulators, and the broader group of stakeholders. WECC will continue to improve its stakeholder engagement to gather input, shape analytical work, and share useful and timely information, particularly with its regulatory and policy partners.

Impact of Changing Resources and Customer Loads on the BPS Mix

New and emerging technologies such as inverter-based resources (IBR) and electric vehicles make grid planning and operations more complex. Emerging technologies must be integrated into the system in a way that does not degrade reliability. To do this, the behavior and operation of new technology must be understood in the context of bulk power system operations. To date, the West has experienced several system disturbances related to the performance of solar IBRs that demonstrate the need to address this risk.

WECC has been working, and can continue to work, with industry to explore the range of solutions to address this issue. Through its technical committees, WECC will continue to study, gather, and share information on the performance of resource technology (both utility- and customer-owned) and load technology and best practices for integration. WECC and industry will collaborate to create guidelines and share best practices. In addition, WECC will accelerate its work with entities to improve model accuracy and data quality.

ERO Enterprise

In 2019, the ERO Enterprise leadership revised the [ERO Enterprise Long-Term Strategy](#) to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC) identified BPS risks. The Board acknowledged this strategy on December 4, 2019, as a valuable input to the WECC strategic planning process and recognized it as a beneficial collaboration by NERC and the Regional Entities. The ERO Long-Term Strategy served as the foundational input for the development of WECC's Long-Term Strategy.

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss program area goals and activities to ensure they align with the long-term strategy and that business processes and operations harmonize across the ERO Enterprise where appropriate. WECC acknowledges and supports the long-term strategy as well as the work products specific to WECC that are described in each statutory program area in Section A.

The ERO Enterprise strives for consistency when appropriate and recognizes that each Regional Entity addresses reliability in unique ways. The ERO Enterprise model allows Regional Entities to address these unique reliability risks and challenges locally using innovative and distinctive approaches. The



ERO Enterprise recognizes that, as the electric industry ecosystem is rapidly evolving, the ERO programs and practices must continue to transform to meet the future needs of reliability and security.

NERC and the Regional Entities coordinate activities to identify, prioritize, and address risks to reliability. The Regional Entities have similar responsibilities within the ERO Enterprise model:

- Providing input to the overall development of each ERO program area;
- Providing training and development to meet ERO qualifications; and
- Ensuring delegated responsibilities are completed.

Regional Entities also have an obligation to meet professional standards of independence and objectivity and provide the best available expertise to address regional risks. This way of working is represented by this visual.



2023 Key Assumptions and Overview of Cost Impacts

WECC's proposed 2023 statutory budget is \$31,812,000, a \$2,065,000 (6.94%) increase from the 2022 statutory budget. The net increase is mainly due to:

- 7.50 new full-time equivalents (FTE) to support the WECC RRP, improve the organization's security posture, and to ensure WECC has the bandwidth to deliver on its critical reliability mission;
- Labor float assumption changes based on actual turnover and vacancy rates;
- A 3% merit pool;
- Increased subscription-based computer licensing and enterprise security tools; and
- Changes in position levels.

FTEs represent the fractional allocation of a full-time position's cost to one or more functional areas. Headcount (HC) represents either vacant or filled positions. Major drivers of the change between the 2022 and 2023 statutory budgets are as follows:

- Personnel Expenses increase by \$1,922,000 primarily due to 7.50 new FTEs, continued refinement of labor float percentages, a budgeted 3% merit pool, changes in position levels, and the refinement of payroll tax and benefits enrollment rates.
- Office Costs increase by \$329,000 primarily due to an increase in subscription-based computer licensing and enterprise security tools.

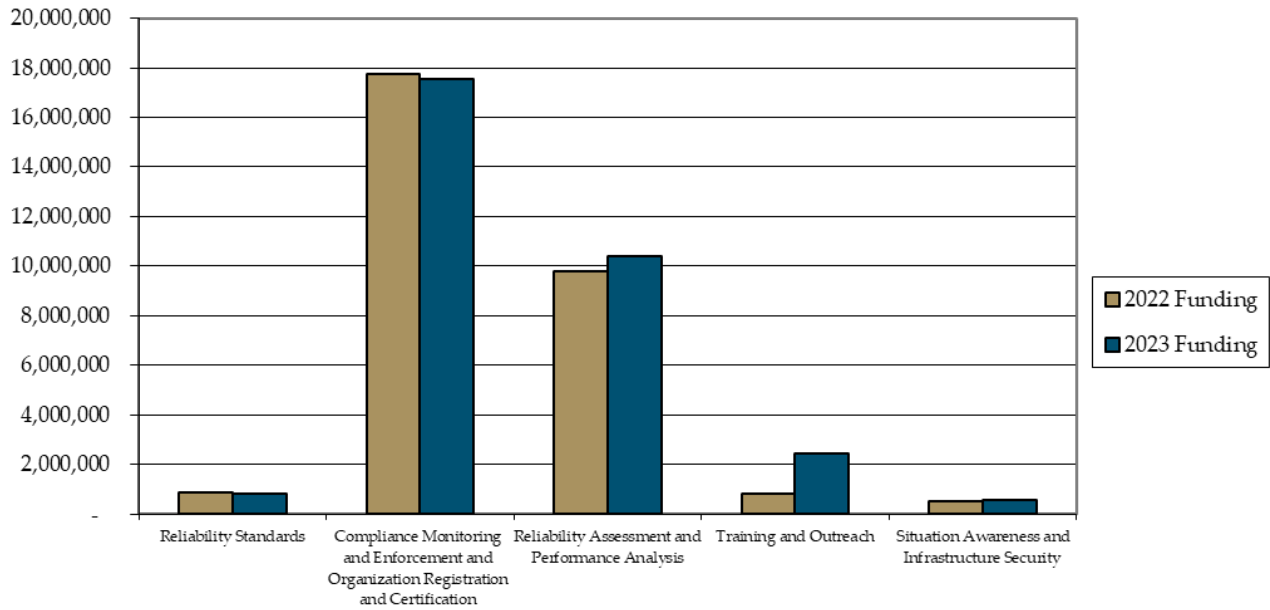
- Meeting Expenses decrease by \$283,000 primarily due to changes in on-site audit logistics and an expectation that many meeting participants will choose the virtual option when hybrid meetings resume.
- Consultants & Contracts increase by a net of \$250,000 primarily due to the inclusion of \$595,000 in Peak Reliability Donation project spending and the completion of one-time consulting projects in 2022.

The following table and chart present a summary of funding requirements for WECC's primary statutory program areas:

Program	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Reliability Standards	\$ 885,532	\$ 860,285	\$ 838,759	\$ (46,773)	(5.28%)
Compliance Monitoring and Enforcement and Organization Registration and Certification	17,730,856	16,925,502	17,550,239	(180,617)	(1.02%)
Reliability Assessment and Performance Analysis	9,802,354	9,756,600	10,414,249	611,895	6.24%
Training and Outreach	812,908	1,944,180	2,450,617	1,637,709	201.46%
Situation Awareness and Infrastructure Security	515,247	520,410	558,419	43,172	8.38%
Total By Program	\$ 29,746,899	\$ 30,006,979	\$ 31,812,283	\$ 2,065,385	6.94%



Comparison of 2022 to 2023 Budgeted Funding Requirements



Peak Reliability Donation

Peak Reliability (Peak) ceased all Reliability Coordinator (RC) operations in December 2019 and dissolved as a corporate entity in December 2020. After review and approval by the Board, WECC entered into a donation holdback agreement with Peak before its dissolution. Per the agreement, Peak donated \$4,127,000 of its remaining funds to WECC. Of the total amount, \$3,827,000 will be used to fund projects focused on the reliability and security of the BPS in the Western Interconnection. This portion was recorded as a statutory donation. Additionally, Peak requested WECC hold \$300,000 for a period of five years to pay any Peak bills that may be presented following Peak’s formal closure on December 31, 2020. This amount was recorded as a non-statutory liability. The statutory amount is currently included in WECC’s reserves, which are further detailed in Table B-1. Non-statutory funds remaining after the five-year period will also be used to fund reliability and security projects.

WECC has committed to its stakeholders and FERC that decisions about how to spend the Peak funds will be informed by stakeholder consultation, review, and comment. There are many critical issues facing the Western Interconnection, and WECC values the many different perspectives the stakeholder community can bring to the consideration of how best to spend these funds. Ultimately, the expenditure of these funds is not about merely “having \$3,827,000 to spend.” Instead, this is an opportunity for WECC to add real value by addressing critical reliability risks and issues in the West by answering these questions:

- What are the critical needs that are not being adequately addressed?



- What could WECC do, using these funds, to deliver significant value to the stakeholders who are working to address reliability and security challenges every day?

All projects are vetted with the executive team and stakeholders via targeted outreach, technical committees, and the Business Plan and Budget (BP&B) process. Two projects warrant inclusion in the 2023 BP&B. These are:

- The second phase of a system planning data management system, to improve data management processes, support consistent data formats, reduce processing time, and allow sharing of interconnection-wide data with appropriate stakeholders; and
- The acquisition of PLEXOS software, an energy market simulation platform, to provide in-depth analytics and modeling support for reliability planning activities.

WECC proposes to use \$595,000 from the Peak Reliability Donation reserve to fund these projects in 2023. This process will be followed for future projects, which will be identified in future BP&Bs. For projects not anticipated in the annual BP&B and expected to total more than \$500,000, WECC will seek approval from FERC via separate one-time filings.

Personnel Overview

Over the last two years, several events have highlighted risks to reliability and security: the August 2020 heat wave, the February 2021 cold weather event, the 2020 SolarWinds breach, and the 2021 log4j vulnerability, among others. What used to be considered low probability events have become more frequent and are coming at a pace and complexity that WECC has not seen before. WECC needs specific expertise and resources to keep pace and to work with its stakeholders to address emerging issues. As a result, in the 2023 budget, WECC is adding 7.50 statutory FTEs (9.50 FTEs in total) and realigning some positions within program areas due to evolving organizational needs and priorities driven by the environment in which WECC is operating.

Compliance Monitoring and Enforcement

Two new FTEs are added to the Compliance Monitoring and Enforcement Program (CMEP). One vice president, Reliability and Security Oversight, is added to provide key leadership in the continued development of a risk-informed CMEP to mitigate reliability and security risks to the interconnection. One cybersecurity risk engineer is added to increase bench strength, mitigate bandwidth constraints, and address an increasing workload related to assessing inherent and operational risk to reliability associated with the Cybersecurity Infrastructure Protection (CIP) standards. One FTE is transferred from CMEP to Training and Outreach to support the development and enhancement of the Strategic Engagement group and 0.75 FTE is transferred from CMEP to Legal and Regulatory due to realigned job responsibilities.



Reliability Assessment and Performance Analysis

Three FTEs are added to the Reliability Assessment and Performance Analysis (RAPA) Program. In recent years, as the RAC's Study Program has become more robust in developing studies aimed at addressing the WECC RRs, more staff time has been needed to complete the work. One senior engineer is added to help develop these studies. Two senior resource adequacy analysts are added to more fully analyze and understand the increasing risks of resource adequacy, one of the WECC RRs, and to increase engagement in subregional resource adequacy programs. Additionally, 0.80 FTE is transferred from RAPA to Training and Outreach to provide administrative and project support to the Strategic Engagement group.

Training and Outreach

Four FTEs and one FTE are transferred from Legal and Regulatory and CMEP, respectively, to the Training and Outreach Program area due to a 2022 organizational realignment, the details of which are noted in the Training and Outreach program scope. Additionally, 0.80 and 0.20 FTE are transferred from RAPA and G&A, respectively, to Training and Outreach to provide administrative and project support to the Strategic Engagement group.

An additional 0.50 FTE is added to the Training and Outreach Program to help ensure WECC's insights and analyses are received and understood by a wide array of stakeholders and decision-makers and that relevant work products are reaching appropriate stakeholders in a timely manner. WECC will use this partial FTE to convert the 0.50 FTE added in the 2022 BP&B to a full-time position.

Corporate Services

One associate systems administrator and one information security analyst are added to the Information Technology Program, to provide administration and security monitoring of increased enterprise security tools. These positions, in conjunction with other security personnel, work to continually improve WECC's security posture and to protect the increasing volume of stakeholder data housed in our systems.

Additionally, the following transfers affect Corporate Services:

- 0.20 FTE is transferred from G&A to Training and Outreach to provide administrative and project support to the Strategic Engagement group;
- 0.50 FTE is transferred from Finance and Accounting to G&A to assist with administrative tasks;
- 0.75 FTE is transferred from CMEP to Legal and Regulatory to realign job responsibilities; and
- 4.00 FTEs are transferred from Legal and Regulatory to Training and Outreach due to a 2022 organizational realignment.



Non-Statutory

Two program analysts are added to the non-statutory program due to program growth, increasing account holder audit requirements, and software administration needs.

Details of the additions, transfers, and allocations are discussed in the respective program area sections of the BP&B.

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2022	2022	2023 Budget	FTEs* 2023 Budget	2023 Budget	from 2022 Budget
STATUTORY						
Operational Programs						
Reliability Standards	3.00	3.00	3.00	-	3.00	-
Compliance Monitoring and Enforcement and Organization Registration and Certification	67.75	67.00	68.00	-	68.00	0.25
Reliability Assessment and Performance Analysis	35.80	38.00	38.00	-	38.00	2.20
Training and Outreach	2.00	8.50	8.50	-	8.50	6.50
Situation Awareness and Infrastructure Security	2.00	2.00	2.00	-	2.00	-
Total FTEs Operational Programs	110.55	118.50	119.50	-	119.50	8.95
Corporate Services						
Technical Committees and Member Forums	-	-	-	-	-	-
General and Administrative	17.70	16.50	18.00	-	18.00	0.30
Legal and Regulatory	7.75	5.00	4.50	-	4.50	(3.25)
Information Technology	9.00	10.00	11.00	-	11.00	2.00
Human Resources	4.00	4.00	4.00	-	4.00	-
Finance and Accounting	3.50	3.00	3.00	-	3.00	(0.50)
Total FTEs Corporate Services	41.95	38.50	40.50	-	40.50	(1.45)
Total FTEs	152.50	157.00	160.00	-	160.00	7.50

* A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Penalty Sanctions and Assessments

WECC received \$19,919,000 in penalty sanctions between July 1, 2021, and June 30, 2022. WECC proposes, with NERC and Commission approval pursuant to Section 1107.4 of the NERC Rules of Procedure, to release \$11,219,000 in penalty sanctions to offset 2023 assessments, with the remaining \$8,700,000 to be released in 2024. The rationale for releasing the penalties over two years is to avoid a steep decrease in assessments in one year and a sharp increase in the second year. See the Monetary Penalties section for additional details.



2022 Statutory Budget and Projection and 2023 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2022 Budget & Projection, and 2023 Budget

STATUTORY

	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 25,000,000	\$ 25,000,000	\$ -	\$ 19,750,537	\$ (5,249,463)
Penalties Released ¹	5,298,000	5,298,000	-	11,218,646	5,920,646
Total Statutory Funding	\$ 30,298,000	\$ 30,298,000	\$ -	\$ 30,969,183	\$ 671,183
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Workshops & Miscellaneous	194,700	177,300	(17,400)	188,100	(6,600)
Interest	109,501	51,678	(57,823)	60,000	(49,501)
Total Revenue (A)	\$ 30,602,201	\$ 30,526,978	\$ (75,223)	\$ 31,217,283	\$ 615,082
Expenses					
Personnel Expenses					
Salaries	\$ 18,411,644	\$ 18,853,286	\$ 441,642	\$ 20,039,300	\$ 1,627,656
Payroll Taxes	1,217,683	1,330,681	112,998	1,322,041	104,358
Benefits	2,605,571	2,321,337	(284,234)	2,649,518	43,947
Retirement Costs	1,663,608	1,685,244	21,636	1,809,267	145,659
Total Personnel Expenses	\$ 23,898,506	\$ 24,190,548	\$ 292,042	\$ 25,820,126	\$ 1,921,620
Meeting Expenses					
Meetings & Conference Calls	\$ 458,044	\$ 356,370	\$ (101,674)	\$ 386,181	\$ (71,863)
Travel	772,654	475,134	(297,520)	561,108	(211,546)
Total Meeting Expenses	\$ 1,230,698	\$ 831,504	\$ (399,194)	\$ 947,289	\$ (283,409)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 1,004,600	\$ 1,221,713	\$ 217,113	\$ 1,254,100	\$ 249,500
Office Rent	1,306,912	1,317,296	10,384	1,318,436	11,524
Office Costs	1,844,335	1,933,734	89,399	2,173,501	329,166
Professional Services	1,045,000	1,166,533	121,533	1,087,000	42,000
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 5,200,847	\$ 5,639,276	\$ 438,429	\$ 5,833,037	\$ 632,190
Total Direct Expenses	\$ 30,330,051	\$ 30,661,328	\$ 331,277	\$ 32,600,452	\$ 2,270,401
Indirect Expenses	\$ (695,066)	\$ (714,824)	\$ (19,758)	\$ (843,037)	\$ (147,971)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 29,634,985	\$ 29,946,504	\$ 311,519	\$ 31,757,415	\$ 2,122,430
Change in Net Assets (=A-B)	\$ 967,216	\$ 580,474	\$ (386,742)	\$ (540,132)	\$ (1,507,348)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 111,914	\$ 60,475	\$ 51,439	\$ 54,868	\$ (57,046)
TOTAL BUDGET (B+C)	\$ 29,746,899	\$ 30,006,979	\$ 362,958	\$ 31,812,283	\$ 2,065,384
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 855,302	\$ 519,999	\$ (438,181)	\$ (595,000)	\$ (1,450,302)
FTEs	152.50	157.00	4.50	160.00	7.50
HC	152.00	157.00	5.00	160.00	8.00

¹ Represents the amount released from working capital reserves to offset U.S. assessments as approved by the NERC Board of Trustees and FERC. Actual penalties invoiced in the current reporting year will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).





Section A

Statutory Programs

Section A—Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	-
Direct Expenses	\$ 584,610	\$ 556,370	\$ (28,240)
Indirect Expenses	\$ 297,886	\$ 281,011	\$ (16,875)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 3,036	\$ 1,378	\$ (1,658)
Total Funding Requirement	\$ 885,532	\$ 838,759	\$ (46,773)

Program Scope and Purpose

The Reliability Standards Program supports the NERC Reliability Standards Program and its employees work with the WSC to aid the development of Regional Reliability Standards (RRS), Regional Variances to NERC Reliability Standards, and Regional Criteria to ensure the Bulk Electric System (BES) operates reliably.

The Reliability Standards Program deliverables include a five-year review of each current RRS, Regional Variance to NERC Reliability Standards, and Regional Criterion. These reviews can result in revisions to the document, retirement of the document if no longer needed for reliability, or a finding that no changes are necessary.

WECC supports the development of Regional Variances to NERC Reliability Standards when it is necessary to address complex Western reliability issues. The variances are required by a physical difference in the BPS or instances in which Western stakeholders want more stringent performance requirements. WECC will only develop an RRS, rather than a variance, when no NERC Reliability Standard exists to address a reliability issue.

Regional Criteria may be necessary to implement, augment, or comply with NERC Reliability Standards, but they are not Reliability Standards themselves and are not enforceable. Regional Criteria may include acceptable operating or planning parameters, guides, or other documents used to enhance BPS reliability.

2023 Key Budget Assumptions

- The number of RRS projects will remain low, with most focusing on potential retirement of existing RRSs—due to the subject matter being included in NERC Reliability Standards—and



necessary revisions identified during the five-year review. It is possible, but not likely, that regulatory directives could result in RRS projects.

- Much of the work needed to develop RRSs, Regional Variances to NERC Reliability Standards, and Regional Criteria will continue to be performed by stakeholder volunteers.
- Stakeholder volunteers will continue to staff most NERC Standards drafting teams.
- WECC employees may, at times, participate as drafting team members or observers.
- Integration of renewable resources and related energy storage devices may require new or modified NERC Reliability Standards, RRSs, or Regional Variances to NERC Reliability Standards.
- WECC supports, and will participate in, the enhanced periodic reviews of NERC Reliability Standards and the NERC Standards Grading effort, when appropriate.
- Increases in virtual meetings will decrease travel expenses.

2023 Goals and Deliverables

- Ensure Western viewpoints are represented and incorporated in the development of NERC Reliability Standards, regional standards, and regional variances to NERC Reliability Standards by encouraging Western participation on standards drafting teams and commenting on standards under development.
- Continuously improve program processes and tools to adapt to changes in the industry.
- Deliver quantitative and qualitative results for corporate scorecard items, and develop methods and metrics for ongoing evaluation of effectiveness and efficiency.
- Ensure the development of RRSs and Regional Criteria is performed according to the most recent WECC Reliability Standards Development Procedures.
- Review existing RRSs to determine candidates for a Regional Variance to a NERC Reliability Standard and, if so, coordinate with NERC to address the change during NERC's periodic review.
- Review existing RRSs and Regional Criteria to improve their content and quality.
- Incorporate audit, enforcement, and event analysis information to determine whether new RRSs or revisions are necessary.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses decrease by a net of \$23,000 primarily due to continued refinement of labor float percentages, a budgeted 3% merit pool, and the refinement of payroll tax and benefits rates.



Meeting Expenses

- No significant changes.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.

See Section B—Supplemental Financial Information for explanations of other variances between the 2022 and 2023 budgets.



Reliability Standards Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
RELIABILITY STANDARDS					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget v 2022 Projection Over(Under)	Budget	2023 Budget v 2022 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 764,248	\$ 764,248	\$ -	\$ 539,925	\$ (224,323)
Penalties Released	143,772	143,772	-	281,639	137,867
Total Statutory Funding	\$ 908,020	\$ 908,020	\$ -	\$ 821,564	\$ (86,456)
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Workshops & Miscellaneous	-	-	-	-	-
Interest	2,972	1,291	(1,681)	1,507	(1,465)
Total Revenue (A)	\$ 910,992	\$ 909,311	\$ (1,681)	\$ 823,071	\$ (87,921)
Expenses					
Personnel Expenses					
Salaries	\$ 454,624	\$ 454,898	\$ 274	\$ 437,183	\$ (17,441)
Payroll Taxes	30,150	32,117	1,967	28,906	(1,244)
Benefits	42,770	49,763	6,993	40,337	(2,433)
Retirement Costs	40,461	40,762	301	38,809	(1,652)
Total Personnel Expenses	\$ 568,005	\$ 577,540	\$ 9,535	\$ 545,235	\$ (22,770)
Meeting Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	13,065	8,730	(4,335)	7,520	(5,545)
Total Meeting Expenses	\$ 13,065	\$ 8,730	\$ (4,335)	\$ 7,520	\$ (5,545)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	3,540	4,424	884	3,615	75
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 3,540	\$ 4,424	\$ 884	\$ 3,615	\$ 75
Total Direct Expenses	\$ 584,610	\$ 590,694	\$ 6,084	\$ 556,370	\$ (28,240)
Indirect Expenses	\$ 297,886	\$ 268,060	\$ (29,826)	\$ 281,011	\$ (16,875)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 882,496	\$ 858,754	\$ (23,742)	\$ 837,381	\$ (45,115)
Change in Net Assets (=A-B)	\$ 28,496	\$ 50,557	\$ 22,061	\$ (14,310)	\$ (42,806)
Fixed Assets, excluding Right of Use Assets (C)	\$ 3,036	\$ 1,531	\$ (1,505)	\$ 1,378	\$ (1,658)
TOTAL BUDGET (B+C)	\$ 885,532	\$ 860,285	\$ (25,247)	\$ 838,759	\$ (46,773)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 25,460	\$ 49,026	\$ 23,566	\$ (15,688)	\$ (41,148)
FTEs	3.00	3.00	-	3.00	-
HC	3.00	3.00	-	3.00	-



Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	67.75	68.00	0.25
Direct Expenses	\$ 10,935,018	\$ 11,149,411	\$ 214,393
Indirect Expenses	\$ 6,727,252	\$ 6,369,606	\$ (357,646)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 68,586	\$ 31,222	\$ (37,364)
Total Funding Requirement	\$ 17,730,856	\$ 17,550,239	\$ (180,617)

Program Scope and Purpose

The reliability and security of the BPS is the central focus of WECC’s mission. The Reliability and Security Oversight department is integral to maintaining that focus and works with Registered Entities in the Western Interconnection to promote a strong culture of reliability and security by focusing on known and future risks. Program area staff, who are independent of all users, owners, and operators of the BPS, ensure that Registered Entities mitigate risks to the BPS by implementing the NERC Organization Registration and Certification Program and the Compliance Monitoring and Enforcement Program. Staff monitors and enforces the NERC Reliability Standards across 403³ registered owners, operators, and users of the BPS through a variety of risk-based activities, delivering consistent, impartial, and meaningful real-time feedback to the entity.

To accomplish its objectives, the program is divided into five main areas:

- Organization Registration and Certification⁴;
- Entity Risk Assessment;
- Entity Monitoring;
- Enforcement and Mitigation; and
- Program Analysis and Administration.

³ As of May 24, 2022.

⁴ At WECC, certification activities have historically been performed in the RAPA program area. Certification activities will transition to CMEP in 2023.



WECC will conduct its monitoring and enforcement activities according to the Board-endorsed Regulatory Philosophy, the key tenets of which are:

- Be an informed regulator;
- Identify top risks to reliability and security;
- Exercise discretion responsibly; and
- Enforce fairly.

Staff will support ERO Enterprise activities, including:

- Regional Risk Assessments;
- Compliance Oversight Plans (COP) and Inherent Risk Assessments (IRA);
- Organization Registration and Certification;
- Mitigation plan review, acceptance, and verification;
- Potential noncompliance reviews to assess extent of condition, root cause, and risk to BPS;
- Processing and disposition of entity self-logging and other minimal-risk issues;
- Enforcement of moderate- and serious-risk noncompliance through established risk-based approaches;
- Periodic Data Submittal review and validation;
- Internal Compliance Program assessments;
- Internal Controls Program reviews;
- Entity monitoring including, audits, spot-checks, self-certifications, investigations, and assessments of complaints; and
- BES Exception Requests.

Compliance in Alberta, British Columbia, and Mexico

Alberta and British Columbia, Canada, and a portion of Baja California Norte, Mexico, are all part of the Western Interconnection and have adopted or are adopting mandatory Reliability Standards based on FERC-approved Standards. WECC has entered into agreements with the Alberta Market Surveillance Administrator (MSA), the British Columbia Utilities Commission (BCUC), and Mexico's Comisión Reguladora de Energía (CRE)⁵, under which WECC performs various compliance monitoring and enforcement activities to help ensure reliability across international borders within the Western Interconnection.

⁵ WECC has historically entered into an annual agreement with CRE; at the time of this filing, the regulatory environment in Mexico remains uncertain. WECC is monitoring this situation, while using other means to monitor the reliability of the Mexican portion of the BPS, and will engage with the appropriate Mexican authorities as circumstances become clearer.

2023 Key Budget Assumptions

- WECC will address known and future reliability risks by staffing at adequate levels to monitor the FERC-approved NERC Reliability Standards for applicable entities through audits, investigations, self-certifications, or spot-checks during the year. A risk-based approach will be applied to ensure all monitoring activities, on-site and off-site, and post-monitoring activities are completed according to the NERC Rules of Procedure and the CMEP within the United States. With respect to non-U.S. jurisdictions, compliance will be monitored according to the approved agreements and applicable compliance monitoring programs with Canadian and Mexican authorities.
- Staff will develop and implement COPs for new Registered Entities and refresh COPs as per risk triggers. The plans focus on relevant risks, including consideration of IRAs, entity performance history, other operational risks based on performance considerations, and the maturity of internal controls.
- Staff will participate in NERC-led, centralized review panel sessions as part of the application process for materiality tests of the risk-based registration process outlined in Appendix 5A of the NERC Rules of Procedure. Registration recommendations will be reviewed, assessed, validated, and submitted to NERC for new registrations, partial deactivations, transfer of access, and full deregistration changes affecting the NERC Compliance Registry (NCR).
- Certification activities are transferred into this program from RAPA.
- WECC fully supports ERO Enterprise efforts and activities to evaluate business practices, tools, consistency, implementation, and guidance within the risk-based CMEP. Staff will provide feedback to the ERO Enterprise on emerging and existing risks, with an emphasis on standards development, standards modification, monitoring approaches, enforcement considerations, and potential gaps.
- Regional Risk Assessment (RRA) results provide input on focus areas in the ERO CMEP Implementation Plan.
- Costs related to a hearing that may arise will be funded through working capital reserves.
- WECC does not foresee any new or revised Reliability Standards that would require increased resources in 2023.
- One vice president, Reliability & Security Oversight, is added to CMEP to provide key leadership in the continued development of a risk-informed CMEP to mitigate reliability and security risks to the interconnection.
- One cybersecurity risk engineer is added to CMEP to increase bench strength, mitigate bandwidth constraints, and address an increasing workload related to assessing inherent and operational risk to reliability associated with the CIP standards.
- One position is transferred from CMEP to Training and Outreach to realign job responsibilities and support the development and enhancement of the Strategic Engagement group.



- Due to realignment of job responsibilities, 0.75 FTE is transferred from CMEP to Legal and Regulatory.
- Increases in virtual meetings and changes in monitoring activity logistics will decrease monitoring travel expenses resulting from lessons learned about effective technology use during the COVID-19 pandemic.

2023 Goals and Deliverables

- Effective and efficient implementation of risk-based monitoring and enforcement activities.
- Continue to improve violation inventory statistics.
- Continue to improve COP refresh timeliness and focus on effective and efficient implementation of ERO Enterprise COP process.
- Continuously improve program processes and tools to adapt to changes in the industry.
- Deliver quantitative and qualitative results for corporate scorecard items, and develop methods and metrics for ongoing evaluation of effectiveness and efficiency.
- Consult with the international compliance enforcement authorities to determine which elements of the risk-based CMEP could provide value and should be incorporated in the respective programs for international entities. Currently, WECC does not conduct IRAs or develop COPs for international entities.
- Provide outreach and training on the Align tool to staff and Registered Entities.
- Process all BES Exception submittals according to Appendix 5C.
- Fully integrate organization certification into the program area and work with RAPA staff to ensure a smooth and seamless transition.
- Participate in ERO Enterprise collaboration groups to ensure consistency to continue to build effective relationships and ensure CMEP consistency, where applicable and appropriate, across Regional Entities.
- Complete 20 audits with an on-site component and 10 off-site audits. Additional monitoring activities (e.g., spot-checks, self-certifications with supporting evidence, investigations, compliance assessments, and complaint evaluations) will be scheduled based on BES risk.
- Complete initial IRAs and COPs for all new registrations and refresh IRAs and COPs as needed for changes in the entity risk profile.
- Participate in ERO Enterprise collaboration groups to further consistency in long-term planning and risk-based monitoring.
- Ensure WECC's RRA of the Western Interconnection is aligned with WECC RRP and is refreshed regularly.
- Promote the benefits of internal controls and their impact on BPS reliability with Registered Entities.
- Improve outreach to stakeholders via webinars, conferences, and entity-specific engagements to support ERO Enterprise activities and priorities.



- Monitor, manage, and improve enforcement measures and metrics in support of the ERO Enterprise Long-Term Strategy, including caseload index, violation aging, and mitigation plan aging; and collaborate with the ERO Enterprise to develop better measures of program effectiveness.
- Continue working with NERC and the other Regional Entities to shape and refine the ERO Enterprise enforcement philosophy that supports uniform, repeatable, transparent, and reliability-focused approaches.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by a net of \$346,000 primarily due to two new positions, 1.75 FTEs transferred to other program areas, a budgeted 3% merit pool, continued refinement of labor float percentages, changes in position levels, and the refinement of payroll tax and benefits rates.

Meeting Expenses

- Travel decreases by \$182,000 primarily due to planned reductions in travel requirements for audit teams and support staff and a planned increase in virtual meetings.

Operating Expenses

- Consultants & Contracts increase by \$50,000 due to Reliability and Security Oversight consulting to address a skills gap in protection and controls standards.

Fixed Assets

- Fixed Assets decrease by a net of \$37,000 primarily due to a reduction in fixed asset additions in Corporate Services. Corporate Services expenses are allocated to statutory and non-statutory program areas based on FTEs.

See Section B—Supplemental Financial Information for explanations of other variances between the 2022 and 2023 budgets.



Compliance Monitoring and Enforcement and Organization Registration and Certification Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
COMPLIANCE MONITORING AND ENFORCEMENT AND ORGANIZATION REGISTRATION AND CERTIFICATION					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 14,926,708	\$ 14,926,708	\$ -	\$ 10,804,015	\$ (4,122,693)
Penalties Released	3,246,852	3,246,852	-	6,383,832	3,136,980
Total Statutory Funding	\$ 18,173,560	\$ 18,173,560	\$ -	\$ 17,187,847	\$ (985,713)
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Workshops & Miscellaneous	-	-	-	-	-
Interest	67,107	28,834	(38,273)	34,142	(32,965)
Total Revenue (A)	\$ 18,240,667	\$ 18,202,394	\$ (38,273)	\$ 17,221,989	\$ (1,018,678)
Expenses					
Personnel Expenses					
Salaries	\$ 8,152,114	\$ 8,257,976	\$ 105,862	\$ 8,451,094	\$ 298,980
Payroll Taxes	550,760	598,365	47,605	570,620	19,860
Benefits	953,931	773,430	(180,501)	954,682	751
Retirement Costs	724,861	725,451	590	751,618	26,757
Total Personnel Expenses	\$ 10,381,666	\$ 10,355,222	\$ (26,444)	\$ 10,728,014	\$ 346,348
Meeting Expenses					
Meetings & Conference Calls	\$ -	\$ 1,003	\$ 1,003	\$ -	\$ -
Travel	357,990	186,141	(171,849)	175,520	(182,470)
Total Meeting Expenses	\$ 357,990	\$ 187,144	\$ (170,846)	\$ 175,520	\$ (182,470)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ 59,734	\$ 59,734	\$ 50,000	\$ 50,000
Office Rent	-	-	-	-	-
Office Costs	195,362	301,704	106,342	195,877	515
Professional Services	-	840	840	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 195,362	\$ 362,278	\$ 166,916	\$ 245,877	\$ 50,515
Total Direct Expenses	\$ 10,935,018	\$ 10,904,644	\$ (30,374)	\$ 11,149,411	\$ 214,393
Indirect Expenses	\$ 6,727,252	\$ 5,986,666	\$ (740,586)	\$ 6,369,606	\$ (357,646)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 17,662,270	\$ 16,891,310	\$ (770,960)	\$ 17,519,017	\$ (143,253)
Change in Net Assets (=A-B)	\$ 578,397	\$ 1,311,084	\$ 732,687	\$ (297,028)	\$ (875,425)
Fixed Assets, excluding Right of Use Assets (C)	\$ 68,586	\$ 34,192	\$ (34,394)	\$ 31,222	\$ (37,364)
TOTAL BUDGET (B+C)	\$ 17,730,856	\$ 16,925,502	\$ (805,354)	\$ 17,550,239	\$ (180,617)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 509,811	\$ 509,811	\$ 767,081	\$ (328,250)	\$ (838,061)
FTEs	67.75	67.00	(0.75)	68.00	0.25
HC	67.00	67.00	-	68.00	1.00



Reliability Assessment and Performance Analysis

Reliability Assessment and Performance Analysis (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	35.80	38.00	2.20
Direct Expenses	\$ 6,211,343	\$ 6,837,316	\$ 625,973
Indirect Expenses	\$ 3,554,769	\$ 3,559,486	\$ 4,717
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 36,242	\$ 17,447	\$ (18,795)
Total Funding Requirement	\$ 9,802,354	\$ 10,414,249	\$ 611,895

Program Scope and Purpose

RAPA staff conducts a variety of assessments, analyses, and studies essential to the reliable planning and operation of the BPS in the Western Interconnection. Staff compiles and distributes data and information used by WECC and its stakeholders to help with regional and local planning studies. These integrated assessment and planning efforts enhance WECC's overall ability to assess potential reliability risks in the Western Interconnection.

The RAPA Program is organized into four departments:

1. The **Performance Analysis and Resource Adequacy Department** analyzes the historical operation and performance of the Western Interconnection. The analyses are used to assess interconnection-wide risks and vulnerabilities. The information produced helps to identify best practices and mitigate potential risk. The department also conducts forward-looking resource adequacy assessments using deterministic and probabilistic methods.
2. The **Events Analysis Department** analyzes system conditions and events that affect or may affect the reliable operation of the BPS. The department's activities ensure that stakeholders, NERC, and FERC are well-informed of system events, emerging trends, lessons learned, and expected actions affecting BPS reliability.

3. The **System Stability Department** is the NERC-designated, interconnection-wide model builder under the MOD-032 Reliability Standard. The department develops the planning tools and datasets to support transmission planning and performs special studies on priority reliability issues as they are identified. The studies, performed in close collaboration with the technical committees, consider power flow and system stability.
4. The **System Adequacy Department**, in close collaboration with the technical committees, develops datasets and models used by WECC and its stakeholders to perform interconnection-wide production cost model reliability assessments. The department performs analytical work using production cost and other modeling tools. The department also develops future scenarios of the Western Interconnection, based on drivers of change, ongoing issues, and trends.

The RAPA Program supports the development of NERC’s RAPA activities through targeted data gathering and participation in the Summer, Winter, Long-Term Reliability, and special assessments. The program also provides a technical advisory role in studies led by organizations such as national labs, universities, and the Department of Energy.

2023 Key Budget Assumptions

- Staff and technical committees will focus on assessment activities that address the WECC RRP’s approved by the Board in June 2022.
- Staff will respond to unanticipated emerging reliability risks and work with stakeholders to develop timely and meaningful reliability outreach and assessments.
- Meeting costs associated with the RAC and RRC were transferred from Corporate Services to the RAPA Program area.
- Staff will participate remotely in several external meetings that have historically only been offered in person.
- New committees to support resource adequacy assessment work will become part of the technical committee structure.
- Staff will focus on expanding resource adequacy studies and assessments of regional resource adequacy programs and increase stakeholder outreach.
- There will be a focus on continuous improvement and development of staff capabilities. Current capabilities will be reviewed and improved to enhance reliability assessments.
- One senior engineer position is added to support the production of influential reliability analyses.
- Two senior resource adequacy analyst positions are to fully analyze the increasing risks of resource adequacy and the development of resource adequacy solutions.
- 0.80 FTE is transferred from RAPA to Training and Outreach to provide administrative and project support to the Strategic Engagement group.



2023 Goals and Deliverables

- Work with technical committees to develop a clear understanding of emerging risks to the BPS and associated mitigation strategies, particularly for the WECC RRP.
- Ensure high precision of information and models used to assess the reliability of the BPS.
- Use advanced tools, techniques, and industry subject matter experts to identify system performance trends and vulnerabilities.
- Hold reliability and security risk forums.
- Continuously improve program processes and tools to adapt to changes in the industry.
- Deliver quantitative and qualitative results for corporate scorecard items, and develop methods and metrics for ongoing evaluation of effectiveness and efficiency.
- Deliver high-quality and influential work products focused on the WECC RRP.
- Continue the three-year planning cycle with the JGC to align staff and technical committee work plans in support of the WECC RRP.
- Ensure the Western Interconnection is represented in reliability matters by participating in regional and national stakeholder forums.
- Add value for stakeholders by developing reliability guidelines, technical white papers and reports, and reference documents to address emerging issues, operational risks, and industry concerns related to system operations and planning.
- Facilitate production cost, dynamic model, and power flow tool development, focusing on new technology resources and concepts like energy storage and dynamic line ratings.
- Explore and implement technology solutions for enhanced data collection, validation, and storage.
- Assess the effectiveness of the Western Interconnection Underfrequency Load Shedding Plan.
- Successfully carry out all other RAPA delegated responsibilities.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by a net of \$495,000 primarily due to the net of three new positions, 0.80 FTE transferred to Training and Outreach, a budgeted 3% merit pool, continued refinement of labor float percentages, changes in position levels, and the refinement of payroll tax and benefits rates.

Meeting Expenses

- Meetings & Conference Calls increase by a net of \$27,000 primarily due to the transfer of the technical committees' budget from Corporate Services.



Operating Expenses

- Consultants & Contracts decrease by a net of \$49,000 primarily due to the completion of one-time Multi-Area Variable Resource Integration Convolution (MAVRIC) probabilistic tool updates in 2022.
- Office Costs increase by a net of \$150,000 primarily due to the addition of the PLEXOS energy market simulation platform which will be funded with Peak Reliability Donation funds.

Fixed Assets

- Fixed Assets decrease by a net of \$19,000 primarily due to a reduction in fixed asset additions in Corporate Services. Corporate Services expenses are allocated to statutory and non-statutory program areas based on FTEs.

See Section B—Supplemental Financial Information for explanations of other variances between the 2022 and 2023 budgets.



Reliability Assessment and Performance Analysis Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 8,333,059	\$ 8,333,059	\$ -	\$ 6,632,951	\$ (1,700,108)
Penalties Released	1,715,680	1,715,680	-	3,567,436	1,851,756
Total Statutory Funding	\$ 10,048,739	\$ 10,048,739	\$ -	\$ 10,200,387	\$ 151,648
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Workshops & Miscellaneous	-	-	-	-	-
Interest	35,460	16,354	(19,106)	19,079	(16,381)
Total Revenue (A)	\$ 10,084,199	\$ 10,065,093	\$ (19,106)	\$ 10,219,466	\$ 135,267
Expenses					
Personnel Expenses					
Salaries	\$ 4,381,226	\$ 4,506,790	\$ 125,564	\$ 4,781,745	\$ 400,519
Payroll Taxes	292,557	332,022	39,465	319,728	27,171
Benefits	512,784	502,852	(9,932)	544,248	31,464
Retirement Costs	389,613	405,063	15,450	425,406	35,793
Total Personnel Expenses	\$ 5,576,180	\$ 5,746,727	\$ 170,547	\$ 6,071,127	\$ 494,947
Meeting Expenses					
Meetings & Conference Calls	\$ 29,476	\$ 21,289	\$ (8,187)	\$ 56,722	\$ 27,246
Travel	148,062	87,948	(60,114)	151,230	3,168
Total Meeting Expenses	\$ 177,538	\$ 109,237	\$ (68,301)	\$ 207,952	\$ 30,414
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 208,100	\$ 243,078	\$ 34,978	\$ 159,000	\$ (49,100)
Office Rent	-	-	-	-	-
Office Costs	249,525	242,742	(6,783)	399,237	149,712
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 457,625	\$ 485,820	\$ 28,195	\$ 558,237	\$ 100,612
Total Direct Expenses	\$ 6,211,343	\$ 6,341,784	\$ 130,441	\$ 6,837,316	\$ 625,973
Indirect Expenses	\$ 3,554,769	\$ 3,395,423	(159,346)	\$ 3,559,486	\$ 4,717
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 9,766,112	\$ 9,737,207	\$ (28,905)	\$ 10,396,802	\$ 630,690
Change in Net Assets (=A-B)	\$ 318,087	\$ 327,886	\$ 9,799	\$ (177,336)	\$ (495,423)
Fixed Assets, excluding Right of Use Assets (C)	\$ 36,242	\$ 19,393	\$ (16,849)	\$ 17,447	\$ (18,795)
TOTAL BUDGET (B+C)	\$ 9,802,354	\$ 9,756,600	\$ (45,754)	\$ 10,414,249	\$ 611,895
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 281,845	\$ 308,493	\$ 26,648	\$ (194,783)	\$ (476,628)
FTEs	35.80	38.00	-	38.00	2.20
HC	36.00	38.00	2.00	38.00	2.00



Training and Outreach

Training and Outreach (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.00	8.50	6.50
Direct Expenses	\$ 612,293	\$ 1,650,513	\$ 1,038,220
Indirect Expenses	\$ 198,590	\$ 796,201	\$ 597,611
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 2,025	\$ 3,903	\$ 1,878
Total Funding Requirement	\$ 812,908	\$ 2,450,617	\$ 1,637,709

Program Scope and Purpose

The Training and Outreach Program informs and educates stakeholders through engaging outreach, education, and training on a range of topics including Reliability Standards, risk assessments, reliability planning and performance analysis, seasonal preparedness, grid operations and security, and human performance improvement.

To align the budget with a 2022 reorganization, the External Affairs department is transferred from Legal and Regulatory to Training and Outreach in 2023. The External Affairs department—like Training and Outreach—is part of the Strategic Engagement group. In 2022, the Senior Vice President, Strategic Engagement, General Counsel, and Corporate Secretary role was restructured, and strategic engagement was decoupled from the General Counsel role. As a result of that change, External Affairs now more appropriately aligns with the Training and Outreach program area. Both functions work with external stakeholders to facilitate and enhance the work of CMEP and RAPA by ensuring effective communications, education opportunities, and timely dialogue on critical reliability and security matters. Strategic Engagement also focuses on the timely production and distribution of high-quality analyses addressing reliability and security topics of interest and importance to decision-makers throughout the Western Interconnection. An understanding of the dynamics within the Western Interconnection through the strategic engagement of WECC's stakeholders is essential to effectively address reliability and security risks.

2023 Key Budget Assumptions

- WECC will host an increasing number of training and outreach events to inform stakeholder awareness of critical reliability issues.
- Virtual Training and Outreach formats will be used where appropriate.



- WECC will increase partnerships and collaboration with the ERO Enterprise where appropriate to expand audience participation and to share subject matter expertise.
- Expenses and 4.00 FTEs associated with the External Affairs department are transferred from Corporate Services to the Training and Outreach Program area due to a 2022 reorganization.
- One position is transferred from CMEP to realign job responsibilities and support the development and enhancement of the Strategic Engagement group.
- 0.80 FTE and 0.20 FTE were transferred from RAPA and G&A, respectively, to Training and Outreach to provide administrative and project support in the Strategic Engagement group.
- 0.50 FTE is added to ensure WECC’s insights and analyses are received and understood by a wide array of stakeholders and decision-makers, and to make sure that relevant work products are reaching appropriate stakeholders promptly.

2023 Goals and Deliverables

- Build and cultivate effective relationships with industry groups, WECC technical committees, ERO Enterprise, federal, state, and provincial regulators, policy- and decision-makers, national labs and educational institutions, and the broader reliability and security community.
- Lead a 2023 Long-Term Strategy refresh with a focus on Board involvement and stakeholder perspectives while maintaining alignment with the ERO Enterprise Long-Term Strategy.
- Embed stakeholder perspectives and opportunities for collaboration into product development process.
- Work with other program areas to ensure key studies and initiatives are aligned with the WECC Long-Term Strategy or WECC RRP.
- Perform stakeholder needs assessment and mapping.
- Develop and implement stakeholder engagement and outreach plans.
- Improve program processes and tools continuously to adapt to changes in the industry.
- Deliver quantitative and qualitative results for corporate scorecard items, and develop methods and metrics for ongoing evaluation of effectiveness and efficiency.
- Deliver monthly Compliance Open Webinars to educate stakeholders on various oversight activities.
- Conduct webinars and workshops to expand awareness of reliability planning tools, modeling capabilities, and study results.
- Deliver quarterly Grid Fundamentals Workshops to teach people who are new to the industry how the electric power system works, how it is managed, and how to better understand reliability issues.
- Deliver two Reliability and Security Workshops to provide targeted outreach to address and mitigate key risks to reliability and security in the Western Interconnection. One of the workshops will be virtual. Specific topics include:
 - Lessons learned and process improvement for implementation of risk-based concepts;



- Enforcement trends and statistics; and
- Information on audit approach for standards.
- Deliver educational webinars and workshops to further enhance the reliability and security of the Western Interconnection. Topics include:
 - WECC Reliability Risk Priorities (RRP);
 - Reliability planning tools and modeling capabilities, including base case and production cost model studies;
 - Contingency studies and analyses;
 - Scenario planning and regulatory issues and trends; and
 - Event analysis.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by a net of \$1,024,000 primarily due to four positions transferred from Legal and Regulatory, 0.80 FTE transferred from RAPA, 0.5 newly added FTE, 0.20 FTE transferred from G&A, a budgeted 3% merit pool, continued refinement of labor float percentages, and the refinement of payroll tax and benefits rates.

Meeting Expenses

- Meetings & Conference Calls decrease by \$46,000 primarily to align the budget with historical spending for in-person meetings and the change of three Grid Fundamental classes to a virtual format to increase engagement and to accommodate circumstances related to the pandemic.
- Travel increases by \$38,000 primarily due to travel expenses transferred from Legal and Regulatory for state and provincial outreach visits by the Vice President, External Affairs.

Operating Expenses

- Office Costs increase by \$21,000 primarily due to policy and legislative tracking subscriptions transferred from Legal and Regulatory.

Fixed Assets

- No significant changes.

See Section B—Supplemental Financial Information for explanations of other variances between the 2022 and 2023 budgets.



Training and Outreach Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
TRAINING AND OUTREACH					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 543,752	\$ 543,752	\$ -	\$ 1,414,435	\$ 870,683
Penalties Released	95,848	95,848	-	797,979	702,131
Total Statutory Funding	\$ 639,600	\$ 639,600	\$ -	\$ 2,212,414	\$ 1,572,814
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Workshops & Miscellaneous	194,700	177,300	(17,400)	188,100	(6,600)
Interest	1,981	4,338	2,357	4,268	2,287
Total Revenue (A)	\$ 836,281	\$ 821,238	\$ (15,043)	\$ 2,404,782	\$ 1,568,501
Expenses					
Personnel Expenses					
Salaries	\$ 235,668	\$ 721,135	\$ 485,467	\$ 1,045,639	\$ 809,971
Payroll Taxes	15,911	46,068	30,157	67,253	51,342
Benefits	30,201	61,125	30,924	121,308	91,107
Retirement Costs	20,974	64,220	43,246	92,883	71,909
Total Personnel Expenses	\$ 302,754	\$ 892,548	\$ 589,794	\$ 1,327,083	\$ 1,024,329
Meeting Expenses					
Meetings & Conference Calls	\$ 277,146	\$ 224,646	\$ (52,500)	\$ 231,509	\$ (45,637)
Travel	6,995	15,350	8,355	45,341	38,346
Total Meeting Expenses	\$ 284,141	\$ 239,996	\$ (44,145)	\$ 276,850	\$ (7,291)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	25,398	47,796	22,398	46,580	21,182
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 25,398	\$ 47,796	\$ 22,398	\$ 46,580	\$ 21,182
Total Direct Expenses	\$ 612,293	\$ 1,180,340	\$ 568,047	\$ 1,650,513	\$ 1,038,220
Indirect Expenses	\$ 198,590	\$ 759,502	\$ 560,912	\$ 796,201	\$ 597,611
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 810,883	\$ 1,939,842	\$ 1,128,959	\$ 2,446,714	\$ 1,635,831
Change in Net Assets (=A-B)	\$ 25,398	\$ (1,118,604)	\$ (1,144,002)	\$ (41,932)	\$ (67,330)
Fixed Assets, excluding Right of Use Assets (C)	\$ 2,025	\$ 4,338	\$ 2,313	\$ 3,903	\$ 1,878
TOTAL BUDGET (B+C)	\$ 812,908	\$ 1,944,180	\$ 1,131,272	\$ 2,450,617	\$ 1,637,709
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 23,373	\$ (1,122,942)	\$ (1,146,315)	\$ (45,835)	\$ (69,208)
FTEs	2.00	8.50	6.50	8.50	6.50
HC	1.00	8.00	7.00	8.00	7.00



Situation Awareness and Infrastructure Security

Situation Awareness and Infrastructure Security (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	-
Direct Expenses	\$ 314,631	\$ 370,160	\$ 55,529
Indirect Expenses	\$ 198,591	\$ 187,341	\$ (11,250)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 2,025	\$ 918	\$ (1,107)
Total Funding Requirement	\$ 515,247	\$ 558,419	\$ 43,172

Program Scope and Purpose

The Situation Awareness and Infrastructure Security (SAIS) Program maintains near-real-time awareness about the conditions and significant occurrences on the BPS in the Western Interconnection to recognize conditions and situations that could affect the reliability and security of the BPS. WECC has access to limited near-real-time data through the Situation Awareness for FERC, NERC, and the Regions (SAFNR) tool, the Plant Information (PI) system, and the University of Tennessee Frequency Monitoring NETWORK (FNET).

The SAIS Program works to understand system and security issues when they emerge and coordinate with relevant parties (typically NERC and FERC) about the conditions of the BPS. Through this coordination, WECC identifies patterns and trends that will help build a stronger and more resilient system. Staff responds to events by providing coordination, assistance, and communication with the RCs, stakeholders, and NERC SAIS personnel. SAIS work also supports event analysis capabilities.

2023 Key Budget Assumptions

- Cybersecurity and physical security threats will continue to increase as the grid evolves. WECC will work with stakeholders and support the E-ISAC, WECC Cyber and Physical Security Work Groups, and other stakeholder groups to focus on security outreach and education.
- WECC will support NERC and FERC's efforts for situation awareness of current system conditions.
- WECC will maximize sharing of reliability and security data, within agreed parameters, and insights from Events Analysis, including near misses, to enhance understanding of reliability and security issues, promote operational excellence, promptly share best practices and lessons learned, and engage third-party experts to expand capabilities and resources applied to critical reliability and security issues.



- Technical stakeholder groups will support the development of lessons learned and recommendations from events and reliability and security risks.

2023 Goals and Deliverables

- Continuously improve program processes and tools to adapt to changes in the industry.
- Deliver quantitative and qualitative results for corporate scorecard items, and develop methods and metrics for ongoing evaluation of effectiveness and efficiency.
- Monitor system events, collect information, and coordinate prompt distribution of updates on system events to industry stakeholders and NERC SAIS personnel.
- Work with NERC to monitor system data, weather, and technological developments to understand trends that affect reliability for the near- and long-term horizons.
- Coordinate the communication of critical information in daily NERC SAIS meetings and the NERC Crisis Action Plan meetings.
- Support efforts and work to develop and enhance ways to improve the use of SAFNR, the PI system, and other tools to further support SAIS.
- Improve reliability readiness by participating in periodic wide-area security exercises (e.g., GridEx, Monitoring and Situation Awareness Workshop, NERC Alerts).
- Promote rapid and appropriate sharing of situation awareness information to support critical infrastructure security.
- Enhance engagement with Western stakeholders to improve the coordination and sharing of appropriate security information.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by a net of \$46,000 primarily due to changes in position levels, budgeted 3% merit pool, continued refinement of labor float percentages, and the refinement of payroll tax and benefits rates.

Meeting Expenses

- No significant changes.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.



See Section B—Supplemental Financial Information for explanations of other variances between the 2022 and 2023 budgets.



Situation Awareness and Infrastructure Security Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
SITUATION AWARENESS AND INFRASTRUCTURE SECURITY					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 432,233	\$ 432,233	\$ -	\$ 359,211	\$ (73,022)
Penalties Released	95,848	95,848	-	187,760	91,912
Total Statutory Funding	\$ 528,081	\$ 528,081	\$ -	\$ 546,971	\$ 18,890
Membership Fees	-	-	-	-	-
Workshops & Miscellaneous	-	-	-	-	-
Interest	1,981	861	(1,120)	1,004	(977)
Total Revenue (A)	\$ 530,062	\$ 528,942	\$ (1,120)	\$ 547,975	\$ 17,913
Expenses					
Personnel Expenses					
Salaries	\$ 238,519	\$ 270,466	\$ 31,947	\$ 276,946	\$ 38,427
Payroll Taxes	16,482	19,778	3,296	19,137	2,655
Benefits	28,447	17,867	(10,580)	29,904	1,457
Retirement Costs	21,228	24,163	2,935	24,648	3,420
Total Personnel Expenses	\$ 304,676	\$ 332,274	\$ 27,598	\$ 350,635	\$ 45,959
Meeting Expenses					
Meetings & Conference Calls	-	-	-	-	-
Travel	7,120	6,530	(590)	16,050	8,930
Total Meeting Expenses	\$ 7,120	\$ 6,530	\$ (590)	\$ 16,050	\$ 8,930
Operating Expenses, excluding Depreciation					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	2,835	1,879	(956)	3,475	640
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 2,835	\$ 1,879	\$ (956)	\$ 3,475	\$ 640
Total Direct Expenses	\$ 314,631	\$ 340,683	\$ 26,052	\$ 370,160	\$ 55,529
Indirect Expenses	\$ 198,591	\$ 178,706	\$ (19,885)	\$ 187,341	\$ (11,250)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 513,222	\$ 519,389	\$ 6,167	\$ 557,501	\$ 44,279
Change in Net Assets (=A-B)	\$ 16,840	\$ 9,553	\$ (7,287)	\$ (9,526)	\$ (26,366)
Fixed Assets, excluding Right of Use Assets (C)	\$ 2,025	\$ 1,021	\$ (1,004)	\$ 918	\$ (1,107)
TOTAL BUDGET (B+C)	\$ 515,247	\$ 520,410	\$ 5,163	\$ 558,419	\$ 43,172
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 14,815	\$ 8,532	\$ (6,283)	\$ (10,444)	\$ (25,259)
FTEs	2.00	2.00	-	2.00	-
HC	2.00	2.00	-	2.00	-



Corporate Services

Corporate Services (in whole dollars) Direct Expenses and Fixed Assets						
	2022 Budget	2023 Budget	Increase (Decrease)	FTEs 2022 Budget	FTEs 2023 Budget	Increase (Decrease)
Committee and Member Forums	\$ 47,380	\$ -	\$ (47,380)	-	-	-
General and Administrative	\$ 5,429,771	\$ 5,412,320	\$ (17,451)	17.70	18.00	0.30
Legal and Regulatory	\$ 1,665,035	\$ 1,276,141	\$ (388,894)	7.75	4.50	(3.25)
Information Technology	\$ 2,827,948	\$ 3,651,025	\$ 823,077	9.00	11.00	2.00
Human Resources	\$ 1,232,199	\$ 1,209,397	\$ (22,802)	4.00	4.00	-
Accounting and Finance	\$ 588,821	\$ 546,799	\$ (42,022)	3.50	3.00	(0.50)
Total Corporate Services*	\$ 11,791,155	\$ 12,095,682	\$ 304,527	41.95	40.50	(1.45)

*WECC's 2023 Corporate Services budget (expenses plus fixed assets) is \$12,095,682 of which \$847,169 is allocated to non-statutory activities. As a result of the allocation to the non-statutory function, the Corporate Services expenses included in the 2023 statutory budget are \$11,248,513, which is a \$542,642 increase from the 2022 budget.

Program Scope and Purpose

Corporate Services encompasses the following program areas and includes all business and administrative functions of the organization:

- Technical Committees and Member Forums;
- General and Administrative;
- Legal and Regulatory;
- Information Technology;
- Human Resources; and
- Finance and Accounting.

These support functions are foundational for the existence and operation of the organization. This area provides executive leadership and administrative and technical support for staff, committees, members, and stakeholders.

Method for Allocation of Corporate Services Expenses to Programs

Corporate Services expenses are allocated to statutory and non-statutory program areas based on FTEs.



Technical Committees and Member Forums

Program Scope and Purpose

WECC undertook technical committee restructuring efforts in 2021 and 2022 to streamline the committee structure governance and optimize stakeholder engagement. As a result, this budget was merged into the RAPA program area, where most of the committee work is facilitated.

2023 Key Budget Assumptions

- Beginning in 2023, the technical committees' budget will be included in the RAPA Program area.

2023 Goals and Deliverables

- Support and coordinate the meeting logistics for the technical committees.
- Staff liaisons and administrative assistants provide valuable support.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- No significant changes.

Meeting Expenses

- Meetings & Conference Calls decrease by \$45,000 due to the transfer of the technical committees' budget to RAPA.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.



General and Administrative

Program Scope and Purpose

The G&A Program provides executive leadership; enterprise security; enterprise risk management; communications; and administrative support for staff, committees, and members; as well as logistics support for the office and meeting facilities. In addition, indirect costs like Office Rent that benefit multiple functional areas are accounted for in this program.

2023 Key Budget Assumptions

- WECC staff will provide the same level of meetings and meeting support as 2022 for the Board of Directors and Board Committees.
- Vancouver, British Columbia, is the Board-approved location for the 2023 Annual Meeting.
- Board Directors will be compensated according to the 2023 Board compensation structure.
- 0.20 FTE is transferred to Training and Outreach to provide administrative and project support to the Strategic Engagement group.
- 0.50 FTE is transferred from Finance and Accounting to assist with administrative tasks.

2023 Goals and Deliverables

- Continuously improve program processes and tools to adapt to changes in the industry.
- Deliver quantitative and qualitative results for corporate scorecard items, and develop methods and metrics for ongoing evaluation of effectiveness and efficiency.
- Provide strong executive leadership and strategic guidance for WECC's activities, and ensure WECC supports the ERO Enterprise Long-Term Strategy and meets the expectations of the Regional Delegation Agreement.
- Provide excellent support and logistics coordination for the Board and Board committees.
- Identify opportunities for efficiencies and increased effectiveness of meetings and stakeholder services teams.
- Enhance internal and external communications.
- Improve WECC's security posture and programs.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by a net of \$157,000 primarily due to 0.20 FTE transferred to Training and Outreach, 0.50 FTE transferred from Finance and Accounting, a budgeted 3% merit pool, continued refinement of labor float percentages, and the refinement of payroll tax and benefits rates.



Meeting Expenses

- Travel decreases by a net of \$33,000 primarily due to a planned increase in virtual meetings and to align the budget with historical spending for in-person meetings.

Operating Expenses

- Consultants & Contracts decrease by a net of \$143,000 primarily due to the completion of a Board Director search and a planned reduction in organizational development consulting.
- Office Rent increases by a net of \$12,000 primarily due to anticipated increases for operating expenses for the Salt Lake office lease.
- Office Costs decrease by a net of \$44,000 primarily to align the budget with historical spending for Board Director dues and memberships.
- Professional Services increase by a net of \$36,000 primarily due to an increase in Board Director retainers.

Fixed Assets

- No significant changes.



Legal and Regulatory

Program Scope and Purpose

The Legal and Regulatory Program provides coordinated legal services and subject matter expertise to the Board, committees, and staff, in addition to consistent legal interpretations of relevant statutes, regulations, court opinions, and regulatory decisions. On occasion, major efforts may be outsourced to select law firms, but the responsibility for all legal matters remains with Legal and Regulatory. WECC's broad scope of activities requires significant legal support and review. Arranging for legal support is complicated by the technical nature of this developing area of law, and there are many potential areas of conflict prohibiting the use of law firms with energy practices.

2023 Key Budget Assumptions

- The scope of current Legal operations will be maintained.
- Expenses and 4.00 FTEs associated with the External Affairs department are transferred from Legal and Regulatory to the Training and Outreach Program area due to a 2022 reorganization.
- 0.75 FTE is transferred from CMEP to realign job responsibilities.

2023 Goals and Deliverables

- Continuously improve program processes and tools.
- Deliver quantitative and qualitative results for corporate scorecard items, and develop methods and metrics for ongoing evaluation of effectiveness and efficiency.
- Provide efficient, cost-effective legal support to the Board, committees, and staff through a combination of in-house and outside resources.
- Advise staff on legal matters.
- Coordinate with the ERO Enterprise legal group to identify and share best practices.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses decrease by a net of \$332,000 primarily due to four positions transferred to Training and Outreach, 0.75 FTE transferred from CMEP, a budgeted 3% merit pool, continued refinement of labor float percentages, changes in position levels, and the refinement of payroll tax and benefits rates.

Meeting Expenses

- Travel decreases by a net of \$29,000 primarily due the transfer of travel expenses to Training and Outreach for state and provincial outreach visits by the Vice President, External Affairs.



Operating Expenses

- Office Costs decrease by \$31,000 primarily due to policy and legislative tracking subscriptions transferred to Training and Outreach.

Fixed Assets

- No significant changes.



Information Technology

Program Scope and Purpose

The Information Technology (IT) Program provides enterprise and desktop systems, security monitoring and support, and technical expertise. This includes physical security and cybersecurity risk mitigation, as well as operational support for hardware, software, database, system administration, data center operations, email, and telephony. IT implements new technology solutions using staff and external service providers to improve the security, effectiveness, and efficiency of business processes and operations. IT provides resources and tools to enable the organization to meet evolving requirements in support of its mission and delegated responsibilities.

2023 Key Budget Assumptions

- WECC will increase security capabilities with more access controls and enhanced threat monitoring, detection, and reporting tools due to the ever-changing cybersecurity landscape.
- Consultants will be used for project-based work to augment staff skill sets.
- IT will continue to drive long-term leveled costs by obtaining subscription services for software and infrastructure when practical.
- To retain vendor support and to reduce unplanned outages, desktop computer equipment will be replaced every four years, servers every five years, and network equipment every seven to 10 years.
- In support of the ERO Enterprise IT Strategy, IT will continue to work collaboratively to share and make the most of the knowledge across the ERO Enterprise, minimize duplication of effort and investments, and improve operational efficiency.
- Upgrade and refresh the secure sections of wecc.org to enhance data security.
- Some of the Peak Reliability donation will be used for content management tools to improve data management processes, support consistent data formats, reduce processing time, and allow sharing of interconnection-wide data with appropriate stakeholders.
- One associate systems administrator and one information security analyst are added to the IT Program, to provide administration and monitoring of increased enterprise security tools.

2023 Goals and Deliverables

- Continuously improve program processes and tools.
- Upgrade and refresh the secure sections of wecc.org.
- Deliver quantitative and qualitative results for corporate scorecard items, and develop methods and metrics for ongoing evaluation of effectiveness and efficiency.
- Provide enterprise data management and reporting tools, enhanced telephony, and communication capabilities.



- Migrate customer relationship management software to the cloud.
- Create centralized databases, automated processes, and tools to organize a growing volume of electronic data.
- Enhance the capabilities, performance, and security controls for mobile device use and remote workers.
- Continuously improve WECC's security program and posture due to the critical nature of some of WECC's data and evolving cybersecurity risks.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by a net of \$250,000 primarily due to two new positions, a budgeted 3% merit pool, changes in position levels, continued refinement of labor float percentages, and the refinement of payroll tax and benefits rates.

Meeting Expenses

- No significant changes.

Operating Expenses

- Consultants & Contracts increase by a net of \$404,000 primarily due to data submission and portal projects, to be funded with the Peak Reliability donation.
- Office Costs increase by a net of \$236,000 primarily due to increased subscription-based computer licensing and new enterprise security tools.

Fixed Assets

- Equipment CapEx decreases by a net of \$60,000 primarily due to refreshes of storage arrays completed in 2022.



Human Resources

Program Scope and Purpose

The Human Resources (HR) Program is responsible for the delivery of all HR functions to ensure WECC is viewed as an employer of choice with highly skilled, collaborative, and engaged employees who are committed to WECC's mission. Responsibilities include recruitment, compensation, benefits, safety, health and wellness, employee relations, personal and professional development, succession planning, knowledge transfer, and leadership and employee engagement. HR also maintains employee-data systems and ensures compliance with employment-related federal and state requirements.

2023 Key Budget Assumptions

- Total WECC headcount increases by 9.5 FTEs in 2023.
- WECC's current benefit levels are maintained with minimal premium increases.
- Employee skills gaps are minimized through identification of critical technical skills, targeted internal and external professional development/education, knowledge transfer efforts, and succession planning.
- Recruiting services can target the national markets for most positions, allowing WECC to identify and hire from a larger and more diverse candidate pool of high-quality talent.
- Employee engagement and recognition efforts will be prioritized to retain talent and build on WECC's strong cultural foundation. Specific effort will be given to practices that support and enhance interactions and relationships within a hybrid workforce.
- Management development will continue to be prioritized with a focus on written and interpersonal communication, accountability, coaching, and process improvement.

2023 Goals and Deliverables

- Continuously improve program processes and tools.
- Deliver quantitative and qualitative results for corporate scorecard items, and develop methods and metrics for ongoing evaluation of effectiveness and efficiency.
- Enhance all facets of the employee experience to achieve low levels of turnover.
- Increase the effectiveness of performance management processes through manager training and development.
- Conduct interpersonal skills, harassment prevention and diversity, equity, and inclusion (DE&I) training for all employees and managers.
- Enhance the scope of succession planning and knowledge transfer, which are vital to developing and maintaining a highly skilled, qualified, and diverse workforce that is necessary to deliver on WECC's mission.



- Deliver a comprehensive, yet affordable benefits package to retain current employees and attract prospective employees while managing costs.
- Expand recruiting efforts through college campus outreach, WECC and industry trainings and meetings, social media platforms, and employee referral programs.
- Use NERC Learning Management System to monitor and track employee online training and skills completion (e.g., learning plans, course or certification completion).

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses decrease by a net of \$14,000 primarily due to changes in health reimbursement account assumptions to better align the budget with historical spending, a budgeted 3% merit pool, continued refinement of labor float percentages, and the refinement of payroll tax and benefits enrollment rates.

Meeting Expenses

- Travel decreases by a net of \$10,000 primarily due to a reduction in in-person employee gatherings and meals, and to align the budget with historical spending.

Operating Expenses

- Consultants & Contracts decrease by a net of \$13,000 primarily due to the completion of employee engagement and compensation surveys in 2022 and the addition of DE&I consulting.
- Office Costs increase by \$13,000 primarily to align the budget with historical spending on recruiting and the human resources information system.

Fixed Assets

- No significant changes.



Finance and Accounting

Program Scope and Purpose

The Finance and Accounting Program provides accounting and financial analysis and helps coordinate the financial reporting and budgeting cycles with stakeholders. The program reports financial results in a timely and effective manner to help departments recognize and seize opportunities for improvement in current and future activities. The program is responsible for payroll, accounts payable, accounts receivable, budgeting, forecasting, fixed assets management, banking, cash management, tax filings, and financial reporting.

2023 Key Budget Assumptions

- Interest rates remain flat.
- 0.5 FTE is transferred to G&A to assist with administrative tasks.

2023 Goals and Deliverables

- Continuously improve program processes and tools.
- Deliver quantitative and qualitative results for corporate scorecard items, and develop methods and metrics for ongoing evaluation of effectiveness and efficiency.
- Train management team on budgeting and forecasting processes.
- Identify and implement efficiencies in financial processes and increase effectiveness of budgeting and financial reporting.
- Help departments efficiently and effectively manage resources and operate within approved budgets.
- Ensure effective financial controls are in place, including routine monitoring of spending compared to budget.
- Provide quality reporting and financial analysis to managers, the FAC, and the Board.
- Maintain secure and reliable cloud-based software.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses decrease by a net of \$28,000 primarily due to a 0.5 FTE transferred to G&A, a budgeted 3% merit pool, continued refinement of labor float percentages, and the refinement of payroll tax and benefits rates.

Meeting Expenses

- No significant changes.



Operating Expenses

- Office costs decrease by a net of \$14,000 primarily due to a decrease in business and occupational taxes assessed on WECC's annual assessments.

Fixed Assets

- No significant changes.



Corporate Services Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
CORPORATE SERVICES					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total Statutory Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Workshops & Miscellaneous	-	-	-	-	-
Interest	-	-	-	-	-
Total Revenue (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 4,949,493	\$ 4,642,021	\$ (307,472)	\$ 5,046,693	\$ 97,200
Payroll Taxes	311,823	302,331	(9,492)	316,397	4,574
Benefits	1,037,438	916,300	(121,138)	959,039	(78,399)
Retirement Costs	466,470	425,584	(40,886)	475,903	9,433
Total Personnel Expenses	\$ 6,765,224	\$ 6,286,236	\$ (478,988)	\$ 6,798,032	\$ 32,808
Meeting Expenses					
Meetings & Conference Calls	\$ 151,422	\$ 109,432	\$ (41,990)	\$ 97,950	\$ (53,472)
Travel	239,422	170,435	(68,987)	165,447	(73,975)
Total Meeting Expenses	\$ 390,844	\$ 279,867	\$ (110,977)	\$ 263,397	\$ (127,447)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 796,500	\$ 918,901	\$ 122,401	\$ 1,045,100	\$ 248,600
Office Rent	1,306,912	1,317,296	10,384	1,318,436	11,524
Office Costs	1,367,675	1,335,189	(32,486)	1,524,717	157,042
Professional Services	1,045,000	1,165,693	120,693	1,087,000	42,000
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 4,516,087	\$ 4,737,079	\$ 220,992	\$ 4,975,253	\$ 459,166
Total Direct Expenses	\$ 11,672,155	\$ 11,303,182	\$ (368,973)	\$ 12,036,682	\$ 364,527
Indirect Expenses	\$ (11,672,155)	\$ (11,303,182)	\$ 368,973	\$ (12,036,682)	\$ (364,527)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A-B)	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets, excluding Right of Use Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	41.95	38.50	(3.45)	40.50	(1.45)
HC	43.00	39.00	(4.00)	41.00	(2.00)





Section B

Supplemental Financial Information

Section B—Supplemental Financial Information

Reserve Analysis

Table B-1

Working Capital Reserve Analysis 2022-2023				
STATUTORY				
	Total	Working Capital Reserve	Unreleased Penalties	Peak Reliability Donation
Beginning Reserve, January 1, 2022	\$ 19,761,417	\$ 9,690,377	\$ 6,243,646	\$ 3,827,394
Plus: 2022 Funding (from Load-Serving Entities (LSE) or designees)	25,000,000	25,000,000	-	-
Plus: Penalties released	-	5,298,000	(5,298,000)	-
Plus: Penalties received	18,973,000	-	18,973,000	-
Plus: 2022 Other funding sources	228,978	228,978	-	-
Less: 2022 Projected expenses & capital expenditures	(30,406,979)	(30,006,979)	-	(400,000)
Projected Reserve (Deficit), December 31, 2022	\$ 33,556,416	\$ 10,210,376	\$ 19,918,646	\$ 3,427,394
Plus: 2023 Funding (from Load-Serving Entities (LSE) or designees)	19,750,537	19,750,537	-	-
Plus: Penalties released	-	11,218,646	(11,218,646)	-
Plus: 2023 Other funding sources	248,100	248,100	-	-
Less: 2023 Projected expenses & capital expenditures	(31,812,283)	(31,217,283)	-	(595,000)
2023 Increase(Decrease) in Reserve	\$ (11,813,646)	-	\$ (11,218,646)	\$ (595,000)
Projected Reserve, December 31, 2023	\$ 21,742,770	\$ 10,210,376	\$ 8,700,000	\$ 2,832,394
2023 Expenses and Capital Expenditures	31,812,283			
Less: Penalties Released	(11,218,646)			
Less: Other Funding Sources	(248,100)			
Change to Working Capital & Peak Reliability Donation Reserves	(595,000)			
2023 WECC Assessment	\$ 19,750,537			

WECC's Board has approved a Working Capital Reserve balance equal to one to three months of Personnel, Meeting, and Operating Expenses per its Reserve Policy, approved by the FAC on June 16, 2020.



Breakdown of Statement of Activities

The following detailed schedules are in support of the Statutory Statement of Activities and Capital Expenditures on page 13.

Monetary Penalties

As documented in the NERC Policy *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*, penalty monies received on or before June 30, 2022, will be used to offset assessments in the 2023 WECC budget.

WECC received \$19,919,000 in penalty monies between July 1, 2021, and June 30, 2022. Of this amount, WECC is seeking FERC approval through the Business Plan and Budget process to release \$11,219,000 in penalty monies to offset 2023 assessments, with the remaining unreleased penalties to be used to offset and stabilize assessments in 2024. WECC is requesting an exception to NERC ROP 1107.2 pursuant to NERC Rules of Procedure (ROP) Section 1107.4, which specifies that all penalty funds received between July 1 and June 30 shall be applied as an offset to the budget requirement for the subsequent fiscal year. WECC is requesting an exception to hold \$8,700,000 of penalty funds received between July 1, 2021, and June 30, 2022, to use to reduce 2024 statutory assessments rather than 2023 statutory assessments.

Allocation Method: Penalty monies released have been allocated to the following Statutory Programs to reduce assessments:

- Reliability Standards;
- Compliance Monitoring and Enforcement and Organization Registration and Certification;
- Reliability Assessment and Performance Analysis;
- Training and Outreach; and
- Situation Awareness and Infrastructure Security.

Penalty monies are allocated based on the number of FTEs in the functional areas divided by the aggregate total FTEs in the programs receiving the allocation.



Penalty Sanctions

Table B-2

Penalty Information	
Total penalties available to offset 2023 assessments	\$ 19,918,646
Penalties released to offset 2023 assessments	(11,218,646)
Unreleased penalties to offset 2024 assessments	<u>\$ 8,700,000</u>



Supplemental Funding

Table B-3

Supplemental Revenue Breakdown By Program (Excludes Assessments & Penalty Sanctions)		Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget
Reliability Standards					
Interest		\$ 2,972	\$ 1,291	\$ 1,507	\$ (1,465)
	Total	\$ 2,972	\$ 1,291	\$ 1,507	\$ (1,465)
Compliance Monitoring, Enforcement & Org. Registration					
Interest		\$ 67,107	\$ 28,834	\$ 34,142	\$ (32,965)
	Total	\$ 67,107	\$ 28,834	\$ 34,142	\$ (32,965)
Reliability Assessment and Performance Analysis					
Interest		\$ 35,460	\$ 16,354	\$ 19,079	\$ (16,381)
	Total	\$ 35,460	\$ 16,354	\$ 19,079	\$ (16,381)
Training and Outreach					
Workshops & Miscellaneous		\$ 194,700	\$ 177,300	\$ 188,100	\$ (6,600)
Interest		1,981	4,338	4,268	2,287
	Total	\$ 196,681	\$ 181,638	\$ 192,368	\$ (4,313)
Situation Awareness and Infrastructure Security					
Interest		\$ 1,981	\$ 861	\$ 1,004	\$ (977)
	Total	\$ 1,981	\$ 861	\$ 1,004	\$ (977)
Corporate Services					
Interest		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -
	Total Supplemental Funding	\$ 304,201	\$ 228,978	\$ 248,100	\$ (56,101)

Explanation of Significant Variances—2023 Budget versus 2022 Budget

WECC anticipates its investments will earn interest of approximately \$60,000 in 2023. This revenue is allocated to the Statutory Programs based on FTEs.

Reliability Standards

- No significant changes.

Compliance Monitoring and Enforcement and Organization Registration and Certification

- No significant changes.

Reliability Assessment and Performance Analysis

- No significant changes.



Training and Outreach

- No significant changes.

Situation Awareness and Infrastructure Security

- No significant changes.

Corporate Services

- No significant changes.



Personnel Expenses

Table B-4

Personnel Expenses	Budget 2022		Projection 2022		Budget 2023		Variance 2022 Budget v 2023 Budget		Variance %
Salaries									
Salaries	\$	18,388,644	\$	18,696,988	\$	20,039,300	\$	1,650,656	9.0%
Employment Agency Fees		23,000		154,649		-		(23,000)	(100.0%)
Temporary Office Services		-		1,649		-		-	
Total Salaries	\$	18,411,644	\$	18,853,286	\$	20,039,300	\$	1,627,656	8.8%
Total Payroll Taxes									
	\$	1,217,683	\$	1,330,681	\$	1,322,041	\$	104,358	8.6%
Benefits									
Workers Compensation	\$	16,000	\$	20,843	\$	15,000	\$	(1,000)	(6.3%)
Medical Insurance		2,298,657		2,013,117		2,339,510		40,853	1.8%
Life-LTD-STD Insurance		98,165		86,699		105,665		7,500	7.6%
Education		173,249		176,275		164,347		(8,902)	(5.1%)
Relocation		-		3,128		-		-	
Other		19,500		21,275		24,996		5,496	28.2%
Total Benefits	\$	2,605,571	\$	2,321,337	\$	2,649,518	\$	43,947	1.7%
Retirement									
Discretionary 401(k) Contribution	\$	1,633,608	\$	1,655,244	\$	1,779,267	\$	145,659	8.9%
Retirement Administration Fees		30,000		30,000		30,000		-	
Total Retirement	\$	1,663,608	\$	1,685,244	\$	1,809,267	\$	145,659	8.8%
Total Personnel Costs									
	\$	23,898,506	\$	24,190,548	\$	25,820,126	\$	1,921,620	8.0%
FTEs									
		152.5		157.0		160.0		7.5	4.9%
Cost per FTE									
Salaries	\$	120,732	\$	120,085	\$	125,246	\$	4,514	3.7%
Payroll Taxes		7,985		8,476		8,263		278	3.5%
Benefits		17,086		14,786		16,559		(526)	(3.1%)
Retirement		10,909		10,734		11,308		399	3.7%
Total Cost per FTE	\$	156,712	\$	154,080	\$	161,376	\$	4,664	3.0%

Explanation of Significant Variances—2023 Budget versus 2022 Budget

Salaries

- Salaries increase by a net of \$1,628,000 primarily due to 7.5 new FTEs, a budgeted 3% merit pool, continued refinement of labor float percentages, and changes in position levels.

Payroll Taxes

- Payroll Taxes increase by a net of \$104,000 primarily due to increases in salaries.



Section B—Supplemental Financial Information

Benefits

- Medical Insurance increases by a net of \$41,000 primarily due to additional FTEs and changes in participation levels.

Retirement

- Discretionary 401(k) Contribution increases by a net of \$146,000 primarily due to increases in salaries.



Meeting Expenses

Table B-5

Meeting & Conference Call Expense	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	-	1,003	-	-	
Reliability Assessment and Performance Analysis	29,476	21,289	56,722	27,246	92.4%
Training and Outreach	277,146	224,646	231,509	(45,637)	(16.5%)
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	151,422	109,432	97,950	(53,472)	(35.3%)
Total Meeting Expenses	\$ 458,044	\$ 356,370	\$ 386,181	\$ (71,863)	(15.7%)

Travel Expense	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Reliability Standards	\$ 13,065	\$ 8,730	\$ 7,520	\$ (5,545)	(42.4%)
Compliance Monitoring and Enforcement and Organization Registration and Certification	357,990	186,141	175,520	(182,470)	(51.0%)
Reliability Assessment and Performance Analysis	148,062	87,948	151,230	3,168	2.1%
Training and Outreach	6,995	15,350	45,341	38,346	548.2%
Situation Awareness and Infrastructure Security	7,120	6,530	16,050	8,930	100.0%
Corporate Services	239,422	170,435	165,447	(73,975)	(30.9%)
Total Travel Expenses	\$ 772,654	\$ 475,134	\$ 561,108	\$ (211,546)	(27.4%)

Explanation of Significant Variances—2023 Budget versus 2022 Budget

Meeting & Conference Call Expense

- RAPA increases by \$27,000 primarily due to the transfer of the technical committees’ budget from Corporate Services.
- Training and Outreach decreases by \$46,000 primarily to align the budget with historical spending for in-person meetings and the change of three Grid Fundamental classes to a virtual format to increase engagement and to accommodate circumstances related to the pandemic.
- Corporate Services decreases by a net of \$53,000 primarily due to the transfer of the technical committees’ budget to RAPA.

Travel Expense

- CMEP decreases by a net of \$182,000 primarily due to planned reductions in travel requirements for audit teams and support staff and a planned increase in virtual meetings.
- Training and Outreach increases by \$38,000 primarily due to the transfer of state and provincial outreach visits from Legal and Regulatory.



Section B—Supplemental Financial Information

- Corporate Services decreases by a net of \$74,000 primarily due to a planned increase in virtual meetings, the transfer of state and provincial outreach visits from Legal and Regulatory to Training and Outreach, and to align the budget with historical spending.



Consultants and Contracts

Table B-6

Consultants	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	-	32,334	50,000	50,000	100.0%
Reliability Assessment and Performance Analysis	208,100	243,078	159,000	(49,100)	(23.6%)
Training and Outreach	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	796,500	893,521	1,045,100	248,600	31.2%
Consultants Total	\$ 1,004,600	\$ 1,168,933	\$ 1,254,100	\$ 249,500	24.8%

Contracts	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	-	27,400	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Outreach	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	-	25,380	-	-	
Contracts Total	\$ -	\$ 52,780	\$ -	\$ -	
Total Consulting and Contracts	\$ 1,004,600	\$ 1,221,713	\$ 1,254,100	\$ 249,500	24.8%

Explanation of Significant Variances—2023 Budget versus 2022 Budget

Consultants

- CMEP increases by \$50,000 due to Reliability and Security Oversight consulting to address a skills gap in protection and controls standards.
- RAPA decreases by a net of \$49,000 primarily due to the completion of one-time MAVRIC probabilistic tool updates.
- Corporate Services increases by a net of \$249,000 primarily due to the addition of content management tools to enhance data portals, collection, and management to be funded with the Peak Reliability donation, the completion of a Board Director search, and a planned reduction in organizational development consulting.

Contracts

- No significant changes.



Office Rent

Table B-7

Office Rent	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Office Rent	\$ 1,293,336	\$ 1,309,031	\$ 1,301,772	\$ 8,436	0.7%
Utilities	-	-	-	-	
Maintenance	13,576	8,265	16,664	3,088	22.7%
Security	-	-	-	-	
Total Office Rent	\$ 1,306,912	\$ 1,317,296	\$ 1,318,436	\$ 11,524	0.9%

Explanation of Significant Variances—2023 Budget versus 2022 Budget

- Office Rent increases by \$12,000 primarily due to anticipated increases for operating expenses for the Salt Lake office lease.



Office Costs

Table B-8

Office Costs	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Telephone	\$ 91,100	\$ 83,025	\$ 92,600	\$ 1,500	1.6%
Internet	82,992	75,002	85,776	2,784	3.4%
Office Supplies	75,613	68,360	73,224	(2,389)	(3.2%)
Computer Supplies and Maintenance	1,092,854	1,219,144	1,520,317	427,463	39.1%
Publications and Subscriptions	61,314	61,702	64,420	3,106	5.1%
Dues and Fees	312,699	288,768	235,957	(76,742)	(24.5%)
Postage	1,500	1,504	1,500	-	0.0%
Express Shipping	5,722	6,585	7,844	2,122	37.1%
Copying	18,316	11,077	11,516	(6,800)	(37.1%)
Bank Charges	51,225	63,829	51,225	-	0.0%
Taxes	51,000	54,738	29,122	(21,878)	(42.9%)
Total Office Costs	\$ 1,844,335	\$ 1,933,734	\$ 2,173,501	\$ 329,166	17.8%

Explanation of Significant Variances—2023 Budget versus 2022 Budget

- Computer Supplies and Maintenance increases by a net of \$427,000 primarily due to the increase in subscription-based security tools and software and the addition of the PLEXOS energy market simulation platform which will be funded with Peak Reliability Donation funds. A portion of the increase also relates to the reclassification of cybersecurity costs from Dues and Fees.
- Dues and Fees decrease by \$77,000 primarily due to reclassification of cybersecurity costs as Computer Supplies and Maintenance and to align the budget with historical spending for Board Director dues and memberships.
- Taxes decrease by \$22,000 due to a decrease in business and occupational taxes assessed on WECC’s annual assessments.



Professional Services

Table B-9

Professional Services	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Board Director Fees	\$ 911,000	\$ 938,000	\$ 947,000	\$ 36,000	4.0%
Outside Legal	-	44,011	-	-	
Accounting and Auditing Fees	41,000	41,500	44,000	3,000	7.3%
Insurance Commercial	93,000	143,022	96,000	3,000	3.2%
Total Services	\$ 1,045,000	\$ 1,166,533	\$ 1,087,000	\$ 42,000	4.0%

Explanation of Significant Variances—2023 Budget versus 2022 Budget

- Board Director Fees increase by a net of \$36,000 primarily due to an increase in Board Director retainers.



Miscellaneous Expenses

Table B-10

Miscellaneous Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Miscellaneous	\$ -	\$ -	\$ -	\$ -	-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances—2023 Budget versus 2022 Budget

- Not applicable.



Other Non-Operating

Table B-11

Other Non-Operating Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances—2023 Budget versus 2022 Budget

- Not applicable.



Fixed Assets

Table B-12

Fixed Assets	Budget 2022	Projection 2022	Budget 2023	Variance 2022 Budget v 2023 Budget	Variance %
Computer and Software CapEx	\$ -	\$ -	\$ -	\$ -	
Furniture and Fixtures CapEx	-	-	-	-	
Equipment CapEx	119,000	119,000	59,000	(60,000)	(50.4%)
Leasehold Improvements	-	-	-	-	
	\$ 119,000	\$ 119,000	\$ 59,000	\$ (60,000)	(50.4%)

Explanation of Significant Variances—2023 Budget versus 2022 Budget

- Equipment CapEx decreases by a net of \$60,000 primarily due to refreshes of storage arrays completed in 2022.



Section C

Non-Statutory Program

Section C—Non-Statutory Program

Western Renewable Energy Generation Information System (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	7.00	9.00	2.00
Direct Expenses	\$ 1,359,383	\$ 2,009,869	\$ 650,486
Indirect Expenses	\$ 695,066	\$ 843,037	\$ 147,971
Inc(Dec) in Fixed Assets	\$ 682,086	\$ 4,132	\$ (677,954)
Total Funding Requirement	\$ (437,693)	\$ (177,177)	\$ 260,516

WREGIS

The Western Renewable Energy Generation Information System (WREGIS) is an independent, renewable energy database for the Western Interconnection. WREGIS creates renewable energy certificates (REC) for verifiable renewable generation from units that are registered in the database.

WREGIS was developed by the Western Governors’ Association, the Western Regional Air Partnership, and the California Energy Commission (CEC). This development was further guided by stakeholder input from more than 400 participants for more than three years.

The program was integrated into WECC on March 31, 2012, following the expiration of the contract between WECC and the CEC that provided for backstop funding. WREGIS is advised by two committees: the Stakeholder Advisory Committee, which is open to all interested participants, and the WREGIS Committee, which is open to members and various stakeholder groups.

WREGIS costs fall outside Section 215 of the Federal Power Act. Participants fund WREGIS through registration and transaction fees. To avoid any crossover of Section 215 dollars, a portion of WECC’s overhead costs are allocated to the program based on a formula implemented following a FERC audit.

WREGIS consists of two parts: the information system software and administrative operations. Staff coordinates with the software contractor and performs all the administrative tasks, including:

- Registering account holders and generation units;
- Training users;
- Providing customer service and help desk services;
- Supporting participating programs by facilitating cooperation and research into ongoing issues and sharing documentation with participants;
- Auditing generation and other data; and
- Managing the budgeting, billing, and financial reporting.



2023 Key Budget Assumptions

WREGIS is funded entirely by user fees and is not subsidized by Section 215 funding. There are several types of user fees. Annual fees are paid by all users and are based on size (generation capacity) and user type. Usage fees are paid by all but micro, small, and medium generation owners. WREGIS also charges fees for ad hoc reporting and e-Tag related data services.

- User fees are based on size (generation capacity) and user type.
 - Approximately 4% of revenues are based on annual fees.
 - Approximately 92% of revenues are based on usage fees, which can depend on factors like weather (wind and solar generation levels) and state regulatory policies (retirement, transfers, etc.).
 - Approximately 4% of revenues are attributable to fees for specific, requested functions like tracking e-Tags.
- Revenues vary from year to year, so WREGIS reserves are held to allow for normal operations.
- The software will receive continual upgrades and the costs are built into the monthly fee.
- Travel for training and audits will begin to increase after a reduction caused by the COVID-19 pandemic.
- Two program analysts are added due to program growth, increasing account holder audit requirements, and software needs.

2023 Goals and Key Deliverables

- Continuously improve program processes and tools to adapt to changes in the industry.
- Deliver quantitative and qualitative results for corporate scorecard items and develop methods and metrics for ongoing evaluation of effectiveness and efficiency.
- Maintain compliance with the participating state and provincial programs, and voluntary programs.
- Register program participants.
- Refine and improve data collection to ensure high-quality data.
- Perform 12 tabletop account holder audits split between Qualified Reporting Entities and account holder customers. Four audits are expected to be completed on site.
- Deliver one in-person account holder training session and quarterly virtual account holder training sessions.
- Deliver one in-person and two virtual Qualified Reporting Entity training sessions.

Resource Requirements/Explanation of Significant Changes

Funding Sources

- Membership Fees increase by a net of \$440,000 primarily due to an anticipated increase in program participation.



Section C—Non-Statutory Program

- Interest decreases by \$60,000 primarily due to low rates of return on investments.

Personnel Expenses

- Personnel Expenses increase by a net of \$249,000 primarily due to two new positions, a budgeted 3% merit pool, continued refinement of labor float percentages, and the refinement of payroll tax and benefits rates.

Meeting Expenses

- No significant changes.

Operating Expenses

- Office Costs increase by \$392,000 primarily due to increased maintenance expenses and planned upgrades for the WREGIS software.

Indirect Expenses

- Indirect Expenses increase by a net of \$148,000 primarily due to two new positions added in this program and an increase in Corporate Services expenses. Corporate Services expenses are allocated to statutory and non-statutory program areas based on FTEs.

Fixed Assets

- Fixed Assets decrease by a net of \$678,000 primarily due to a major software upgrade to the WREGIS software completed in 2022 and a reduction in fixed asset additions in Corporate Services. Corporate Services expenses are allocated to statutory and non-statutory program areas based on FTEs.

Other Non-Operating Expenses

- No significant changes.



WREGIS Program Funding Sources and Expenditures

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
NON-STATUTORY					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total Statutory Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Fees	\$ 2,226,842	\$ 2,364,256	\$ 137,414	2,666,736	\$ 439,894
Workshops & Miscellaneous	-	-	-	1,125	1,125
Interest	72,000	6,456	(65,544)	12,000	(60,000)
Total Revenue (A)	\$ 2,298,842	\$ 2,370,712	\$ 71,870	\$ 2,679,861	\$ 381,019
Expenses					
Personnel Expenses					
Salaries	\$ 575,261	\$ 688,558	\$ 113,297	\$ 765,205	\$ 189,944
Payroll Taxes	38,580	51,111	12,531	51,670	13,090
Benefits	94,874	81,298	(13,576)	123,553	28,679
Retirement Costs	51,123	61,135	10,012	68,072	16,949
Total Personnel Expenses	\$ 759,838	\$ 882,102	\$ 122,264	\$ 1,008,500	\$ 248,662
Meeting Expenses					
Meetings & Conference Calls	\$ 1,485	\$ 1,485	\$ -	\$ 3,350	\$ 1,865
Travel	9,975	8,531	(1,444)	17,620	7,645
Total Meeting Expenses	\$ 11,460	\$ 10,016	\$ (1,444)	\$ 20,970	\$ 9,510
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ 6,600	\$ 6,600	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	588,085	708,196	120,111	980,399	392,314
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 588,085	\$ 714,796	\$ 126,711	\$ 980,399	\$ 392,314
Total Direct Expenses	\$ 1,359,383	\$ 1,606,914	\$ 247,531	\$ 2,009,869	\$ 650,486
Indirect Expenses	\$ 695,066	\$ 714,824	\$ 19,758	\$ 843,037	\$ 147,971
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,054,449	\$ 2,321,738	\$ 267,289	\$ 2,852,906	\$ 798,457
Change in Net Assets (=A-B)	\$ 244,393	\$ 48,974	\$ (195,419)	\$ (173,045)	\$ (417,438)
Fixed Assets, excluding Right of Use Assets (C)	\$ 682,086	\$ 2,004,083	\$ 1,321,997	\$ 4,132	\$ (677,954)
TOTAL BUDGET (=B+C)	\$ 2,736,535	\$ 4,325,821	\$ 1,589,286	\$ 2,857,038	\$ 120,503
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (437,693)	\$ (1,955,109)	\$ (1,517,416)	\$ (177,177)	\$ 260,516
FTEs	7.00	8.00	1.00	9.00	2.00
HC	7.00	8.00	1.00	9.00	2.00



Personnel Analysis

FTEs are defined as full-time equivalent employees only. Fractional FTEs reflect part-time employees or employees who worked in fewer than all four quarters of the year.

Total FTEs by Program Area	Budget 2022	Projection 2022	Direct FTEs 2023 Budget	Shared FTEs* 2023 Budget	Total FTEs 2023 Budget	Change from 2022 Budget
NON-STATUTORY						
Operational Programs						
Total FTEs Operational Programs	-	-	-	-	-	-
Administrative Programs						
WREGIS	7.00	8.00	9.00	-	9.00	2.00
Total FTEs Administrative Programs	7.00	8.00	9.00	-	9.00	2.00
Total FTEs	7.00	8.00	9.00	-	9.00	2.00

*A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Reserve Analysis

Working Capital Reserve Analysis	
NON-STATUTORY	
Beginning Reserve (Deficit), January 1, 2022	Total \$ 8,435,435
Plus: 2022 Funding	2,370,712
Less: 2022 Projected expenses & capital expenditures	(4,325,821)
Projected Working Capital Reserve (Deficit), December 31, 2022	<u><u>\$ 6,480,326</u></u>
Plus: 2023 Funding	2,679,861
Less: 2023 Projected expenses & capital expenditures	(2,857,038)
Projected Working Capital Reserve, December 31, 2023	<u><u>\$ 6,303,149</u></u>





Section D

Additional Financial Information

Section D—Additional Financial Information

2023 Consolidated Statement of Activities by Program, Statutory, and Non-Statutory

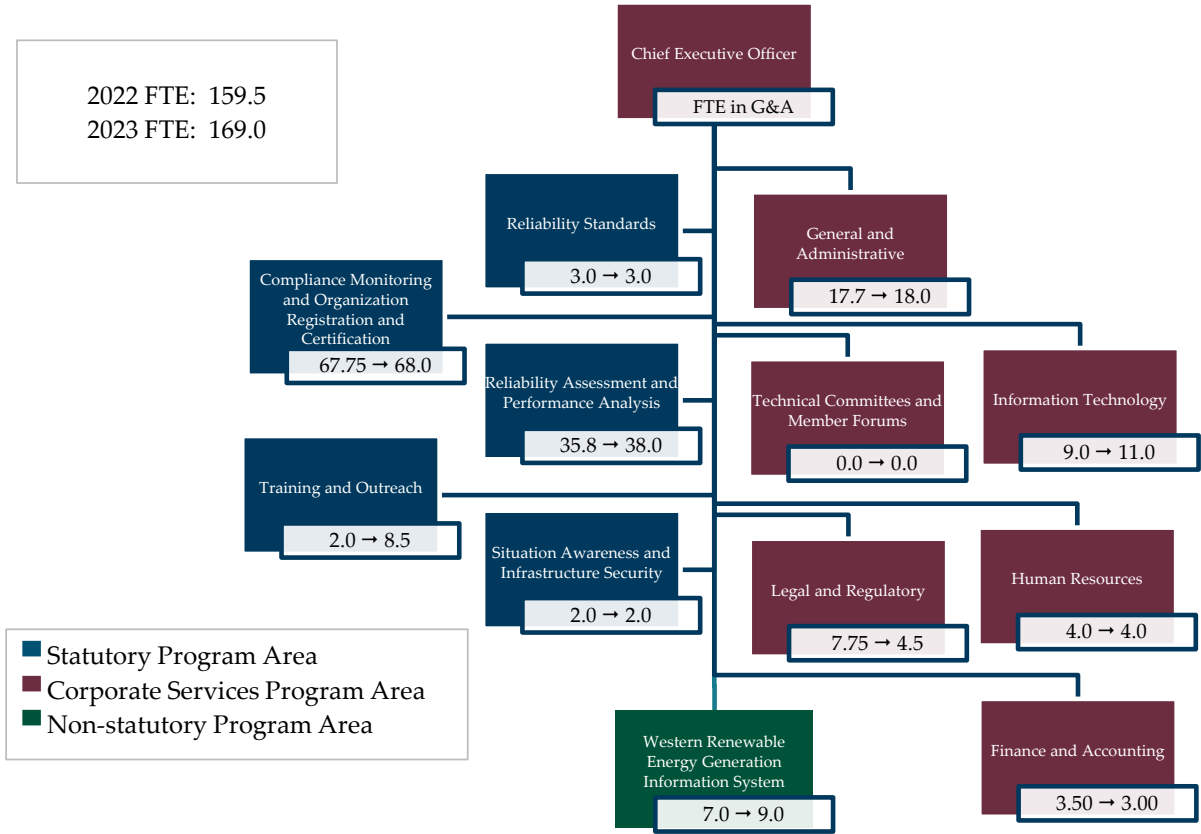
Statement of Activities and Capital Expenditures by Program	Total	Statutory Total	Non-Statutory Total	Statutory Functions							Non-Statutory Functions	
				Statutory Total	Reliability Standards	Compliance and Organization Registration and Certification	Reliability Assessment and Performance Analysis	Training and Outreach	Situation Awareness and Infrastructure Security	Corporate Services	Non-Statutory Total	WREGIS
Revenue												
Statutory Funding												
WECC Assessments	\$ 19,750,537	\$ 19,750,537	\$ -	\$ 19,750,537	\$ 539,925	\$ 10,804,015	\$ 6,632,951	\$ 1,414,435	\$ 359,211	\$ -	\$ -	\$ -
Penalties Released	11,218,646	11,218,646	-	11,218,646	281,639	6,383,832	3,567,436	797,979	187,760	-	-	-
Total Statutory Funding	\$ 30,969,183	\$ 30,969,183	\$ -	\$ 30,969,183	\$ 821,564	\$ 17,187,847	\$ 10,200,387	\$ 2,212,414	\$ 546,971	\$ -	\$ -	\$ -
Non-statutory Funding												
Workshops & Miscellaneous	\$ 2,666,736	\$ -	\$ 2,666,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,666,736	\$ 2,666,736
Interest	189,225	188,100	1,125	188,100	-	-	-	188,100	-	-	1,125	51,670
	72,000	60,000	12,000	60,000	1,507	34,142	19,079	4,268	1,004	-	12,000	12,000
Total Revenue (A)	\$ 33,897,144	\$ 31,217,283	\$ 2,679,861	\$ 31,217,283	\$ 823,071	\$ 17,221,989	\$ 10,219,466	\$ 2,404,782	\$ 547,975	\$ -	\$ 2,679,861	\$ 2,679,861
Expenses												
Personnel Expenses												
Salaries	\$ 20,804,505	\$ 20,039,300	\$ 765,205	\$ 20,039,300	\$ 437,183	\$ 8,451,094	\$ 4,781,745	\$ 1,045,639	\$ 276,946	\$ 5,046,693	\$ 765,205	\$ 765,205
Payroll Taxes	1,373,711	1,322,041	51,670	1,322,041	28,906	570,620	319,728	67,253	19,137	316,397	51,670	51,670
Benefits	2,773,071	2,649,518	123,553	2,649,518	40,337	954,682	544,248	121,308	29,904	959,039	123,553	123,553
Retirement Costs	1,877,339	1,809,267	68,072	1,809,267	38,809	751,618	425,406	92,883	24,648	475,903	68,072	68,072
Total Personnel Expenses	\$ 26,828,626	\$ 25,820,126	\$ 1,008,500	\$ 25,820,126	\$ 545,235	\$ 10,728,014	\$ 6,071,127	\$ 1,327,083	\$ 350,635	\$ 6,798,032	\$ 1,008,500	\$ 1,008,500
Meeting Expenses												
Meetings & Conference Calls	\$ 389,531	\$ 386,181	\$ 3,350	\$ 386,181	\$ -	\$ -	\$ 56,722	\$ 231,509	\$ -	\$ 97,950	\$ 3,350	\$ 3,350
Travel	578,728	561,108	17,620	561,108	7,520	175,520	151,230	45,341	16,050	165,447	17,620	17,620
Total Meeting Expenses	\$ 968,259	\$ 947,289	\$ 20,970	\$ 947,289	\$ 7,520	\$ 175,520	\$ 207,952	\$ 276,850	\$ 16,050	\$ 263,397	\$ 20,970	\$ 20,970
Operating Expenses, excluding Depreciation												
Consultants & Contracts	\$ 1,254,100	\$ 1,254,100	\$ -	\$ 1,254,100	\$ -	\$ 50,000	\$ 159,000	\$ -	\$ -	\$ 1,045,100	\$ -	\$ -
Office Rent	1,318,436	1,318,436	-	1,318,436	-	-	-	-	-	1,318,436	-	-
Office Costs	3,153,900	2,173,501	980,399	2,173,501	3,615	195,877	399,237	46,580	3,475	1,524,717	980,399	980,399
Professional Services	1,087,000	1,087,000	-	1,087,000	-	-	-	-	-	1,087,000	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 6,813,436	\$ 5,833,037	\$ 980,399	\$ 5,833,037	\$ 3,615	\$ 245,877	\$ 558,237	\$ 46,580	\$ 3,475	\$ 4,975,253	\$ 980,399	\$ 980,399
Total Direct Expenses	\$ 34,610,321	\$ 32,600,452	\$ 2,009,869	\$ 32,600,452	\$ 556,370	\$ 11,149,411	\$ 6,837,316	\$ 1,650,513	\$ 370,160	\$ 12,036,682	\$ 2,009,869	\$ 2,009,869
Indirect Expenses												
	\$ -	\$ (843,037)	\$ 843,037	\$ (843,037)	\$ 281,011	\$ 6,369,606	\$ 3,559,486	\$ 796,201	\$ 187,341	\$ (12,036,682)	\$ 843,037	\$ 843,037
Other Non-Operating Expenses												
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 34,610,321	\$ 31,757,415	\$ 2,852,906	\$ 31,757,415	\$ 837,381	\$ 17,519,017	\$ 10,396,802	\$ 2,446,714	\$ 557,501	\$ -	\$ 2,852,906	\$ 2,852,906
Change in Net Assets (=A-B)	\$ (713,177)	\$ (540,132)	\$ (173,045)	\$ (540,132)	\$ (14,310)	\$ (297,028)	\$ (177,336)	\$ (41,932)	\$ (9,526)	\$ -	\$ (173,045)	\$ (173,045)
Fixed Assets, excluding Right of Use Assets (C)												
	\$ 59,000	\$ 54,868	\$ 4,132	\$ 54,868	\$ 1,378	\$ 31,222	\$ 17,447	\$ 3,903	\$ 918	\$ -	\$ 4,132	\$ 4,132
TOTAL BUDGET (B+C)	\$ 34,669,321	\$ 31,812,283	\$ 2,857,038	\$ 31,812,283	\$ 838,759	\$ 17,550,239	\$ 10,414,249	\$ 2,450,617	\$ 558,419	\$ -	\$ 2,857,038	\$ 2,857,038
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (772,177)	\$ (595,000)	\$ (177,177)	\$ (595,000)	\$ (15,688)	\$ (328,250)	\$ (194,783)	\$ (45,835)	\$ (10,444)	\$ -	\$ (177,177)	\$ (177,177)
FTEs	169.00	160.00	9.00	160.00	3.00	68.00	38.00	8.50	2.00	40.50	9.00	9.00
HC	169.00	160.00	9.00	160.00	3.00	68.00	38.00	8.00	2.00	41.00	9.00	9.00



Appendix A—Organizational Chart

Changes in Budgeted FTE by Program Area

2022 FTE: 159.5
2023 FTE: 169.0



Appendix B—2023 Budget & Projected 2024 and 2025 Budgets

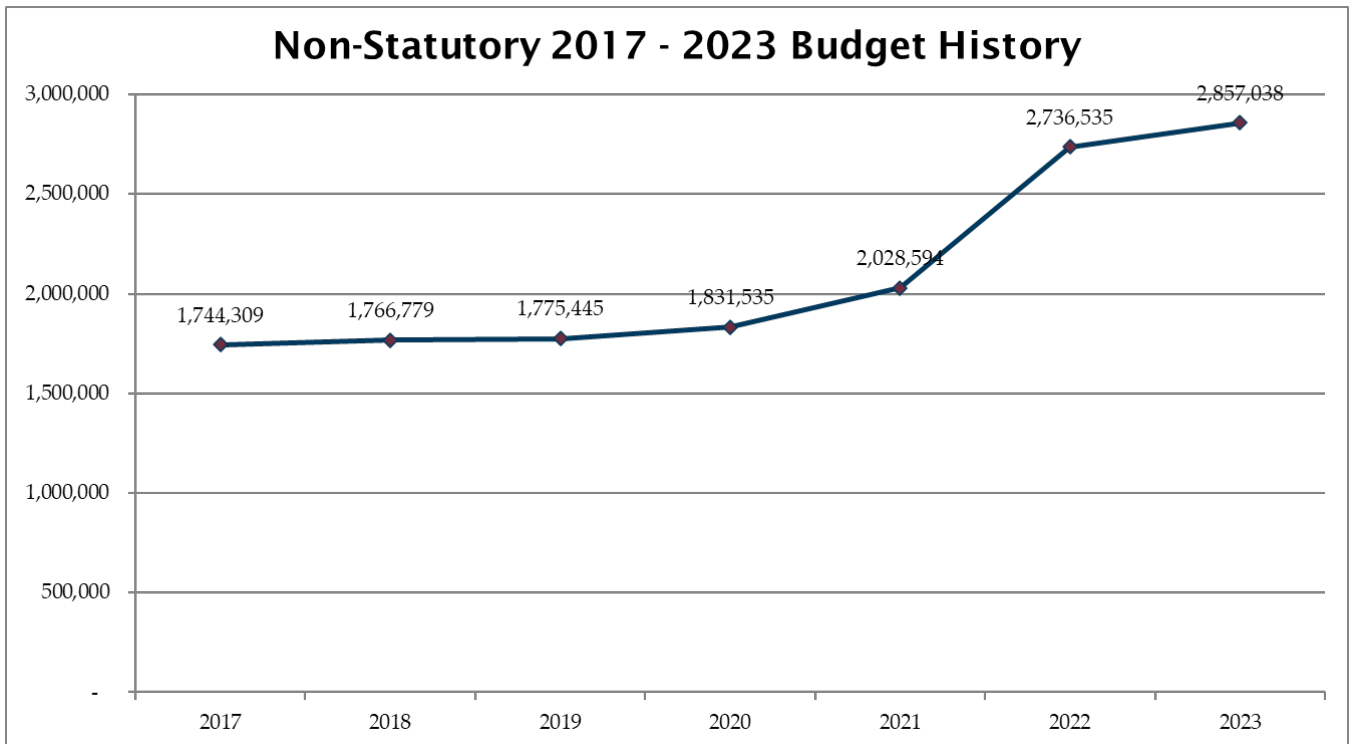
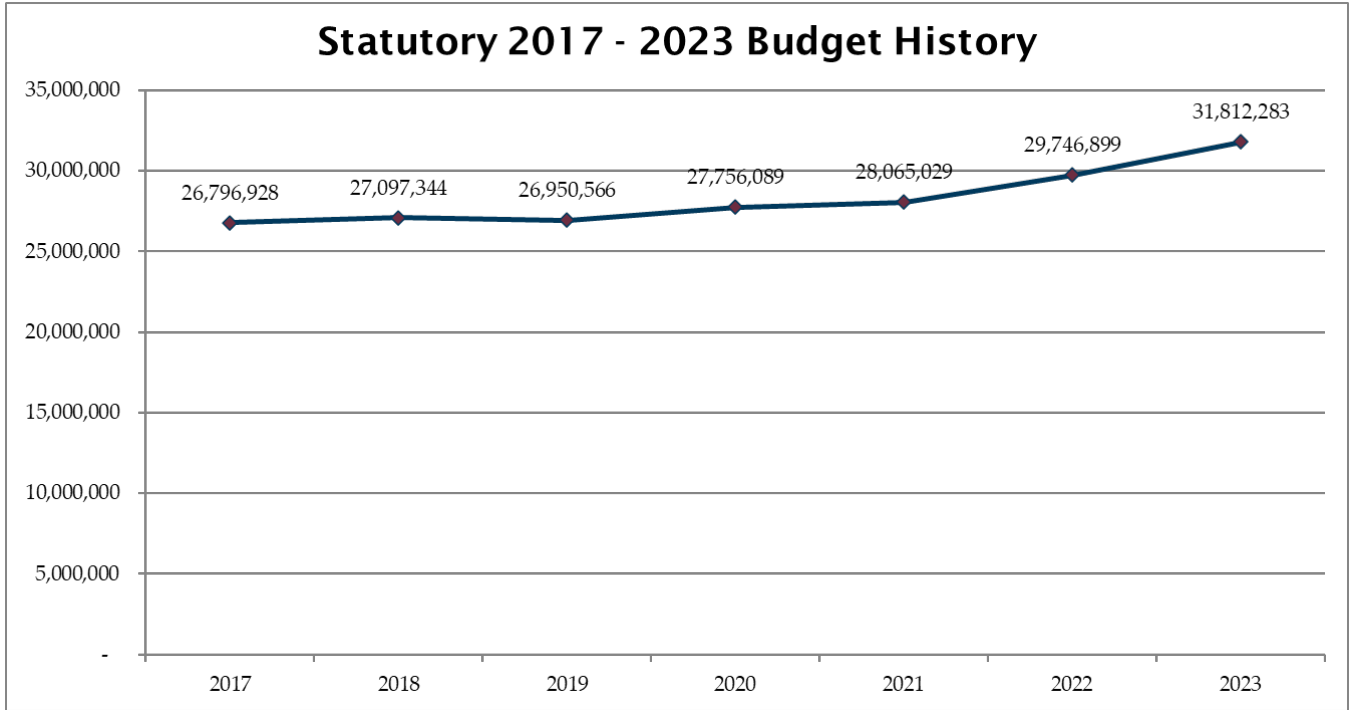
Statement of Activities and Capital Expenditures							
2023 Budget & Projected 2024 and 2025 Budgets							
	Statutory				2025 Projection	\$ Change 24 v 25	% Change 24 v 25
	2023 Budget	2024 Projection	\$ Change 23 v 24	% Change 23 v 24			
Revenue							
Statutory Funding							
WECC Assessments	\$ 19,750,537	\$ 23,137,473	\$ 3,386,936	17.1%	\$ 26,000,000	\$ 2,862,527	12.4%
Penalties Released	11,218,646	8,700,000	(2,518,646)	(22.5%)	-	(8,700,000)	(100.0%)
Total Statutory Funding	\$ 30,969,183	\$ 31,837,473	\$ 868,290	2.8%	\$ 26,000,000	\$ (5,837,473)	(18.3%)
Membership Fees	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Workshops & Miscellaneous	188,100	188,100	-	0.0%	188,100	-	0.0%
Interest	60,000	60,000	-	0.0%	60,000	-	0.0%
Total Revenue (A)	\$ 31,217,283	\$ 32,085,573	\$ 868,290	2.8%	\$ 26,248,100	\$ (5,837,473)	(18.2%)
Expenses							
Personnel Expenses							
Salaries	\$ 20,039,300	\$ 20,640,479	\$ 601,179	3.0%	\$ 21,259,693	\$ 619,214	3.0%
Payroll Taxes	1,322,041	1,361,702	39,661	3.0%	1,402,553	40,851	3.0%
Benefits	2,649,518	2,729,004	79,486	3.0%	2,810,874	81,870	3.0%
Retirement Costs	1,809,267	1,863,545	54,278	3.0%	1,919,451	55,906	3.0%
Total Personnel Expenses	\$ 25,820,126	\$ 26,594,730	\$ 774,604	3.0%	\$ 27,392,572	\$ 797,842	3.0%
Meeting Expenses							
Meetings & Conference Calls	\$ 386,181	\$ 386,181	\$ -	0.0%	\$ 386,181	\$ -	0.0%
Travel	561,108	589,163	28,055	5.0%	618,622	29,458	5.0%
Total Meeting Expenses	\$ 947,289	\$ 975,344	\$ 28,055	3.0%	\$ 1,004,803	\$ 29,458	3.0%
Operating Expenses, excluding Depreciation							
Consultants & Contracts	\$ 1,254,100	\$ 629,100	\$ (625,000)	(49.8%)	\$ 629,100	\$ -	0.0%
Office Rent	1,318,436	1,318,436	-	0.0%	1,318,436	-	0.0%
Office Costs	2,173,501	2,195,236	21,735	1.0%	2,217,188	21,952	1.0%
Professional Services	1,087,000	1,119,610	32,610	3.0%	1,153,198	33,588	3.0%
Miscellaneous	-	-	-	-	-	-	-
Total Operating Expenses	\$ 5,833,037	\$ 5,262,382	\$ (570,655)	(9.8%)	\$ 5,317,923	\$ 55,541	1.1%
Total Direct Expenses	\$ 32,600,452	\$ 32,832,456	\$ 232,004	0.7%	\$ 33,715,297	\$ 882,841	2.7%
Indirect Expenses	\$ (843,037)	\$ (848,938)	\$ (5,901)	0.7%	\$ (871,860)	\$ (22,921.33)	2.7%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 31,757,415	\$ 31,983,518	\$ 226,102	0.7%	\$ 32,843,437	\$ 859,919	2.7%
Change in Assets	\$ (540,132)	\$ 102,055	\$ 642,188	(118.9%)	\$ (6,595,337)	\$ (6,697,392)	(6,562.5%)
Incr(Dec) in Fixed Assets (C)	\$ 54,868	\$ 54,868	\$ -	0.0%	\$ 54,868	\$ -	0.0%
TOTAL BUDGET (B+C)	\$ 31,812,283	\$ 32,038,386	\$ 226,102	0.7%	\$ 32,898,305	\$ 859,919	2.7%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	(595,000)	47,187	642,188	(107.9%)	(6,650,205)	(6,697,392)	(14,193.3%)
FTEs	160.00	160.00	-	0.0%	160.00	-	0.0%
HC	160.00	160.00	-	0.0%	160.00	-	0.0%



Appendix C—Adjustment to the Alberta Electric System Operator (AESO) Assessment

Adjustment to the AESO Assessments		
Credit for WECC Compliance Costs		
	2022	2023
	Compliance Budget AESO NEL Allocation	Compliance Budget AESO NEL Allocation
WECC Compliance Costs		
Direct Costs less Direct Revenue	\$ 10,867,911	\$ 11,115,269
Indirect Costs	6,727,252	6,369,606
Fixed Asset Expenditures	68,586	31,222
Total Net Costs, including Fixed Assets	\$ 17,663,749	\$ 17,516,097
Net total to be allocated	\$ 17,663,749	\$ 17,516,097
AESO NEL Share (2020 and 2021)	7.021%	6.967%
AESO Proportional Share of Compliance Costs, including Fixed Assets	\$ 1,240,172	\$ 1,220,346
% Credit (64.15 of 67.75 FTE for 2022; 63.00 of 68.00 FTE for 2023)	94.69%	94.12%
AESO Credit for Compliance Costs	\$ 1,174,344	\$ 1,148,561

Appendix D—Statutory and Non-Statutory Budget History Charts



DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 9

**WESTERN INTERCONNECTION
REGIONAL ADVISORY BODY**

PROPOSED 2023 BUSINESS PLAN AND BUDGET



**Western Interconnection
Regional Advisory Body**

2023 Business Plan and Budget

June 23, 2022

**Approved by
Appointed Members of the
Western Interconnection Regional
Advisory Body**

**1600 Broadway, Suite 1020
Denver, Colorado 80202
720-897-4600**

TABLE OF CONTENTS

INTRODUCTION.....3

ORGANIZATIONAL OVERVIEW 5

MEMBERSHIP AND GOVERNANCE..... 6

STATUTORY FUNCTIONAL SCOPE 8

2023 STRATEGIC PRIORITIES AND INITIATIVES 8

2023 BUDGET AND ASSESSMENT IMPACTS.....18

SECTION A – STATUTORY ACTIVITIES.....22

 GOVERNANCE AND STRATEGIC PLANNING...23

 EMERGING TRENDS AND SYSTEM RISKS23

 PERIODIC RELIABILITY ASSESSMENTS26

 RELIABILITY STANDARDS AND PROACTIVE ENFORCEMENT26

SECTION B – SUPPLEMENTAL FINANCIAL INFORMATION29

 WORKING CAPITAL RESERVE29

 BUDGET PROJECTIONS FOR 2022-2024.....31

SECTION C – NON-STATUTORY ACTIVITIES33

SECTION D – ADDITIONAL CONSOLIDATED FINANCIAL STATEMENTS.....34

 STATEMENT OF FINANCIAL POSITION...34

APPENDIX A – ORGANIZATIONAL CHART35

Introduction

The Western Interconnection Regional Advisory Body (WIRAB) proposed budget for 2023 is \$883,520. This amount is \$35,380 (3.9%) lower than the amount in WIRAB's approved 2022 budget. Total proposed full-time equivalents (FTEs) for 2023 have remained flat with no change at 3.0. WIRAB's total funding requirement is \$682,920. As shown in Table 1 below, this amount represents the total statutory expenses of \$883,520 less \$200,600 in statutory working capital requirement. WIRAB's proposed funding assessment is \$681,920, a decrease of \$16,780 from the 2022 funding assessment. WIRAB proposes to allocate the funding assessment as follows: \$571,006 (83.7%) to the U.S. portion; \$98,679 (14.5%) to the Canadian portion; and \$12,234 (1.8%) to the Mexican portion of the Western Interconnection. The following table summarizes the WIRAB proposed budget for 2023.

Table 1. WIRAB Budget for 2023

WIRAB - Total Resources (in whole dollars)	2023 Budget	U.S.	Canada	Mexico
Statutory FTEs	3.00			
Non-statutory FTEs				
Total FTEs	3.00			
Statutory Expenses	\$ 883,520			
Non-Statutory Expenses				
Total Expenses	\$ 883,520			
Statutory Inc(Dec) in Fixed Assets				
Non-Statutory Inc(Dec) in Fixed Assets				
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement	\$ (200,600)			
Non-Statutory Working Capital Requirement	0			
Total Working Capital Requirement	\$ (200,600)			
Total Statutory Funding Requirement	\$ 682,920			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 682,920			
Statutory Funding Assessments	\$ 681,920	\$ 571,006	\$ 98,679	\$ 12,234
Non-Statutory Fees				
NEL	866,219,863	725,329,758	125,349,171	15,540,934
NEL%	100.00%	83.7%	14.5%	1.8%

¹ The allocation of the statutory assessments was updated to reflect 2021 NEL data on August 1, 2022. Negotiations with Comisión Reguladora de Energía regarding the allocation to Mexico are on-going.

Organizational Overview

The Federal Energy Regulatory Commission (FERC or Commission) created WIRAB in April 2006, upon petition of ten Western Governors and in accordance with Section 215(j) of the Federal Power Act (FPA). The Governors invited all U.S. states, Canadian provinces, and Mexican jurisdictions with territory in the Western Interconnection to join WIRAB and to participate in WIRAB's activities as a regional advisory body charged with advising the FERC, the North American Electric Reliability Corporation (NERC) and the Regional Entity (i.e., the Western Electricity Coordinating Council or WECC) on matters of electric grid reliability.

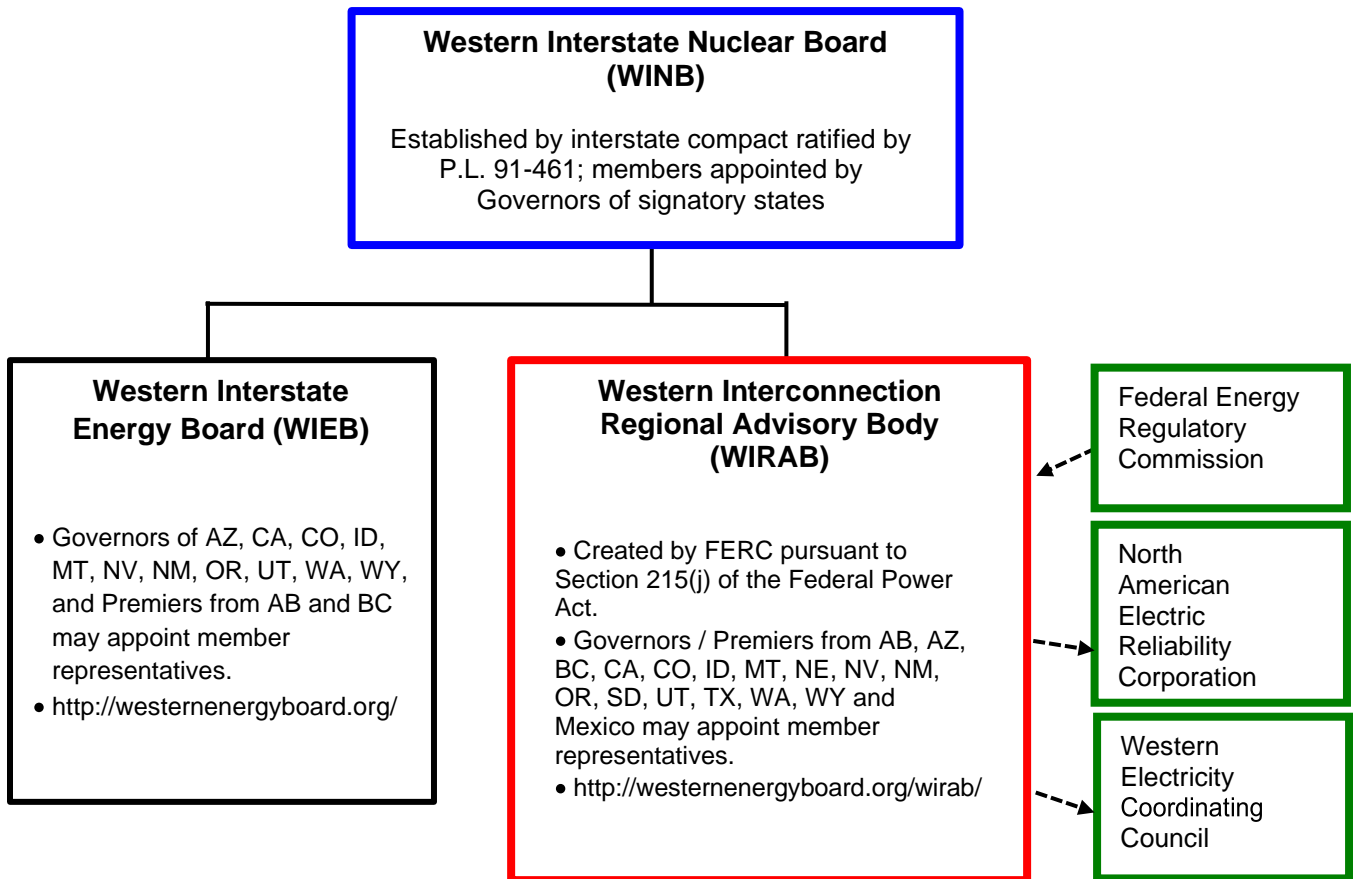
In July 2006, the FERC issued an order granting the Governors' petition to establish WIRAB.² In its order, the FERC determined that WIRAB should receive funding for its Section 215(j) activities and directed WIRAB to annually develop a budget and related information for submittal through the Electric Reliability Organization (ERO) budget approval process. The Commission instructed WIRAB to develop a budget in a form similar to that specified for regional entities as set forth in Order 672.³ The FERC also required WIRAB to identify the portion of its funding to be received from Canada and Mexico.

The Governors created WIRAB as a standing advisory committee to the Western Interstate Nuclear Board (WINB), which was formed pursuant to the Western Interstate Nuclear Compact, P.L. 91-461. WIRAB has the same status under the compact as the Western Interstate Energy Board (WIEB). Below is a chart that illustrates these organizational relationships.

² Order on Petition to Establish a Regional Advisory Body for the Western Interconnection, 116 FERC ¶ 61,061, Docket No. RR06-2-000, July 20, 2006.

³ Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Reliability Standards, Order 672, Docket RM05-30-000, Feb. 3, 2006, P. 228. "Each Regional Entity must submit its complete business plan, entire budget, and organizational chart to the ERO for it to submit to the Commission. The complete business plan and the entire budget will provide the Commission with necessary information about any non-statutory activities, the source of their funding, and whether the pursuit of such activities presents a conflict of interest for the Regional Entity. For a Cross-Border Regional Entity, this information will also inform the Commission as to what portion of the budget is expended upon activities within the United States."

Figure 1. Organizational Relationships



Membership and Governance

All U.S. states with territory in the Western Interconnection (AZ, CA, CO, ID, MT, NE, NV, NM, OR, SD, TX, UT, WA, WY), the Canadian provinces of Alberta and British Columbia, and the Mexican state of Baja California are eligible to appoint members to WIRAB. Member representatives of WIRAB are appointees of the respective Governors and Premiers, or representative-designated alternates. Below is the list of current WIRAB member representatives:

Figure 2. WIRAB Membership List

WIRAB Member Representatives		
Alberta	Andrew Buffin	Executive Director, Generation, Transmission and Markets Policy, Alberta Energy
Arizona	Lea Marquez Peterson	Chairwoman, Arizona Corporation Commission
British Columbia	Amy Sopinka	Director, Transmission and Interjurisdictional Branch Ministry of Energy, Mines and Low Carbon Innovation
California	Siva Gunda	Vice Chair, California Energy Commission
Colorado	Vacant	
Idaho	John Chatburn	Commissioner, Idaho Public Utilities Commission
Mexico	Marcos Valenzuela	Comision Federal de Electricidad
Montana	Michael Freeman	Natural Resources Policy Advisor, Montana Office of the Governor
Nebraska	Tim Texel	Executive Director, Nebraska Power Review Board
Nevada	David Bobzien	Director, Nevada Governor's Office of Energy
New Mexico	Cynthia Hall	Commissioner, New Mexico Public Regulation Commission
Oregon	Megan Decker	Chair, Oregon Public Utility Commission
South Dakota	Greg Rislov	Commission Advisor, South Dakota Public Utility Commission
Utah	Vacant	
Washington	Elizabeth Osborne	Senior Energy Policy Analyst, Washington State Energy Office
Wyoming	Mary Throne	Commissioner, Wyoming Public Service Commission

WIRAB holds two in-person meetings each year, usually in Spring and Fall. These meetings are open to the public. WIRAB also holds monthly conference calls to discuss current and emerging issues and hosts periodic webinars with presentations from subject matter experts on key electric grid reliability topics.

Statutory Functional Scope

The FERC established WIRAB as a Regional Advisory Body under section 215(j) of the FPA. The language in Section 215(j) specifically provides for WIRAB's authority to advise the FERC, NERC, and WECC on whether reliability standards, budgets and fees, governance, compliance, assessments, strategic direction, and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory, or preferential, and in the public interest.

WIRAB's advice to the FERC, NERC, and WECC can be grouped into four categories that are appropriately funded under Section 215 of the FPA, including:

1. Governance and Strategic Planning;
2. Emerging Trends and System Risks;
3. Periodic Reliability Assessments; and
4. Reliability Standards and Proactive Enforcement.

WIRAB's activities in each of these categories are described in Section A – Statutory Activities.

2023 Strategic Initiatives

The resource mix of the Western power system is rapidly changing. Environmental policy and regulatory efforts in many states to transition to a lower-carbon economy, plus shifting market forces, have resulted in the retirement of a significant amount of coal-fired, natural gas-fired, and nuclear-powered electricity generation. Utility-scale wind and solar electricity generation are replacing traditional thermal resources throughout the West. California and the Desert Southwest are experiencing rapid growth in distributed solar photovoltaic generation. Energy storage procurement is becoming paramount to support higher penetrations of weather-dependent variable energy resources (VER). New and promising carbon-free technologies like advanced nuclear reactors and hydrogen are emerging to fill the gap created by VERs as the electric system in the West continues to decarbonize. These changes to the generation resource mix may present reliability challenges in the Western Interconnection, but the West has the opportunity to lead in the effort to create a reliable decarbonized electric grid. Flexibility on both the supply-side and

demand-side will be needed to ensure reliability.

Reliability challenges associated with climate change are becoming more evident, with widespread heat waves and extreme cold weather making utility planning and operations more difficult. Wildfires and droughts have become more severe, impacting communities and utility infrastructure. Many energy policymakers and regulators are increasingly incorporating environmental and climate change factors into grid infrastructure decisions. With these changes, a renewed focus on grid reliability must be front and center as the grid transforms to meet grid users' current and future needs throughout the Western Interconnection.

Grid modernization efforts also present reliability challenges and opportunities for the Western Interconnection. Efforts to increase electrification of energy end uses, such as transportation and buildings, plus the increased adoption of distributed energy resources (DER), create a need for better coordination among Bulk Power System (BPS) and distribution system operators. Improvements to coordination will require additional research, development, and the implementation of new technologies and operational tools that can be used to improve system reliability throughout the Western Interconnection. Grid modernization also necessitates an increased focus on cyber security while maintaining the physical protection of electric grid infrastructure against threats like wildfires and other physical impacts. Physical and cyber threats to the grid will continue to impact data availability and transparency, creating a need to ensure the security of data to improve situational awareness.

The structure of Western power markets also continues to undergo significant change, creating both additional reliability challenges and opportunities for the Western Interconnection. The California Independent System Operator (CAISO) Western Energy Imbalance Market (WEIM) continues to gain new participants, and the CAISO is working to offer day-ahead market services to WEIM participants (Extended Day-Ahead Market, or EDAM). The Southwest Power Pool (SPP) also offers market services, including Western Energy Imbalance Services (WEIS), to entities within the Western Interconnection with expanding services through its Markets+ initiative. Some western utilities are also exploring joining SPP's Regional Transmission Organization (RTO). These market reforms could result in significant changes to system operations (e.g., transmission scheduling, congestion management, and reliability coordination).

In response to these ongoing changes in the Western Interconnection, WIRAB has identified four strategic initiatives that it will pursue in 2023:

Initiative 1: Advise WECC to track generation resource construction and compare it to the resource additions in the Western Assessment of Resource Adequacy to serve as an early warning system of reliability and accountability throughout the Western Interconnection.

The Western Assessment of Resource Adequacy serves as an integral part of the planning process to maintain resource adequacy throughout the Western Interconnection over the next ten years. WECC has encouraged efforts to mitigate resource adequacy risks and has recommended the use of an energy-based probabilistic approach and regular calibration of the Planning Reserve Margins (PRMs) to account for the increasing demand and resource variability throughout the Western Interconnection and ensure greater generation reliability over the next decade. As entities across the West retire old generation resources such as coal-fired power plants, new resource additions must be planned and constructed in a deliberate manner to remain within the PRMs. In the current approach to resource adequacy, there is no accountability system to determine the progress of generation resource construction and how it compares to the resource additions assumed in the Western Assessment of Resource Adequacy.

As the Regional Entity for the Western Interconnection, WECC has an opportunity to act as an early warning system and alert stakeholders when the system is falling short. Tracking generation resource construction and comparing it to the resource additions in the Western Assessment of Resource Adequacy is necessary to continue the mitigation of resource adequacy risks. In this tracking process, WECC also has the opportunity to identify shortcomings in generation resource construction or ensure resource build-out remains on track. If WECC tracks construction and identifies that the system is not on track, WECC may investigate and identify the issues causing the deterrent, such as supply chain issues, lack of expert labor contractors, or regulatory barriers. The delay in generation resource construction from potential complications may remain unknown in the current approach until it is too late to address and will harm the ability to stay within the PRMs. WECC should begin to monitor resource generation construction and compare these efforts to the resource additions in the Western Assessment of Resource Adequacy for better reliability and accountability throughout the Western Interconnection.

The goals of this initiative are to:

- Ensure planned generation resource construction is proceeding efficiently and according

to resource planned additions in the Western Assessment of Resource Adequacy.

- Identify risk of delay in generation resource construction as soon as possible/practicable and alert states and provinces of challenges to resource addition plan and the mitigation of resource adequacy risks across the Western Interconnection.

The actions that WIRAB staff will take to achieve these goals will be to:

- Engage with regional entities, utilities, industry news, and other resources across the Western Interconnection to gather data on construction and megawatts installed and monitor generation resource construction.
- Work with WECC to compare generation resource construction to resource additions in the Western Assessment of Resource Adequacy and determine if the Western Interconnection is falling behind or remaining on track.
- If sub-regions in the Western Interconnection are falling short, WIRAB staff may work with WECC to identify challenges to generation resource construction.
- Participate in WECC activities designed to further these goals.

Initiative 2: Advise WECC to coordinate and gather historical climate data to understand the climate characteristics in the West and how the information impacts the assumptions in the system reliability assessments and planning models of the Western Interconnection.

The climate landscape in the Western Interconnection is changing along with the global climate change, which is causing impacts on the operational conditions of the electric system. Historically, peak demand occurred during hot summer days in the southern parts of the western states. The northern parts see peak demands during cold winter days, but that assumption may be shifting. Therefore, the temperature is one of the dominant factors for load forecasting and supply planning. Hydroelectric power accounts for nearly 27 percent of its total capacity in the Western Interconnection. Variable wind and solar resources account for 9.7 percent and 7.7 percent, respectively, with expected significant growth over the next 5-10 years. This weather-dependent resource mix showcases that the level of precipitation can play a key role in determining the amount of electricity generation supply in the Western Interconnection. The rainfall and snowpack

directly affect hydro capacity and wind and solar output. As climate change is now altering the patterns of temperature, precipitation, and other factors in the western states and provinces, these changing weather patterns could bring about potential weather-driven reliability risks such as those that come about from increases from droughts and wildfires.

The rigorous study of the changing trends is timely and essential for WECC to understand the impacts these changes have on its reliability assessments. By identifying and analyzing a comprehensive dataset related to the temperature and precipitation in the Western Interconnection, WECC can review the changes within the region and update its assessment models to evaluate current and future reliability impacts more accurately. WECC should use this information to ensure that its assumptions are up to date in the Western Assessment of Resource Adequacy and Reliability Assessment Committee studies to account for changes in climate patterns. Finally, WECC should share its findings with stakeholders throughout the West to encourage entities to review their weather-sensitive resource planning assumptions and metrics to reassess their existing models for operations and planning.

In 2023, WIRAB will encourage WECC to coordinate and gather climate data to update models and understand how historical climate information impacts operational and planning electric system reliability in the Western Interconnection as the resource mix continues to change.

The goals of this initiative are to:

- Establish and retain the historical climate data, including temperature and precipitation, to monitor and analyze the data by WECC in a timely manner.
- Identify substantial changes in the climate data that recently occurred, such as the frequency of extreme natural events and the impacts of the changes on assumptions in the operational and planning models.
- Update the models for reliability assessments, both short and long-term resource planning in the West.
- Disseminate its findings to a broad group of stakeholders in the Western Interconnection and make recommendations on how entities incorporate climate impacts into planning and

operational models.

The actions that WIRAB staff will take to achieve these goals will be to:

- Work with WECC to arrange a team of data experts that will establish a database for the historical climate data and engage with entities and researchers to explore data inputs and sources in the Western Interconnection.
- Work with WECC and industry stakeholders gain consensus on how the historical climate record changed over time and review how WECC can incorporate that information into its reliability assessments.
- Work with WECC to update assumptions in WECC's modeling, incorporating the findings from the climate impact assessments.
- Work with WECC to educate state and provincial regulators and policymakers about how historical climate information impacts WECC's modeling and disseminate recommendations to improve modeling throughout the West.

Initiative 3: Advise WECC to review inverter-based resource developers' adoption of reliability recommendations from NERC guidelines and disturbance reports and work to enhance performance requirements at the point of interconnection to improve system disturbance events and grid stability in the Western Interconnection.

Inverter-based resources like wind, solar photovoltaics, and battery electric storage are becoming integral in grid operations as traditional thermal synchronous generation retires. These changes raise important questions about the reliability of the electric grid. In the April 2022 report, *Multiple Solar PV Disturbances in CAISO*, NERC and WECC identify that system disturbance events involving the widespread reduction in solar photovoltaic (PV) resources are causing systemic reliability issues. A significant number of solar PV resources responded to the BPS disturbances in a manner that does not support BPS reliability. There are multiple causes of reduction, ranging from inverter-level and plant-level controls to protection issues. NERC Reliability Standards do not capture the performance requirement from these resources and should be updated to include these requirements. Additionally, technical requirements, such as those

outlined in IEEE 2800, are important for maintaining the reliability of the bulk power system.

Reliability assurers can address some of these challenges through better guidance on how inverter-based resource operators program the response from systems and ensure follow through on programming upgrades. Legacy systems introduce additional complexities because they cannot be programmed to enlist the desired response to support grid reliability. System disturbance events associated with the lack of adoption of inverter performance and the configuration of inverter settings continue to impact the reliability of the Western Interconnection. Many developers of inverter-based resources have not followed through on adopting NERC guidelines from various disturbance reports, evident by the continued disturbance events year over year.

As the Regional Entity for the Western Interconnection, WECC should be engaging with developers and operators to help interpret the guidelines and ensure follow-through from the inverter-based resource owners. WECC, along with NERC, should champion getting IEEE 2800 requirements into transmission-connected inverter-based resource interconnection requirements to ensure these important reliability requirements are captured at the point of interconnection instead of being addressed after the fact. WECC should make recommendations to ensure that inverter-based resource developers and operators have accurate information to support grid reliability.

The goals of this initiative are to:

- Follow up with inverter-based resource owners and operators to ensure the adoption of guidelines designed to support bulk power system reliability.
- Update interconnection requirements needed to ensure performance specifications for resources covered in the NERC reliability guidelines so that resources consistently and effectively interconnect to the BPS.
- Educate a broad group of stakeholders in the Western Interconnection on the importance of ensuring performance requirements in standards.

The actions that WIRAB staff will take to achieve these goals will be to:

- Encourage WECC to engage with other entities like researchers and industry forums to learn from the changing nature of system disturbances in other electric systems.

- Work with WECC, NERC, and industry stakeholders to encourage the adoption of performance requirements in interconnection agreements.
- Work with WECC to educate state and provincial regulators and policymakers about the importance of supporting the stability and reliability of the Western Interconnection with a changing resource mix.

Initiative 4: Advise WECC to conduct reliability assessments of the transmission expansion requirements needed to maintain reliability while supporting maximum use of the system as the load and resource mix changes in the Western Interconnection.

In the Western Interconnection, the types of loads, load shapes, seasonality, and the resource mix are fundamentally changing. It is unknown to what extent changes to the underlying transmission system are needed to support this fundamental shift on an interconnection-wide level. Transmission planning has not been robust under the current institutional structures. For example, no inter-regional projects have been identified or proposed by the Regional Planning Entities since FERC Order 1000 was put into place. States, provinces, municipalities, corporations, and electric utilities are adopting clean energy policy goals to decarbonize the electric sector using both demand and supply-side approaches. Additions of all types of resources will be essential just to maintain reserve targets that move higher to accommodate variability in loads and generation caused by changes in precipitation and temperature, policy, and other forces at play in the system.

Additions of so many new resources have important implications for the transmission system. While a recent study by the Western Interstate Energy Board, found that the existing transmission system may be fairly robust under current policy assumptions, maintaining reliability given the pace at which baseload resources are being retired, may be difficult without transmission additions and enhancements. Since planning and building new transmission typically exceeds ten years, it is urgent that current transmission planning efforts design the grid needed to meet reliability expectations for our future electric grid. Lack of timely planning could result in either a less reliable grid or inefficient and expensive investment, or both.

In the Western Interconnection, three Regional Planning Entities (California ISO, Northern Grid, and WestConnect) carry out regional transmission planning pursuant to the requirements of FERC Order 1000. BC Hydro and the Alberta Electric System Operator (AESO) are responsible

for transmission planning in the western Canadian provinces. Currently, no entity oversees transmission planning across the entire span of the Western Interconnection. Over the next decade, it is likely that investment in transmission will be required to complement the changing resource mix. Given its existing mandate to undertake assessments as they relate to reliability risks, WECC is the logical entity to assess the extent to which new transmission infrastructure may be required to meet the emerging reliability trends across the Western Interconnection.

WECC should approach its transmission assessments from the lens of reliability with open and transparent guidance from the states, provinces, industry, and other stakeholders. The changing industry dynamics—behind-the-meter generation, load variability, and evolving resource mix—will require new thinking and assessment. Careful consideration of the impacts of the increased development of inverter-based resources far from load centers coupled with the retirement of large thermal plants in those same areas that provide spinning mass and inertia to the grid will be critical as these trends may contribute to weak grid problems and other reliability challenges. Weak grid issues have already developed and are being addressed in other grid systems, including Texas and Australia. As part of its interconnection-wide reliability assessment of transmission expansion, WECC should monitor and investigate the potential risk of weak grid issues in various parts of the Western Interconnection. Although short-term and targeted reliability studies may identify near-term reliability risks, wholistic long-term reliability assessments at the interconnection-wide level will be necessary to inform policymakers and decisionmakers of future reliability risks with sufficient time to develop well-informed solutions to address those long-term risks.

The goals of this initiative are to:

- Provide an interconnection-wide assessment of the potential need for new transmission capacity to facilitate the development of generation resources needed to meet reliability expectations.
- Perform an assessment of the grid in the Western Interconnection that examines potential reliability concerns from weak grid issues or other reliability problems that might arise with the changing load and resource mix.

The actions that WIRAB staff will take to achieve these goals will be to:

- Encourage WECC to perform an interconnection-wide assessment of plans and development of transmission.
- Encourage WECC to perform reliability assessments to monitor and respond to potential weak grid issues in remote areas with long transmission lines that link loads to resources.
- Engage with state and provincial regulators and policymakers to guide WECC's assessments to ensure they are sufficiently robust enough and meet emerging reliability trends in the Western Interconnection.

2023 Budget and Assessment Impacts

The WIRAB proposed budget for 2023 is \$883,520. This amount is \$35,380 (3.9%) lower than the amount in WIRAB's approved budget for 2022. Total proposed FTEs for 2022 are 3.0, which remains flat with no change from 2022. WIRAB's total funding requirement is \$682,920. WIRAB's proposed funding assessment is \$681,920. This funding assessment is \$16,780 lower than the 2022 funding assessment.

Personnel and Indirect Expenses

Salary expenses (exclusive of Indirect expenses) increased from \$314,400 in the 2022 Budget to \$322,300 (2.5%) in the 2023 Budget due to personnel allocation changes and annual merit and cost of living increases. WIRAB uses a single rate method for indirect expenses. The indirect expenses include office expenses, medical and retirement expenses as well as holiday, vacation, and sick leave for WIRAB staff. The indirect rate is a percent of direct staff time spent on WIRAB. The indirect rate decreases from 112.9% of direct labor costs in the 2022 Budget to 96.7% in the 2023 Budget. Table 2 shows personnel and indirect expenses per FTE for the approved 2022 Budget and the proposed 2023 Budget.

Table 2. Personnel and Indirect Expense Analysis, 2022-2023

WIRAB - Personnel and Indirect Expense Analysis 2022-2023					
STATUTORY					
	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Salary Expense	\$ 314,400	\$ 314,400	\$ 322,320	\$ 7,920	2.5%
FTEs	3.00	3.00	3.00	-	0.0%
Cost per FTE	\$ 104,800	\$ 104,800	\$ 107,440	\$ 2,640	2.5%
Indirect Rate	112.9%	112.9%	96.7%		
Indirect Expense	\$ 354,900	\$ 354,900	\$ 311,600	\$ (43,300)	-12.2%
FTEs	3.00	3.00	3.00	-	0.0%
Cost per FTE	\$ 118,300	\$ 118,300	\$ 103,867	\$ (14,433)	-12.2%

Meeting Expense

Meeting costs remained flat at \$56,100 for the proposed 2023 Budget. WIRAB will hold two major in-person meetings per year that include participation by state/provincial agencies with electric power responsibilities in the Western Interconnection. Wherever feasible, WIRAB meetings will be coordinated with other meetings of the Western states and provinces. Webinars on topics of concern will continue to be utilized between in-person meetings. WIRAB also conducts monthly conference calls to update members on current activities and to develop positions on reliability issues in the Western Interconnection.

Travel Expense

Travel costs remained flat at \$93,500 to maintain historical and anticipated travel costs. A decrease in the 2022 Budget was made due to COVID-19 impacts. WIRAB members' travel to biannual meetings and reliability conferences accounts for \$30,200. WIRAB staff travel to attend meetings of WIRAB, WECC and NERC accounts for \$63,300. Hotel and travel costs are based on experience from previous years and in consideration of pandemic conditions.

Consultants and Contracts

The 2022 budget includes \$100,000 in contract funding for technical expertise on issues related to improved grid operating practices, reliability standards and compliance; the same amount is budgeted for 2023. This expertise will assist WIRAB in preparing and providing technically-sound advice to be submitted to the FERC, NERC, and WECC as authorized under Section 215(j).

Table 3. Budget Comparison 2022 to 2023

WIRAB - Statement of Activities and Change in Working Capital 2022 Budget & Projection, and 2023 Budget							
STATUTORY							
	2022 Budget	2022 Projection	Variance 2022 Projection v 2022 Budget		2023 Budget	Variance 2023 Budget v 2022 Budget	
			Over(Under)	% Change		Over(Under)	% Change
Funding							
WIRAB Funding							
Assessments	\$ 698,700	\$ 686,710	\$ (11,990)	-1.7%	\$ 681,920	\$ (16,780)	-2.4%
Penalty Sanctions	-	-	-	-	-	-	-
Total WIRAB Funding	\$ 698,700	\$ 686,710	\$ (11,990)	-1.7%	\$ 681,920	\$ (16,780)	-2.4%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	1,000	1,000	\$ -	0.0%	1,000	\$ -	0.0%
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 699,700	\$ 687,710	\$ (11,990)	-1.7%	\$ 682,920	\$ (16,780)	-2.4%
Expenses							
Personnel Expenses							
Salaries	314,400	314,400	-	0.0%	322,320	\$ 7,920	2.5%
Payroll Taxes	-	-	-	-	-	-	-
Benefits	-	-	-	-	-	-	-
Retirement Costs	-	-	-	-	-	-	-
Total Personnel Expenses	\$ 314,400	\$ 314,400	\$ -	0.0%	\$ 322,320	\$ 7,920	2.5%
Meeting Expenses							
WIRAB Meetings	\$ 56,100	\$ 56,100	\$ -	0.0%	\$ 56,100	\$ -	0.0%
State Travel	30,200	30,200	\$ -	0.0%	30,200	\$ -	0.0%
Staff Travel	63,300	63,300	\$ -	0.0%	63,300	\$ -	0.0%
	-	-	\$ -	-	-	\$ -	-
Total Meeting Expenses	\$ 149,600	\$ 149,600	\$ -	0.0%	\$ 149,600	\$ -	0.0%
Operating Expenses							
Consultants & Contracts	\$ 100,000	\$ 75,000	\$ (25,000)	-25.0%	\$ 100,000	\$ -	0.0%
Office Rent	-	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Total Operating Expenses	\$ 100,000	\$ 75,000	\$ (25,000)	-25.0%	\$ 100,000	\$ -	0.0%
Total Direct Expenses	\$ 564,000	\$ 539,000	\$ (25,000)	-4.4%	\$ 571,920	\$ 7,920	1.4%
Indirect Expenses	\$ 354,900	\$ 354,900	\$ -	0.0%	\$ 311,600	\$ (43,300)	-12.2%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
TOTAL BUDGET (B)	\$ 918,900	\$ 893,900	\$ (25,000)	-2.7%	\$ 883,520	\$ (35,380)	-3.9%
CHANGE IN WORKING CAPITAL (=A-B)¹	\$ (219,200)	\$ (206,190)	\$ 13,010	-	\$ (200,600)	\$ 18,600	-
FTEs	3.00	3.00	-	0.0%	3.00	-	0.0%

¹ Fixed Asset included in Indirect Expenses.

Statutory Assessments

WIRAB's proposed funding assessment of \$681,920 is allocated at \$571,006 (83.7%) to the U.S. portion; \$98,679 (14.5%) to the Canadian portion; and \$12,234 (1.8%) to the Mexican portion of the Western Interconnection.

Key Assumptions

The WIRAB 2023 Business Plan and Budget is based on the following assumptions:

- There will be no significant expansion of the FERC, NERC, or WECC responsibilities as a result of legislation or administrative actions.
- WIRAB will monitor reliability coordination activities at the RC West, SPP, the AESO, and BC Hydro.
- WIRAB will monitor resource adequacy activities at the Western Power Pool.
- WIRAB will hold two in-person meetings in 2023.
- WIRAB will organize and sponsor webinars and workshops on key reliability issues for WIRAB members, state and provincial representatives, industry representatives, and other interested stakeholders.
- WIRAB will attend all WECC Board of Directors and Member Advisory Committee (MAC) meetings.
- WIRAB will attend selected NERC meetings and workshops on relevant topics.
- WIRAB will annually visit with FERC in its offices.
- WIRAB will monitor all FERC business meetings.
- WIRAB will attend FERC technical conferences on reliability issues.

Section A – Statutory Activities

2023 Business Plan and Budget

WIRAB’s advice to the FERC, NERC, and WECC can be grouped into four categories that are appropriately funded under Section 215 of the FPA:

1. **Governance and Strategic Planning:** Section 215(j) of the FPA authorizes WIRAB to provide advice to the FERC on the governance, strategic direction, budget, and fees of WECC.
2. **Emerging Trends and System Risks:** WIRAB must maintain awareness of system conditions, emerging trends, and system risks in order to provide effective and technically sound advice regarding the strategic direction of the FERC, NERC, and WECC. WIRAB also uses knowledge of emerging trends and risks to provide advice to WECC on reliability readiness activities and proactive compliance efforts. These activities are appropriately funded under Section 215(j) of the FPA.
3. **Periodic Reliability Assessments:** Section 215(g) of the FPA requires NERC to conduct periodic assessments of the reliability and adequacy of the BPS. WECC assists NERC in performing this statutory activity. WIRAB works closely with WECC to improve reliability and resource adequacy assessments in the Western Interconnection.
4. **Reliability Standards and Proactive Enforcement:** Section 215(j) of the FPA authorizes WIRAB to provide advice to the FERC on whether reliability standards are just, reasonable, not unduly discriminatory, or preferential, and in the public interest. WIRAB works closely with WECC to identify emerging problems or conditions that should be considered in the course of requesting, drafting, and voting on amendments to existing standards and in developing new standards.

WIRAB’s activities in each of these categories are described in the following subsections.

Governance and Strategic Planning

Section 215(j) of the FPA authorizes WIRAB to advise the FERC and the regional entity (i.e., WECC) on the governance, strategic direction, budget, and fees of WECC. The WIRAB staff engages with the WECC Board of Directors, management, Technical Committees, Joint Guidance Committee, and Member Advisory Committee (MAC). Through this engagement, WIRAB monitors developments related to WECC's organizational governance, strategic direction, and business plan and budget. This engagement informs WIRAB's efforts to evaluate the effectiveness and efficiency of operations at WECC and to ensure that all "activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest."

The WIRAB staff also conducts monthly meetings with WIRAB Members. During these webinar meetings, WIRAB staff provides WIRAB Members, WECC's Class 5 Representatives (i.e., representatives of state and provincial governments), and other interested stakeholders with regular updates on current and upcoming activities at WECC and other reliability topics in the Western Interconnection. These meetings provide WIRAB Members an opportunity to develop and review WIRAB's written advice and guidance to the WECC Board of Directors. During these webinars, the WIRAB staff also provides opportunities for WECC representatives to engage with and discuss governance-related activities with WIRAB Members. WIRAB provides WECC with independent expert advice on operational practices and performance, annual business plans and budgets, strategic planning, committee charters, proposed bylaw amendments, fees, and other matters. Additionally, WIRAB is deeply involved in WECC's quinquennial organizational review required by Section 4.9 of the WECC Bylaws. Once the organizational review is completed, WIRAB monitors and participates in the implementation of the recommendations that the WECC Board develops during the organizational review. WIRAB and the WIRAB staff will continue to engage with WECC and to provide advice and guidance to the organization as appropriate.

Emerging Trends and System Risks

WIRAB staff engages in the following ongoing activities in order to provide independent expert advice on emerging reliability trends and system risks:

Event Analysis and Situational Awareness:

Understanding important operational issues confronting the BPS today, as well as in the past, is key to maintaining and improving reliability in the Western Interconnection. Event analysis and situational awareness matters need to be discussed in open and transparent forums, when appropriate. These types of discussions bring together utility operators, who deal with these types of issues on a day-to-day basis, with thought leaders to provide different perspectives that can add value to tackle reliability challenges. It is important to share lessons learned and to promote best practices to ensure that system operators have access to the tools and knowledge necessary to maintain a reliable grid in real-time.

WIRAB members and the WIRAB staff engage in relevant discussions and activities by attending and participating in WECC's technical committee meetings, monitoring the western Reliability Coordinators, and monitoring reliability activities in other forums. The WIRAB staff also provides leadership by conducting educational webinars and develops panel sessions for WIRAB's in-person meetings. These outreach opportunities are designed to promote discussions among Western regulators, policymakers, and other stakeholders regarding emerging trends and risks associated with system events.

Expanding Market Operations:

Organized markets continue to expand in the Western Interconnection. The California Independent System Operator (CAISO) Western Energy Imbalance Market (WEIM) continues to gain new participants, and the CAISO is working to offer day-ahead market services to WEIM participants (Extended Day-Ahead Market, or EDAM). The Southwest Power Pool (SPP) is also offering market services, including Western Energy Imbalance Services (WEIS), to Balancing Authorities (BAs) and Transmission Operators (TOPs) within the Western Interconnection with expanding services through its Market+ initiative. Some western utilities are also exploring joining SPP's full RTO. These market reforms could result in significant changes to system operations (e.g., transmission scheduling, congestion management, and reliability coordination). These market reforms could result in significant changes to system operations (e.g., transmission scheduling, congestion management) and create new reliability challenges and opportunities for the Western Interconnection. The Western Power Pool's Western Resource Adequacy Program is underway

and allowing Western participants to coordinate on resource adequacy requirements necessary to maintain reliability.

The WIRAB staff monitors market reform efforts in the Western Interconnection and provides a forum for discussions about reliability-related issues associated with developing multiple markets in the Western Interconnection. The WIRAB staff monitors and participates in forums that are exploring these reliability issues associated with markets taking place at public utility commissions, regional TOP meetings, and ISO/RTO workshops. Additionally, the WIRAB staff engages in relevant WECC technical committee meetings and activities, such as those of WECC's Reliability Risk Committee. WIRAB will continue to provide advice to WECC and to make recommendations as appropriate on reliability challenges and opportunities associated with expanding market operations in the Western Interconnection.

Essential Reliability Services:

As the resource mix continues to change, some reliability services that have traditionally been provided by synchronous generating resources may not be available to the same extent in the future as the BPS is becoming increasingly reliant on variable inverter-based resources. The electric utility industry must examine alternative opportunities to provide these essential reliability services and develop practices today that support ongoing BPS reliability under a new paradigm. Inverter-based resources, specifically solar PV generation, have historically been regarded as unable to provide the grid supporting services, such as frequency support and voltage control, traditionally provided by synchronous resources. However, new power electronic technologies available through advanced inverters and other grid-enhancing technologies now enable inverter-based generation to provide grid support similar to synchronous generators if programmed correctly. New policies and practices accounting for these emerging technologies need to continue to be developed to support grid reliability in the future.

WIRAB Members and the WIRAB staff develop expertise by attending, participating in, and monitoring WECC's Technical Committees, NERC's Reliability Issues Steering Committee (RISC), Reliability and Security Technical Committee (RSTC), the FERC's Reliability Technical Conferences; and other forums within the industry. WIRAB advice on policies regarding the risks associated with the provision of essential reliability services in the Western Interconnection.

WIRAB staff also provides periodic outreach webinars and develops panel sessions for WIRAB's in-person meetings to discuss emerging trends. These forums provide an opportunity to inform Western policymakers and other interested stakeholders of the emerging risks associated with the changing resource mix and the importance of maintaining essential reliability services in the Western Interconnection.

Periodic Reliability Assessments

Assessing the reliability implications of a changing resource mix is a high priority for WIRAB. WIRAB strives for WECC to produce high-quality assessments that address the reliability implications of the changing resource mix in the Western Interconnection over a 10- to 20-year timeframe to inform policymaking in the West. Production cost modeling can identify the economic dispatch of a potential new resource mix for every hour over a future year and identify critical hours of system stress. Power flow analysis then examines these critical stress hours for traditional reliability parameters. The integrated use of production cost modeling and power flow analysis will be essential for future reliability assessments of the Western Interconnection.

WIRAB monitors, advises, and participates in WECC's RAC to promote improved reliability assessments of the Western Interconnection. WIRAB will encourage and support the RAC in its efforts to integrate WECC's data and modeling capability to perform roundtrip reliability assessments that combine power flow analysis and production cost modeling. WIRAB will also monitor, engage, and communicate findings on leading research about the integration of variable energy resources into the Western Interconnection, such as the work of NERC's Inverter-Based Resource Subcommittee. Further, WIRAB staff monitors and engages with National Laboratories, industry trade organizations such as the Energy Systems Integration Group (ESIG), registered entity activities, and other forums investigating the flexibility and reliability of the power system. WIRAB also provides outreach to Western states and provinces on the policy implications associated with new research.

Reliability Standards and Proactive Enforcement

WIRAB staff engages in the following ongoing activities in order to provide independent expert advice on the development and proactive enforcement of reliability standards:

Operations and Planning Reliability Standards:

The reliability standards were created to provide the minimum requirements for planning and operating the electric grid. The compliance and enforcement of these reliability standards ensure there is oversight and accountability of BPS owners and operators to maintain system-wide reliability. Reliability standards must be strict enough to guarantee that system reliability is maintained, but flexible enough to respond to the changing industry. It is essential to develop and review reliability standards to ensure they effectively preserve reliability while not being overly burdensome on the entities required to comply.

WIRAB staff develops WIRAB advice on the development and proactive enforcement of reliability standards by contracting with subject matter experts with direct knowledge of the efficacy of reliability standards and the burden of compliance on regulated entities. WIRAB staff attends, participates, or monitors WECC's Technical Committee meetings, WECC's Standards Committee meetings, WECC's Reliability and Security Workshop, NERC's standard development process, and other industry forums. When necessary, WIRAB provides written advice to WECC, NERC and the FERC on the implementation of specific standards within the Western Interconnection. WIRAB staff also conduct educational webinars and in-person panel discussions for WIRAB's meetings to consider emerging trends that may require changes to reliability standards in the Western Interconnection.

Physical and Cyber Security:

The electric grid's physical and cyber security continues to represent issues of growing concern in the Western Interconnection and across the ERO. The Western Interconnection has experienced physical and cyber incidents that have potentially impacted system reliability. Experiences worldwide demonstrate there is a greater threat to the electric grid reliability related to physical and cyber security. The Critical Infrastructure Protection (CIP) standards provide a baseline level set of requirements for registered entities to maintain the protection of critical assets of the BPS. The CIP standards must be risk-based to ensure that critical assets are protected while maintaining the flexibility to respond to the changing nature of potential threats. It is essential to develop and review the CIP standards to effectively preserve reliability while not being overly burdensome on the entities required to comply.

WIRAB stays abreast of significant incidents that have compromised both the physical and cyber security of the grid through secure briefings and updates from security experts. WIRAB works with WECC and subject matter experts to educate regulators on the steps registered entities take to maintain the physical and cyber security of the grid. WIRAB continues to monitor the development of NERC's CIP standards and will provide advice when appropriate. WIRAB continues to observe NERC's GridEx exercises, which allow utilities to demonstrate how they would respond to coordinated cyber and physical security events. WIRAB encourages entities to broadly share lessons learned and best practices across the Western Interconnection.

Section B – WIRAB Supplemental Financial

Information

2023 Business Plan and Budget

Working Capital Reserve

WIRAB projects it will have a working capital reserve of \$783,700 on December 31, 2022, as compared to a desired working capital reserve on December 31, 2023, of \$583,100. The surplus working capital reserve results in a \$200,600 reduction in WIRAB's funding requirement for 2023.

In its 2018 Business Plan and Budget, WIRAB changed its reserve policy to stabilize statutory assessments while reducing its surplus financial reserve over several budget cycles. The FERC allows WIRAB to carry a financial reserve under the proviso that any excess reserves be used to offset future assessments. WIRAB's funding assessments are calculated nine months in advance of each budget year. This assessment is fixed, meaning that, once approved, it cannot be decreased or increased mid-year to match actual expenses more closely. The financial reserve allows for some budgetary flexibility.

Table B-1. Working Capital Reserve Analysis 2022 – 2023

WIRAB - Working Capital Reserve Analysis 2022-2023	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2021	989,857
Plus: 2022 Funding (from LSEs or designees)	686,710
Plus: 2022 Other funding sources	1,000
Minus: 2022 Projected expenses & capital expenditures	(893,900)
Projected Working Capital Reserve (Deficit), December 31, 2022	<u>783,700</u>
Desired Working Capital Reserve, December 31, 2023	583,100
Minus: Projected Working Capital Reserve, December 31, 2022	(783,700)
Increase(decrease) in funding requirement to achieve Working Capital Reserve	<u>(200,600)</u>
2023 Expenses and Capital Expenditures	883,520
Less: Penalty Sanctions	0
Less: Other Funding Sources	(1,000)
Adjustment: To achieve desired Working Capital Reserve	(200,600)
2023 NERC Assessment	<u>681,920</u>

Table B-2. 2022 Budget with 2023 & 2024 Projections

WIRAB - Statement of Activities and Change in Working Capital 2022, 2023, and 2024 Budget Projections							
STATUTORY							
	2022 Budget	2023 Projection	Variance 2023 Projection v 2022 Budget		2024 Projection	Variance 2024 v 2023 Projections	
			Over(Under)	% Change		Over(Under)	% Change
Funding							
WIRAB Funding							
Assessments	\$ 698,700	\$ 681,900	\$ (16,800)	-2.4%	\$ 740,300	\$ 58,400	8.6%
Penalty Sanctions	-	-	-	-	-	-	-
Total WIRAB Funding	\$ 698,700	\$ 681,900	\$ (16,800)	-2.4%	\$ 740,300	\$ 58,400	8.6%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	1,000	1,000	\$ -	0.0%	1,000	\$ -	0.0%
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 699,700	\$ 682,900	\$ (16,800)	-2.4%	\$ 741,300	\$ 58,400	8.6%
Expenses							
Personnel Expenses							
Salaries	314,400	322,320	7,920	2.5%	335,200	\$ 12,880	4.0%
Payroll Taxes	-	-	-	-	-	-	-
Benefits	-	-	-	-	-	-	-
Retirement Costs	-	-	-	-	-	-	-
Total Personnel Expenses	\$ 314,400	\$ 322,320	\$ 7,920	2.5%	\$ 335,200	\$ 12,880	4.0%
Meeting Expenses							
WIRAB Meetings	\$ 56,100	\$ 56,100	\$ -	0.0%	\$ 57,800	\$ 1,700	3.0%
State Travel	\$ 30,200	\$ 30,200	\$ -	0.0%	\$ 31,100	\$ 900	3.0%
Staff Travel	\$ 63,300	\$ 63,300	\$ -	0.0%	\$ 65,200	\$ 1,900	3.0%
Total Meeting Expenses	\$ 149,600	\$ 149,600	\$ -	0.0%	\$ 154,100	\$ 4,500	3.0%
Operating Expenses							
Consultants & Contracts	\$ 100,000	\$ 100,000	\$ -	0.0%	\$ 100,000	\$ -	0.0%
Office Rent	-	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Total Operating Expenses	\$ 100,000	\$ 100,000	\$ -	0.0%	\$ 100,000	\$ -	0.0%
Total Direct Expenses	\$ 564,000	\$ 571,920	\$ 7,920	1.4%	\$ 589,300	\$ 17,380	3.0%
Indirect Expenses	\$ 354,900	\$ 311,600	\$ (43,300)	-12.2%	\$ 324,100	\$ 12,500	4.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
TOTAL BUDGET (B)	\$ 918,900	\$ 883,520	\$ (35,380)	-3.9%	\$ 913,400	\$ 29,880	3.4%
CHANGE IN WORKING CAPITAL (=A-B)¹	\$ (219,200)	\$ (200,620)	\$ 18,580	-	\$ (172,100)	\$ 28,520	-
FTEs	3.00	3.00	-	0.0%	3.00	-	0.0%

¹ Fixed Asset included in Indirect Expenses.

WIRAB projects a 3.9% decrease to its annual budget in 2023 and a 3.4% increase in 2024. These decreases and increases reflect a decrease in indirect expense and expected cost-of-living adjustments to personnel expenses for employees.

Section C – Non-Statutory Activities

2023 Business Plan and Budget

WIRAB does not engage in non-statutory activities.

Section D – Additional Consolidated Financial Statements

2023 Business Plan and Budget

Statement of Financial Position

Table D-1 provides WIRAB's Statement of Financial Position as of the following dates:

- As of June 30, 2021, per audit
- As of December 31, 2022, projected
- As of December 31, 2023, as budgeted

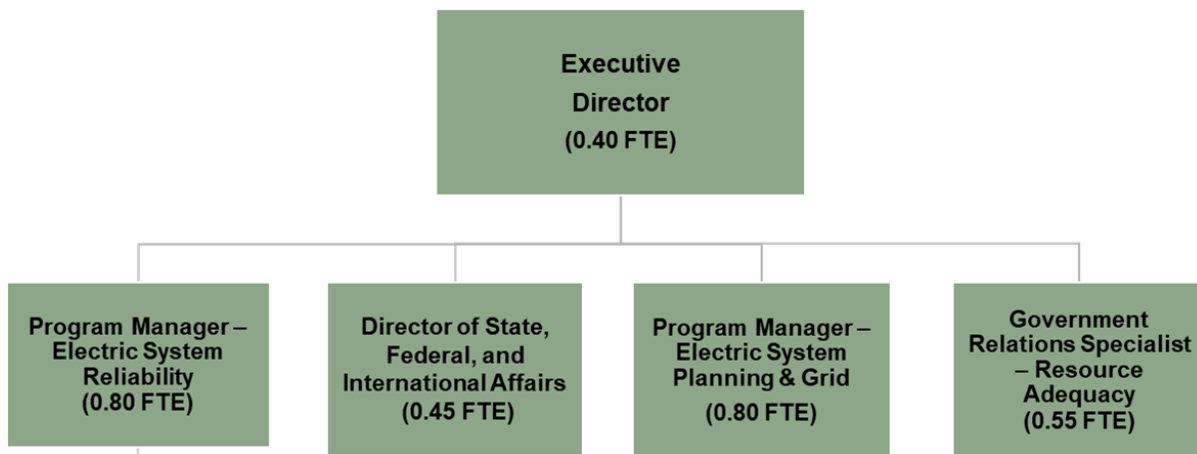
Table D-1. Statement of Financial Position, Three-Year Comparison

WIRAB - Statement of Financial Position				
STATUTORY				
	As of June 30, 2021 (Audit)	As of December 31, 2022 (Projected)	As of December 31, 2023 (Budgeted)	
Assets				
Cash and Investments	\$ 1,210,018	\$ 783,700	\$ 583,100	
Total Assets	\$ 1,210,018	\$ 783,700	\$ 583,100	

Appendix A – Organization Chart

2023 Business Plan and Budget

The WIRAB Staff Organization Chart is shown below.



DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 10

**NERC MANAGEMENT'S RESPONSES
TO STAKEHOLDER COMMENTS SUBMITTED
ON POSTED DRAFT OF NERC'S
2023 BUSINESS PLAN AND BUDGET**

Re: Management Response to Comments on the Draft NERC 2023 Business Plan and Budget

Date: August 10, 2022

The deadline for comments on the draft NERC 2023 Business Plan and Budget (BP&B) ended on June 24, 2022. Five comment submissions were received, which are posted on [NERC's website](#). We believe all the comments offered are constructive and we appreciate stakeholders' continuing support of the BP&B development approach we took this year. Overall, the comments expressed support for NERC's three-year planning effort, strategic areas of focus, needed resources, and stakeholder engagement. Major themes of the comments included the following:

- **Enhancing BP&B development process**
 - Provide measures and metrics that support budget assumptions and demonstrate effectiveness
 - Collaborate with stakeholders to guide cyber and technology strategic investments
- **Increasing transparency**
 - Continued Align and Secure Evidence Locker (SEL) investments
 - Funding and indirect expenses associated with the Electricity Information Sharing and Analysis Center (E-ISAC), and evaluation of the portion of assessments funding the Cyber Risk Information Sharing Program (CRISP)
 - Alignment between budget investments and reliability metrics
- **Considering mechanisms or efficiencies to reduce budget and assessment increases**
 - Use of contractors versus full-time equivalents (FTEs)
 - Leverage industry subject matter experts (SMEs)
 - Increase virtual meeting formats
 - Reduce duplication with other organizations
 - Reevaluate annual merit increases for staff
 - Reassess reserve levels and releasing more from reserves

3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com

The majority of the comments focused on efficiencies in process, but no specific efforts were singularly identified for elimination or reduction. We believe we can address many of the comments on efficiency and transparency in how we execute NERC's activities and, while helpful, do not see those impacting the budget numbers in a significant manner. Much of what was identified in the comments had been addressed in the process over the past year. The planning process behind the 2023 BP&B was significantly elevated from prior years, with a more concerted focus on a three-year planning horizon and in-depth exercises across the organization for workforce planning and budget assumption development. The NERC Board of Trustees (Board) took a very active role in developing the strategic focus areas and reviewing the supporting budget assumptions and investment justifications. Further, the three-year plan invests in NERC's infrastructure; this includes resources and tools to mature NERC's internal assurance programs and support the development and tracking of the realized value from its investments.

That said, we greatly value the advisory role of the Member Representatives Committee (MRC) BP&B Input Group and appreciate the comments on the overall three-year plan. We heard a great deal of support for our outreach to stakeholders this year and will continue to work to increase the clarity in the BP&B document. Below are responses to the major themes outlined above.

BP&B Development Process

Given how far in advance the next year budget and future year projections are prepared, along with the rapid pace of change of reliability and security risks, NERC's BP&B provides the strategic focus areas and expected tools and resources needed to support them; next-level support for investments, business cases, etc. are then developed to meet current priorities within the established budget capacity. Regarding technology specifically, NERC has an IT investment review and scoring process that measures and validates if a technology project achieved the value identified in the business case.

Measuring NERC's productivity is a challenge given the nature of our work and role as an influence organization. We have benchmarked several of our overhead functions to support investment (notably, human resources and technology), and our overall Administrative Services spend is on the order of that of a small mid-size utility. Program area metrics have proved to be very elusive as many metrics we have considered end up creating perverse incentives.

We do recognize, however, as NERC evolves, so should its ability to support needed investments and measure whether they are producing desired results. In order to address this, NERC will continue to work with the MRC BP&B Input Group to reevaluate what is currently provided to stakeholders, and work with the trade associations to understand the metrics they use to track their progress and justify their own annual planning and budgeting. Although NERC is not a trade association, the companies are similar in budgeting and structure, so we might learn from this information.

Transparency

Regarding Align and the SEL specifically, the Align Steering Committee, which includes key stakeholders, provides input and prioritization on future investment for these systems. Additionally, the Security Advisory Group (SAG) will have a role in guiding cyber investments. NERC will also be reviewing more specifics on all

technology investments at the August 17, 2022, Board Technology and Security Committee (TSC) meeting and we would anticipate all conversations on improving transparency would be balanced with the need to keep security information related to stakeholders secure.

Regarding E-ISAC funding and indirect expenses, NERC provided further clarity on these components at the recent Member Executive Committee (MEC) meeting on July 27, 2022, and will also include further details in the proposed final draft of the 2023 BP&B:

- Indirect costs (i.e., the budgets of the administrative/corporate services areas) are allocated to all NERC statutory program areas the same way, which is based on the ratio of a statutory department's FTEs to total budgeted statutory FTEs. There are no specific indirect costs that E-ISAC or CRISP incur that other departments don't.
- Of the total E-ISAC budget, including CRISP, approximately 74% is funded by assessments and 25% is funded by CRISP participants for CRISP costs. Just under 1% of the budget is funded by "other funding." This includes interest income (\$23k), funding from the Downstream Natural Gas ISAC (\$60k), and anticipated revenue from a new Vendor Affiliate Program (\$200k). The Vendor Affiliate Program revenue was not reflected in the first draft of the BP&B but will be included in the final. The funding from the Downstream Natural Gas ISAC equates to approximately half an FTE, which covers the services the E-ISAC provides to the natural gas sector. We continue to carefully monitor our expenditures in this area and will adjust fees as required.
- With respect to CRISP funding specifically, as currently described in the BP&B, the CRISP budget includes two major categories of expense: (1) costs funded fully by CRISP participants and (2) operational and administrative program costs, which are funded 50% by participants and 50% by NERC assessments. NERC is open to ongoing evaluation of the amount of assessment funding for CRISP, noting that the entire electricity sector benefits from CRISP, not just CRISP participants. To that end we will re-evaluate appropriate levels of assessment based funding and overhead allocation to the CRISP program in 2023 for the 2024 BP&B cycle.

Reliability metrics, such as those in the State of Reliability report, are part of the feedback loop to the business planning process. Metrics such as these inform the bulk power system risk environment, (e.g., extreme weather, grid transformation, and cyber and supply chain risks), which then informs NERC's priorities, followed by resource planning.

Mechanisms or Efficiencies to Reduce Budget and Assessment Increases

NERC's 2023–2025 budget and projections include both contractor and FTE support as part of its "build, borrow, buy" workforce planning strategy, and the composition of these resources is under ongoing review as NERC responds to evolving priorities. NERC, including the E-ISAC, also currently leverage dozens of industry SMEs to offset FTE needs, while also remaining sensitive to the level of demand we place on industry, particularly on scarce/high demand resources.

NERC also agrees with the suggestion to leverage the efficiency of virtual meeting formats as much as possible, while recognizing the desirability to return to some in-person meetings as pandemic conditions

and guidance evolve. As noted in the 2023 BP&B, the 2023 budget assumes alternating in-person and virtual or hybrid formats for NERC's major quarterly meetings of the Board and MRC and the Reliability and Security Technical Committee (RSTC). We anticipate fine tuning meeting approaches in future years as we learn more about the best ways to cost effectively engage.

Reduction of any duplication of effort has always be a focus for NERC and the Regional Entities. The Regional Entities' delegated functions in the assessment and analysis areas center on the Regional Entities providing data to NERC to support its statutory functions. We see little to no duplication of effort between NERC and the Regional Entities except for some Compliance Monitoring and Enforcement Program (CMEP) oversight work mandated by FERC and reinforced in their recent order. We understand that the roles of the Regional Entities and NERC in producing reliability assessments may be unclear to some. We are reviewing the reliability assessment development process across the ERO Enterprise and commit to providing more transparency about this increasingly impactful program area. That said, NERC reviews Regional Entity budgets with an eye toward ensuring resource sufficiency to meet their delegated functions and alignment of their budget requests with our Section 215 criteria. Concerns about Regional Entity activities beyond NERC's oversight focus would be best addressed through each Regional Entity BP&B stakeholder review process.

Similarly, certain assessments and analyses produced by the Forums could be viewed as duplicative to NERC's statutory responsibilities and, again, best addressed through their own budgeting and planning processes. As a matter of course, we have no intention or desire to duplicate the work of others but rather to collaborate and leverage other entities' efforts to support our work; recent collaboration with the North American Transmission Forum (NATF) on facility ratings and with the Electric Power Research Institute (EPRI) on inverter modeling are two examples.

As discussed in the 2023 BP&B, over the next three years NERC is assuming a weighted average increase in merit adjustments of 5.5 to 6.0%. For the general workforce population, NERC is assuming a 4.0% increase, with higher increases for cyber and IT resources, resulting in the 5.5-6.0% average assumption. This is due to market indicators of upward pressure for the resources in these spaces, which NERC is weighted more heavily toward, particularly for the E-ISAC. NERC is performing a more detailed compensation study in 2022 to inform future year budgets.

While NERC's total reserves are projected to be \$14.8M at the end of 2023 (in the draft 2023 BP&B), the reserve categories from which NERC can draw to reduce assessments are from the Operating Contingency Reserve (OCR) and Assessment Stabilization Reserve (ASR), as the other reserve categories are earmarked for specific programs or purposes. For 2023, NERC is proposing to release \$1.0M from the OCR and \$1.0M from the ASR to offset assessments. This will bring the projected balances at the end of 2023 for these reserve categories to \$7.8M and \$1.5M, respectively. For the OCR, this is slightly above the current target maximum range, but represents less than one month of operating expenses. As such, NERC believes it is prudent to maintain the current reserve release proposal to provide both assessment relief and maintain adequate reserve levels.

Other Comments

Other comments received on the 2023 BP&B not reflected above may be addressed with NERC program area owners directly as necessary.

After careful review of the comments with the Board Finance and Audit Committee (FAC), NERC anticipates that the proposed final draft 2023 BP&B will not materially differ from the first draft. The final draft will include some minor adjustments among budget categories and departments based on known updates, but the 2023 total budget and assessment (and 2024 and 2025 projections) will remain close to what was proposed in the first draft. The proposed final draft 2023 BP&B will be posted in advance of the Board's August 17–18, 2022, meetings as part of the material for the August 17 FAC open meeting on the NERC website.

We appreciate the comments received and stakeholders' continuing support of NERC's mission.

Sincerely,



Andy Sharp
Vice President and Chief Financial Officer

DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 11

**CALCULATION OF ADJUSTMENTS TO
AESO 2023 NERC ASSESSMENT,
IESO 2023 NERC ASSESSMENT,
NEW BRUNSWICK 2023 NERC ASSESSMENT,
QUEBEC 2023 NERC ASSESSMENT**

2023 AESO Assessment Adjustment
Credit for NERC Compliance Costs

	<u>2023 NERC Final Budget</u>	<u>AESO NEL Share (2021) 1.324%</u>	<u>% Credit</u>	<u>AESO Credit</u>
NERC Compliance Program Budget				
Compliance Assurance	\$ 11,634,624			
Registration and Certification	2,358,090			
Enforcement	7,275,796			
Total Compliance Costs, including Fixed Assets	<u>\$ 21,268,510</u>	<u>\$ 281,648</u>	99%	<u>\$ 278,832</u>
				<u>\$ 278,832</u>
				<u>\$ 283,854</u>
				<u>\$ (5,022)</u>
2023 Assessment				
2023 NERC Assessment	\$ 887,496			
2023 RE Assessment (WECC & WIRAB)	1,056,585			
Total 2023 Assessment	<u>\$ 1,944,081</u>			
2022 Assessment				
2022 NERC Assessment	\$ 769,873			
2022 RE Assessment (WECC & WIRAB)	1,001,889			
Total 2022 Assessment	<u>\$ 1,771,762</u>			
Change in Total Assessment	\$ 172,319			
	9.7%			
Change in NERC Assessment	\$ 117,623			
	15.3%			

**2023 IESO Assessment Adjustment
Credit for NERC Compliance Costs**

	2023 NERC Final Budget	IESO NEL Share (2021) <u>2.937%</u>	% Credit	<u>IESO Credit</u>
NERC Compliance Program Budget				
Compliance Assurance	\$ 11,634,624			
Registration and Certification	2,358,090			
Enforcement	7,275,796			
Total Compliance Costs, including Fixed Assets	\$ 21,268,510	\$ 624,639	95%	\$ 593,407
				\$ 593,407
				\$ 590,677
				\$ 2,730
2023 Assessment				
2023 NERC Assessment	\$ 1,993,275			
2023 RE Assessment	2,501,324			
Total 2023 Assessment	\$ 4,494,599			
2022 Assessment				
2022 NERC Assessment - before amendment	\$ 1,728,238			
2022 RE Assessment	2,250,986			
Total 2022 Assessment	\$ 3,979,224			
Change in Total Assessment	\$ 515,375			
				13.0%
Change in NERC Assessment	\$ 265,037			
				15.3%

2023 New Brunswick Assessment Adjustment
Credit for NERC Compliance Costs

	2023 NERC Final Budget	NB NEL Share (2021) <u>0.311%</u>	% Credit	<u>New Brunswick Credit</u>
NERC Compliance Program Budget				
Compliance Assurance	\$ 11,634,624			
Registration and Certification	2,358,090			
Enforcement	7,275,796			
Total Compliance Costs, including Fixed Assets	\$ 21,268,510	\$ 66,093	95%	\$ 62,788
				\$ 62,788
				\$ 62,031
				\$ 757
2023 Assessment				
2023 NERC Assessment	\$ 210,908			
2023 RE Assessment	488,376			
Total 2023 Assessment	\$ 699,284			
2022 Assessment (before amendment)				
2022 NERC Assessment	\$ 182,111			
2022 RE Assessment	401,569			
Total 2022 Assessment	\$ 583,680			
Change in Total Assessment	\$ 115,604			
	19.8%			
Change in NERC Assessment	\$ 28,797			
	15.8%			

2023 Quebec Assessment Adjustment

Credit for NERC Compliance Costs

	2023 NERC Final Budget	Quebec NEL Share (2021)	Quebec Credit	Costs Paid by Quebec	Payment Allocation		
		4.075%			Regie	Hydro Quebec	
NERC Compliance Program Budget							
Compliance Assurance	\$ 11,634,624						
Registration and Certification	2,358,090						
Enforcement	7,275,796						
Total Compliance Costs, including Fixed Assets	\$ 21,268,510	\$ 866,646	75%	\$ 649,985	\$ 216,661	\$ 1,500	\$ 215,161
2023 Total compliance cost share & credits		\$ 866,646		\$ 649,985	\$ 216,661	\$ 1,500	\$ 215,161
2022 Total cost share and credits		\$ 811,907		\$ 633,207	\$ 219,193	\$ 1,342	\$ 217,852
Change from 2022		\$ 54,739		\$ 16,778	\$ (2,532)	\$ 158	\$ (2,691)
2023 Assessment							
2023 NERC Assessment	\$ 2,938,871				\$ 1,500	\$ 2,937,371	
2023 RE Assessment	3,877,929				1,622,310	2,255,619	
Total 2023 Assessment	\$ 6,816,799				\$ 1,623,810	\$ 5,192,989	
2022 Assessment							
2022 NERC Assessment	\$ 2,550,946				\$ 1,342	\$ 2,549,604	
2022 RE Assessment	3,365,269				1,330,228	2,035,041	
Total 2022 Assessment	\$ 5,916,215				\$ 1,331,570	\$ 4,584,645	
Change in Total Assessment	\$ 900,584				\$ 292,240	\$ 608,344	
	15.2%				21.9%	13.3%	
Change in NERC Assessment	\$ 387,925						
	15.2%						

DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 12

REPORT TO NERC CGHRC

ON RESULTS AND RECOMMENDATIONS

OF TRUSTEE COMPENSATION STUDY

Board of Trustees Proposed Compensation Changes

Action

Accept and recommend Board of Trustees approval of any changes to Trustee compensation.

Summary

In accordance with the requirements of the NERC Governance Guidelines, its Mandate, and the Settlement Agreement with FERC relating to the 2012 audit, the Corporate Governance and Human Resources Committee (Committee) conducts an annual review of Trustee compensation and conducts periodic studies regarding the structure and amount of Trustee compensation.

In March 2021 at the direction of the Committee, NERC management conducted a Request for Proposal (RFP) process to identify and select an independent consultant with extensive national expertise in board compensation analysis to conduct a Board of Trustees Compensation Study. Four companies responded, the Committee at its April 22 closed meeting reviewed the RFP submissions and selected Meridian Compensation Partners, LLC (Meridian) as the successful firm.

Meridian conducted a market study of board compensation on behalf of NERC to aid the Committee in its review of the NERC Trustee compensation program (a responsibility of the Committee under its Mandate) and to assist the Committee in determining whether to recommend any changes to the program.

Meridian compared current Trustee compensation and the structure of the Board's current compensation program to the market perspectives used in 2018 (last study completed by Willis Towers Watson), also updating its view of overall compensation trends. The summary of findings includes: (i) comparing the "typical Trustee's" compensation to the "typical Director's" compensation; (ii) comparing the NERC Board Chair's compensation to the market perspectives for non-executive chairs (i.e., independent chairs of boards where the CEO of the organization is not also the board chair); (iii) comparing the Board's committee chair compensation to the market perspectives; (iv) comparing the workload of NERC Trustees to the market perspectives, and (v) reviewing trends in director compensation.

Key findings by Meridian include:

1. NERC's cash compensation is above the tax exempt peer data, but notably below the 25th percentile of total compensation value for publicly-held entities. Market median data for ISO/RTOs has historically been ~\$105,000 to \$115,000.
 - a. Average of the two market reference points is ~\$156,500
 - b. NERC's total compensation is ~15% below this market midpoint
2. Chair compensation is below the 25th percentile for the three most prevalent committees relative to the for-profit peer group.

3. The additional compensation for Board Committee chairs is below the median provided to committee chairs at the three most common types of committees at both IOUs and general industry companies.
 - a. NERC Board Committee Chairs additional compensation is ~\$10,000
 - b. Peer Company Audit, Compliance, Nominating/Governance Committees' median additional compensation is ~\$20,000, ~\$18,250, ~\$15,000 respectively
4. The workload of NERC Trustees has increased in recent years and continues to be among the highest at each of the market perspectives.
5. Director pay continues to increase as role responsibility becomes greater, generally, director pay increases 3-5% annually.
6. In 2020, many companies deferred director pay adjustments in light of the COVID-19 pandemic. It is anticipated that director pay adjustments will be made for the 2022 fiscal year.
7. Recruiting directors may become more challenging as the role becomes more requiring and the pool of candidates becomes smaller.

Based on its findings, Meridian recommended that NERC maintain its current retainer compensation approach (rather than per meeting fees) consisting of:

1. Trustee annual retainer
2. A retainer for each committee chair
3. A retainer for the non-executive chair

Meridian further noted that given the increased workload of Trustees, the current position of trustee compensation in the bottom half of the competitive pay range, and the increase in market pay levels since the last study, an increase in Trustee compensation is warranted. Under NERC's Governance Guidelines, the Committee is required to determine the dollar range between the 50th percentile of RTOs/ISO independent director compensation and the 25th percentile for IOU independent director compensation.

Key Considerations for the Committee's Review and Discussion

In determining its recommendation to the Board with respect to Board compensation, the Committee intends to consider the following:

1. The findings and recommendations contained in the Meridian report.
2. The need to consider any compensation adjustment in light of NERC's overall budget.
3. That the workload for all Trustees has continued to be at a level higher than any of the peer groups.
4. That the Board Chair, Vice Chair and Committee chairs have substantial additional responsibilities and time commitments. Additionally, members of the Board serve as liaisons to the Standards Committee and the Reliability and Security Technical Committee.
5. That the current compensation structure (i.e., utilizing fixed retainers) is consistent with best practice trends in director compensation.

6. That it remains important for NERC to be able to recruit and retain qualified and quality individuals to board service, and that NERC competes directly with Regional Entities, ISOs and RTOs, IOUs, and even private sector companies in attempting to attract such individuals to NERC.
7. That the conflict of interest requirements at NERC for Trustees, which include financial interest and investment prohibitions, employment/consulting prohibitions, and industry board service prohibitions, and that NERC is non-profit and offers no stock options or benefits, reinforce the need for NERC to offer competitive compensation to Trustees, understanding the limits NERC places on what might be other opportunities for financial reward.

Potential Approach

In its review of the study and with consideration of the factors listed above, the Committee has discussed a possible approach to adjusting Board compensation. The Committee is currently considering the following option and will discuss it at its open meeting on November 3, when public input is invited.

	Current Program	2022	2023	2024
Cash retainer	\$127,500	No change	+ \$3,500 (moves to \$131k)	+ \$4,000 (moves to \$135k)
Committee Retainers (avg)	\$5,455	No change	TBD	TBD
Total average pay	\$132,955	No change	\$136,455	\$140,455
Difference to market (blend of NFP & Public)	- 15% (-\$23.5k)	No change	- 13% (-\$20.0k)	- 10% (-\$16.0k)

1. Establish a target annual retainer for each Trustee of \$135,000 (currently \$127,500), which is below the median of the range contemplated by the NERC Governance Guidelines. The new retainer would be implemented annually over the next three years with no increase in 2022, a \$3,500 increase in 2023, and a \$4,000 increase in 2024. This will assist in the potential recruitment of board candidate(s) for the next several years.
2. Continue annual retainer for the Board Chair of \$47,500, which is below the median of the range contemplated by the Governance Guidelines.
3. Continue annual retainer for the Board Committee Chairs of \$10,000, with an annual review in 2023 and 2024 if an adjustment is warranted.
4. Continue the retainer for the Board Vice Chair at \$5,000, with a separate retainer of \$5,000 for the Trustee who is designated as the liaison to the Standards Committee and the Trustee designated as the liaison to the Reliability and Security Technical Committee.

While it is the expectation of the Committee that this compensation adjustment (assuming some action on this proposal or any alternate) should permit NERC to solicit and retain qualified individuals as independent trustees through 2024, in accordance with its Mandate the Committee will review compensation each year to confirm that circumstances remain as anticipated in this effort (including the opportunity for MRC/stakeholder/public comment). It is also expected that the Committee will conduct another formal review of compensation in 2024 for subsequent years to assure that NERC remains competitive in the market for independent trustees.

DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 13

**MEMORANDUM FOR NERC BOARD OF TRUSTEES
DESCRIBING NERC'S PARTICIPATION
IN PREPARATION OF AND REVIEW OF
REGIONAL ENTITY 2023 BUSINESS PLANS AND BUDGETS**

To: NERC Board of Trustees

From: Andy Sharp

Re: NERC Review of Regional Entity 2023 Business Plans & Budgets (BP&Bs)

Date: June 30, 2022

NERC has reviewed the Regional Entity 2023 BP&Bs and believes each provides for adequate resources to meet its delegated functions. Additional details on the review process and outcomes are discussed below.

In accordance with 18 C.F.R. Section 39.4, Rules of Procedure Section 1104, and Exhibit E of the regional delegation agreements, NERC oversees that the Regional Entities are adequately funded to accomplish their delegated functions. For each annual BP&B cycle, the Regional Entities submit their BP&Bs to NERC according to a schedule established collaboratively by NERC and the Regional Entities, and NERC conducts reviews of each, focusing on the following:

- Adequacy of the resources and activities to perform delegated functions;
- Alignment of the Regional Entity's goals, objectives, and major activities to the *ERO Enterprise Long-Term Strategy* and the related focus areas;
- Efforts to improve efficiency and control costs;
- Quality and completeness of the financial information presented, including:
 - Conformance with FERC budget reporting requirements and common presentation format;
 - Separation of statutory and non-statutory activities;
 - Supporting detail, including explanations for significant changes from the previous budget;
 - Reporting of reserve budgets and explanation of policies; and
 - Compliance with any budget or audit-related orders from FERC, if applicable.

These reviews generally occur according to the following timeline and process for each BP&B cycle:

- End of April/early May – Regional Entities provide their Draft 1 BP&Bs to NERC
- May through early June – Managerial staff from each NERC statutory program area reviews its respective sections of each Regional Entity BP&B and completes a template/checklist to indicate alignment with the above noted areas of focus. NERC Finance staff reviews for conformance to reporting requirements and presentation format. NERC also coordinates reviews of the Regional Entity BP&Bs with the external counsel who prepares the annual BP&B filings to provide feedback regarding overall document integrity and adherence to FERC expectations and requirements.

3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com

- In accordance with the timeline for each Regional Entity board meeting to approve its final BP&B, NERC provides any necessary feedback to the Regional Entity on suggested revisions.
- Regional Entities address feedback and NERC confirms implementation of revisions.
- Mid-May through June – Regional Entities provide their NERC-reviewed BP&Bs to their boards for approval.
- Mid-June – Regional Entities submit their Net Energy for Load and Load-Serving Entity (LSE) data to NERC.
- Mid-June through July – NERC validates the data and calculates assessments for each LSE to be included with the submission of the final NERC and Regional Entity BP&Bs to the Board in August, followed by applicable regulatory filings.

The above process is in addition to regular touchpoints with the ERO Finance Group (comprised of NERC and Regional Entity financial representatives) to discuss and coordinate development of the BP&Bs, as well as ongoing discussions among the other ERO working groups and ERO Executive Committee.

In recent years, this review process has produced minimal feedback to the Regional Entities, as resources are generally found to be adequate with respect to Regional Entities fulfilling their delegated statutory functions. Any input has primarily been limited to suggestions on narrative language or, from the financial perspective, the implementation of recent Statement of Activity format changes. Any areas of improvement for the Regional Entities regarding activities, processes, and procedures are addressed through ongoing Regional Entity oversight and the collaborative work of the ERO Executive Committee and its working groups.

NERC recently completed reviews of the Regional Entity 2023 BP&Bs. The following is a summary of the review findings and outcomes:

- All Regional Entity budgets cover activities eligible for funding, consistent with the regional delegation agreements as well as section 215 criteria.
- All statutory areas for all Regional Entities have adequate resources to fulfill their delegated functions. The Enforcement area indicated they will continue to monitor Enforcement resources at NPCC and MRO due to those Regions' large inventory of unprocessed noncompliance coupled with FERC's recent denial of NERC's proposed streamlining enhancements for modifying reporting of minimal risk noncompliance.¹
- All Regional Entities conform to necessary budget reporting and format requirements.
- Other minor wording change suggestions.

Additionally, the ERO Finance Group continues to have ongoing discussions regarding reserve balances and policies, as well as opportunities for further alignment among the ERO Enterprise during annual BP&B preparation and efficiency and streamlining of the BP&B documents.

¹ North American Electric Reliability Corporation, Order Approving in Part and Denying in Part Revisions to North American Electric Reliability Corporation Rules of Procedure, 179 FERC ¶ 61,129 (2022).

DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 14

**METRICS COMPARING
REGIONAL ENTITY OPERATIONS
BASED ON
THE 2023 BUDGETS**

2023 Metrics for Budget Submissions

Budget Metrics		MRO	NPCC ⁶	ReliabilityFirst	SERC	Texas RE	WECC
1	Number of registered entities ¹	229	236	273	278	295	434
2	Number of registered functions	612	485	545	738	526	1,040
3	Total NEL (GWh)	497,426	615,530	880,496	1,304,774	392,848	866,220
4	NEL (GWh) per registered entity	2,172	2,608	3,225	1,310	1,332	1,996
5	Total ERO Funding ²	\$ 20,839,623	\$ 18,440,037	\$ 28,728,759	\$ 27,484,214	\$ 17,731,466	\$ 31,217,283
6	ERO Funding per registered entity	\$ 91,003	\$ 78,136	\$ 105,234	\$ 98,864	\$ 60,107	\$ 71,929
7	ERO Funding per registered function	\$ 34,052	\$ 38,021	\$ 52,713	\$ 37,241	\$ 33,710	\$ 30,017
8	Total Budget ³	\$ 23,082,469	\$ 19,423,595	\$ 27,975,420	\$ 28,215,895	\$ 17,733,467	\$ 31,812,283
9	Total Budget per registered entity	\$ 100,797	\$ 82,303	\$ 102,474	\$ 101,496	\$ 60,113	\$ 73,300
10	Total Budget per registered function	\$ 37,716	\$ 40,049	\$ 51,331	\$ 38,233	\$ 33,714	\$ 30,589
11	Total Statutory FTE ⁴	78.00	56.90	69.00	106.00	67.00	160.00
12	Registered entity per Statutory FTE	2.936	4.148	3.957	2.623	4.403	2.713
13	Registered function per Statutory FTE	7.846	8.524	7.899	6.962	7.851	6.500
14	Total CMEP Budget ⁵	\$ 14,921,687	\$ 11,324,980	\$ 14,067,623	\$ 20,645,648	\$ 14,194,994	\$ 17,550,239
15	CMEP budget per registered entity	\$ 65,160	\$ 47,987	\$ 51,530	\$ 74,265	\$ 48,119	\$ 40,438
16	CMEP budget per registered function	\$ 24,382	\$ 23,350	\$ 25,812	\$ 27,975	\$ 26,987	\$ 16,875
17	Total CMEP FTE	37.30	28.00	54.00	50.45	41.75	68.00
18	Registered entity per CMEP FTE	6.1	8.4	5.1	5.5	7.1	6.4
19	Registered function per CMEP FTE	16.4	17.3	10.1	14.6	12.6	15.3

¹ As of June 2022.

² ERO Funding is the sum of Assessments and Penalty Release funds only. (Excludes funding such as Membership Dues, Testing Fees, Services & Software, Workshops, Interest, and Miscellaneous.)

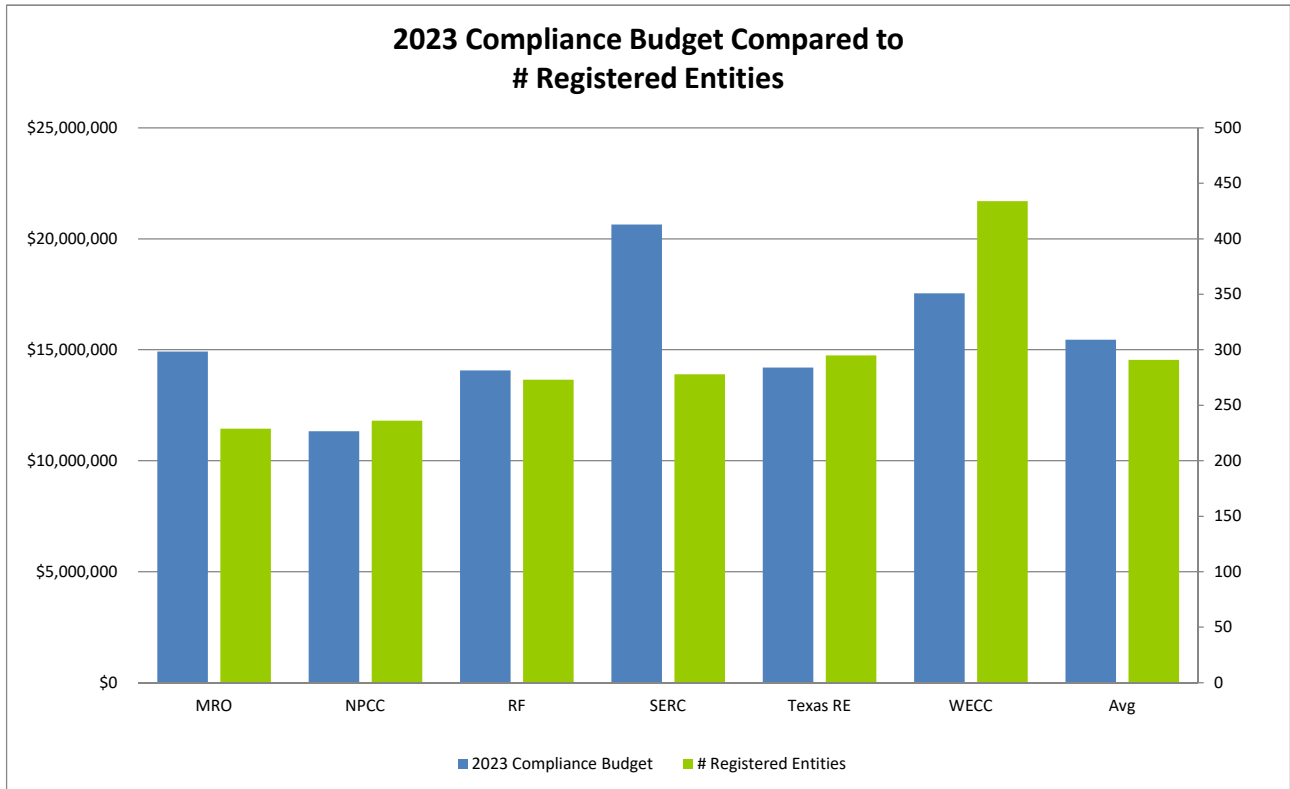
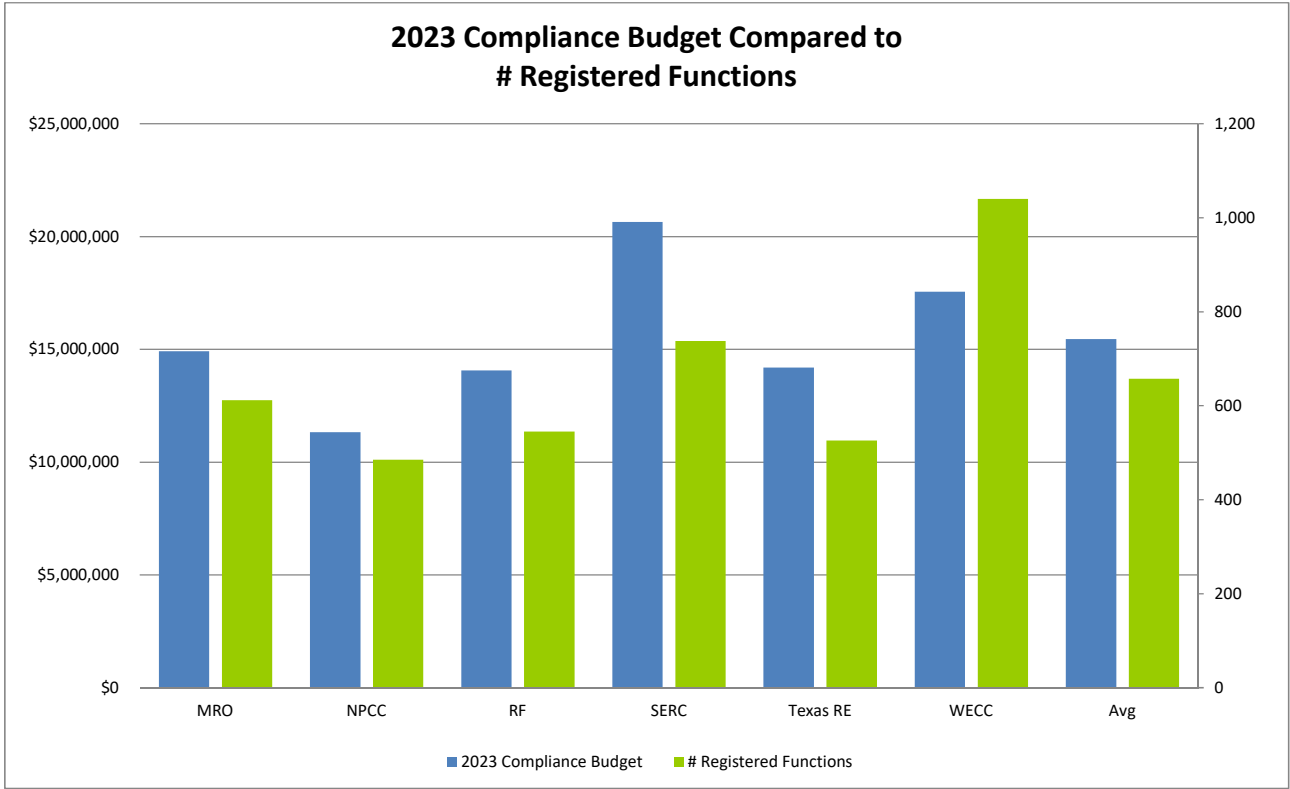
³ Total Budget is the sum of Total Expenses and Fixed Asset Expenditures.

⁴ Each FTE that works 2,080 hours per year is counted as one FTE. An FTE working less than the 2,080 hours per year is counted as a fractional FTE.

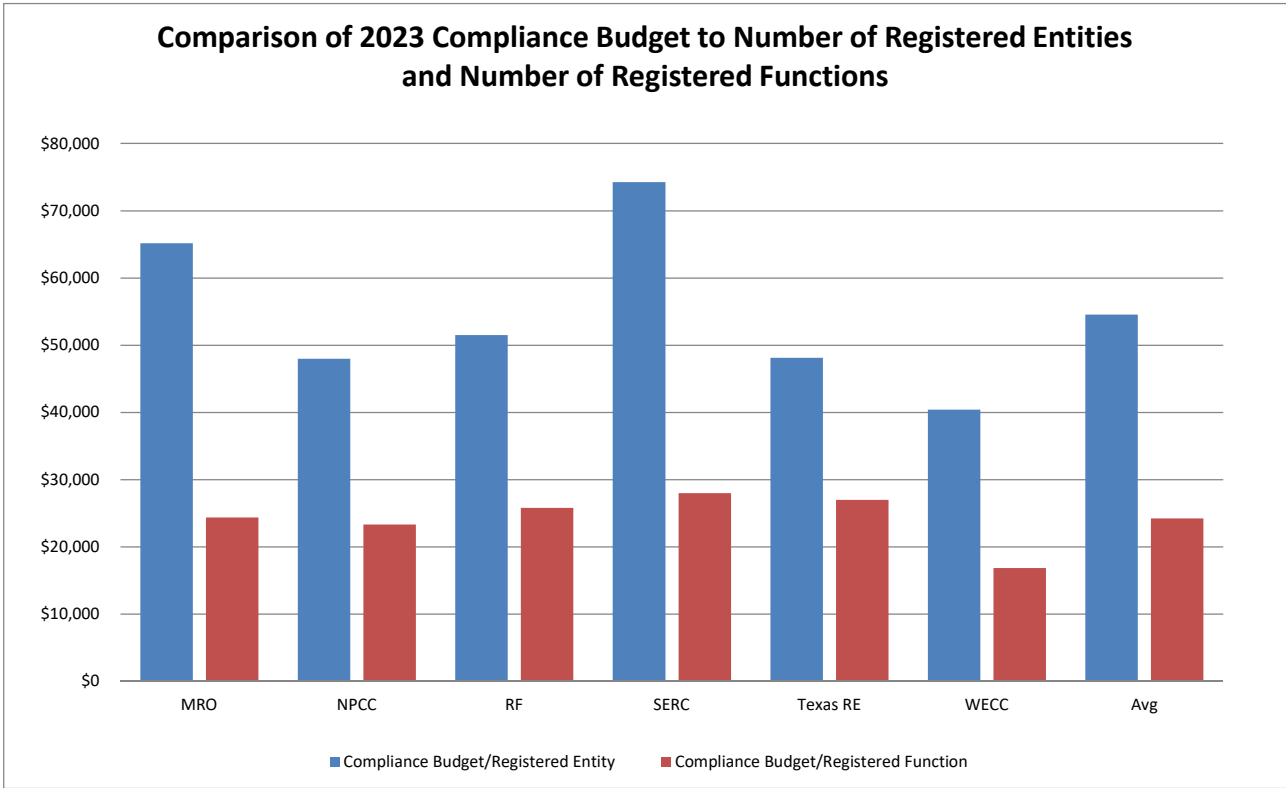
⁵ Total CMEP (Compliance, Enforcement, & Organization Registration and Certification) Budget is a sum of Direct Expenses, Indirect Expenses, and Fixed Asset Expenditures.

⁶ Due to the specifics of the compliance program included in the individual provincial MOUs for cross-border regional entities, some of these metrics are not directly comparable.

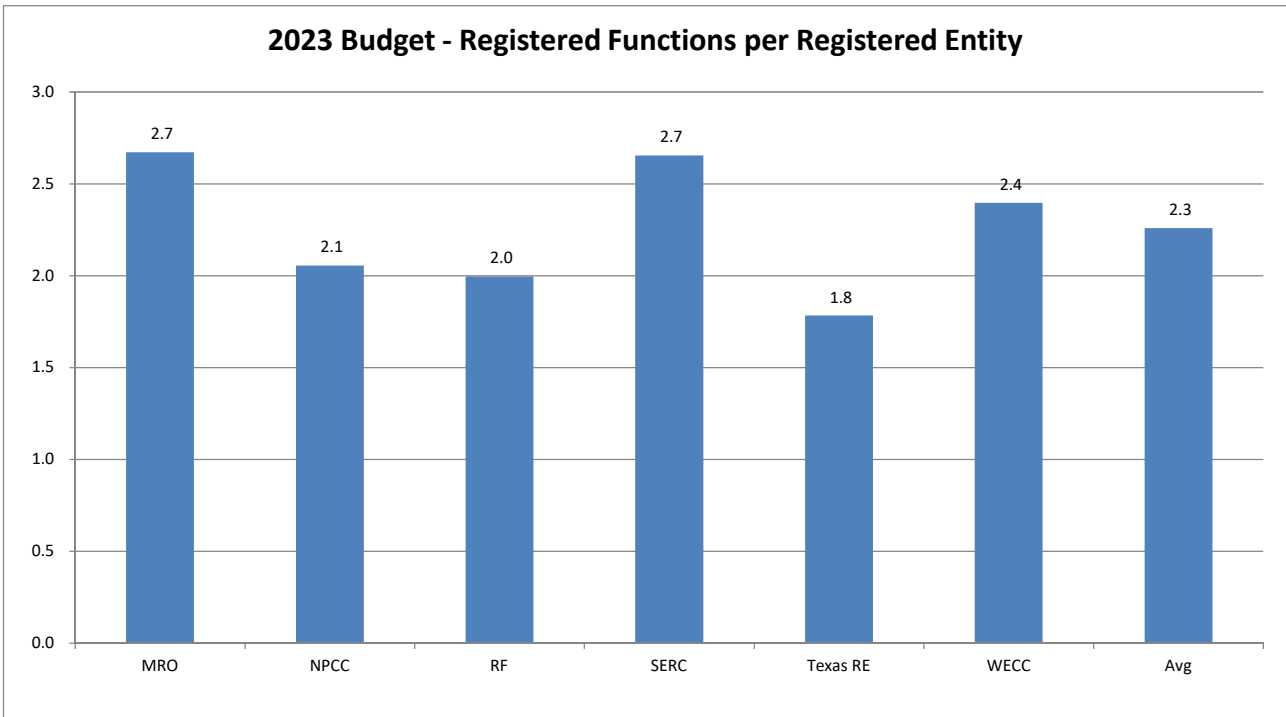
	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
2023 Compliance Budget	\$14,921,687	\$11,324,980	\$14,067,623	\$20,645,648	\$14,194,994	\$17,550,239	\$15,450,862
# Registered Entities	229	236	273	278	295	434	291
# Registered Functions	612	485	545	738	526	1,040	658



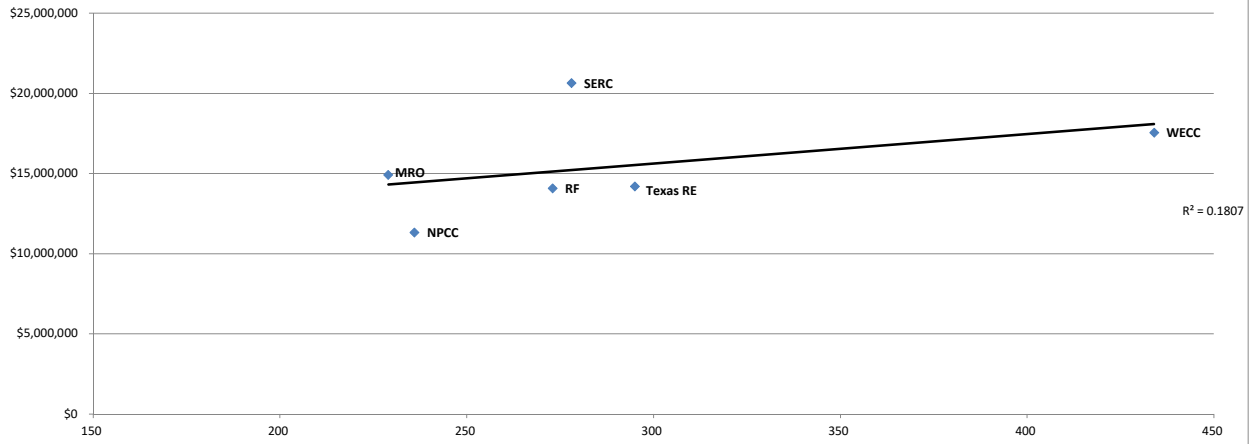
	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
Compliance Budget/Registered Entity	\$65,160	\$47,987	\$51,530	\$74,265	\$48,119	\$40,438	\$54,583
Compliance Budget/Registered Function	\$24,382	\$23,350	\$25,812	\$27,975	\$26,987	\$16,875	\$24,230



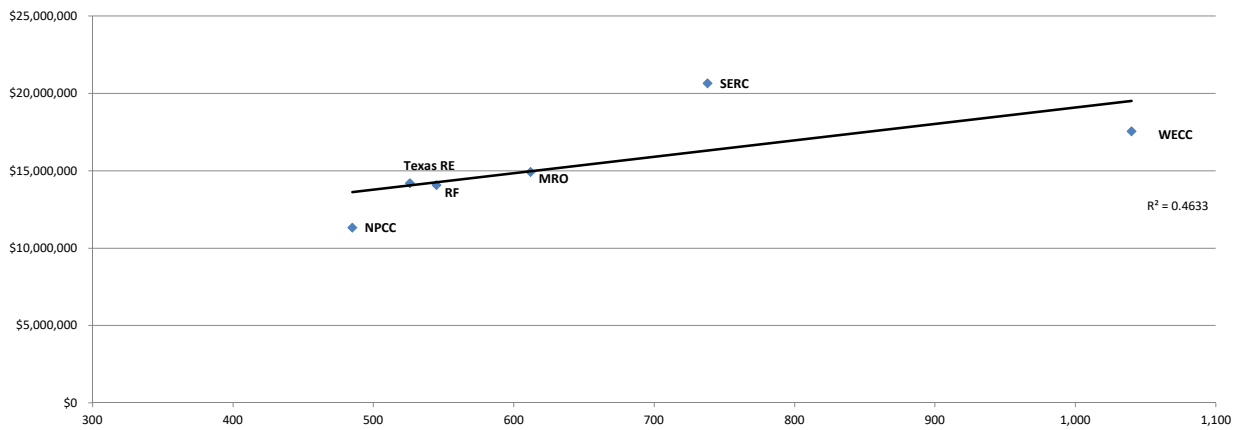
	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
Registered Functions per Registered Entity 2023 Budget	2.7	2.1	2.0	2.7	1.8	2.4	2.3



Regional Entity 2023 Compliance Program Budget as Function of Number of Registered Entities

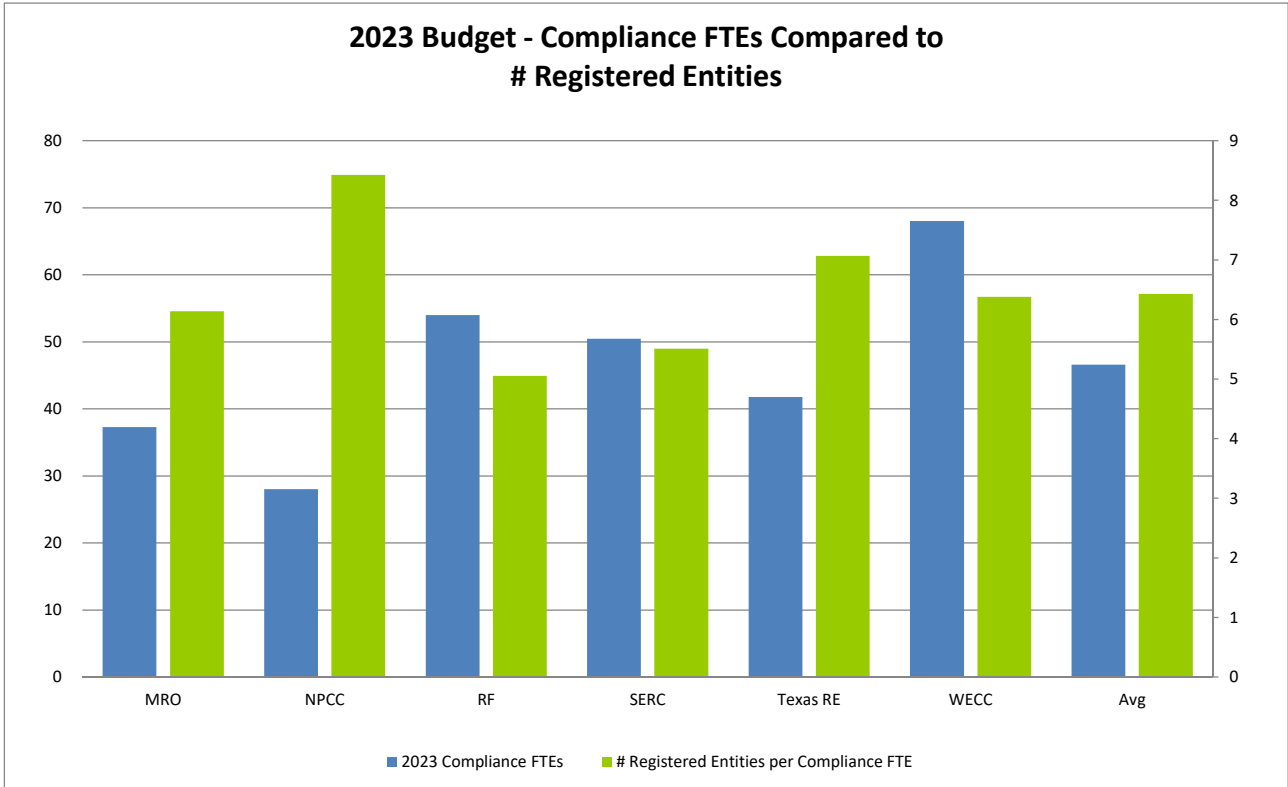
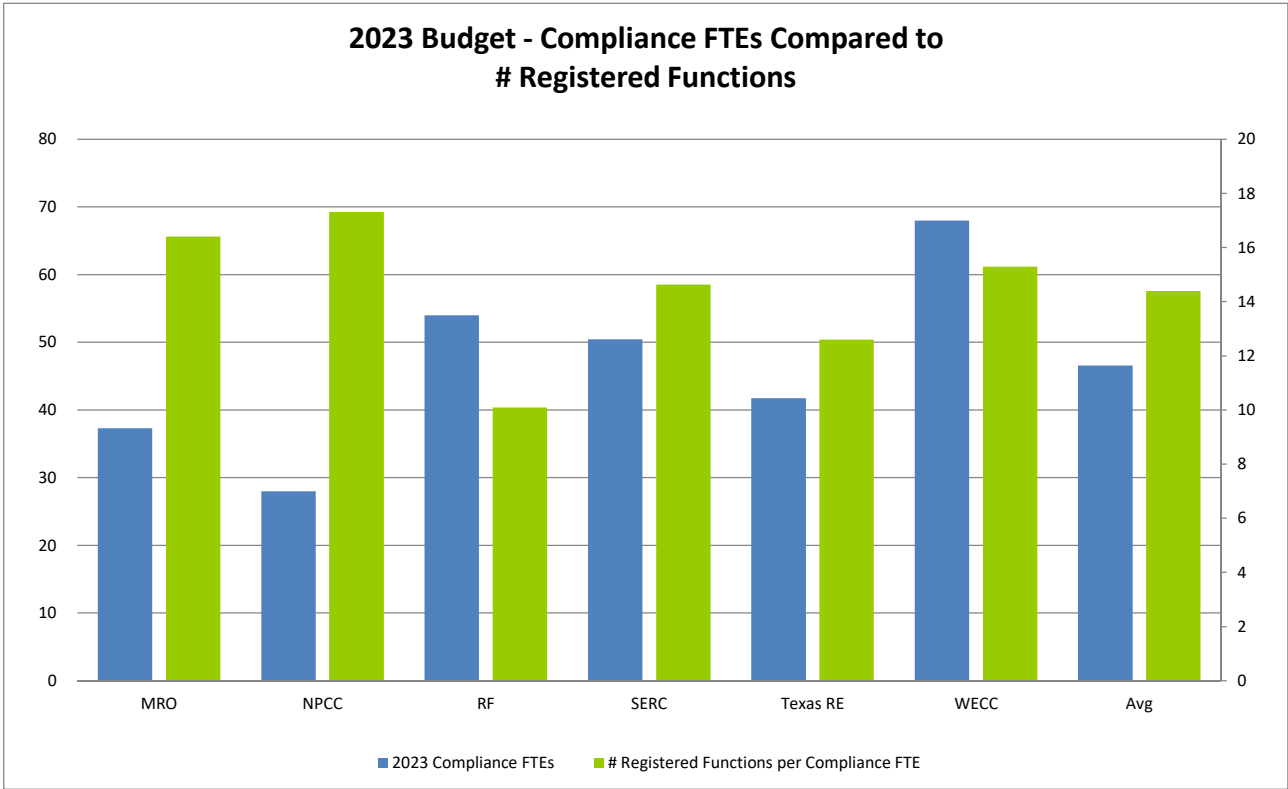


Regional Entity 2023 Compliance Program Budget as Function of Number of Registered Functions

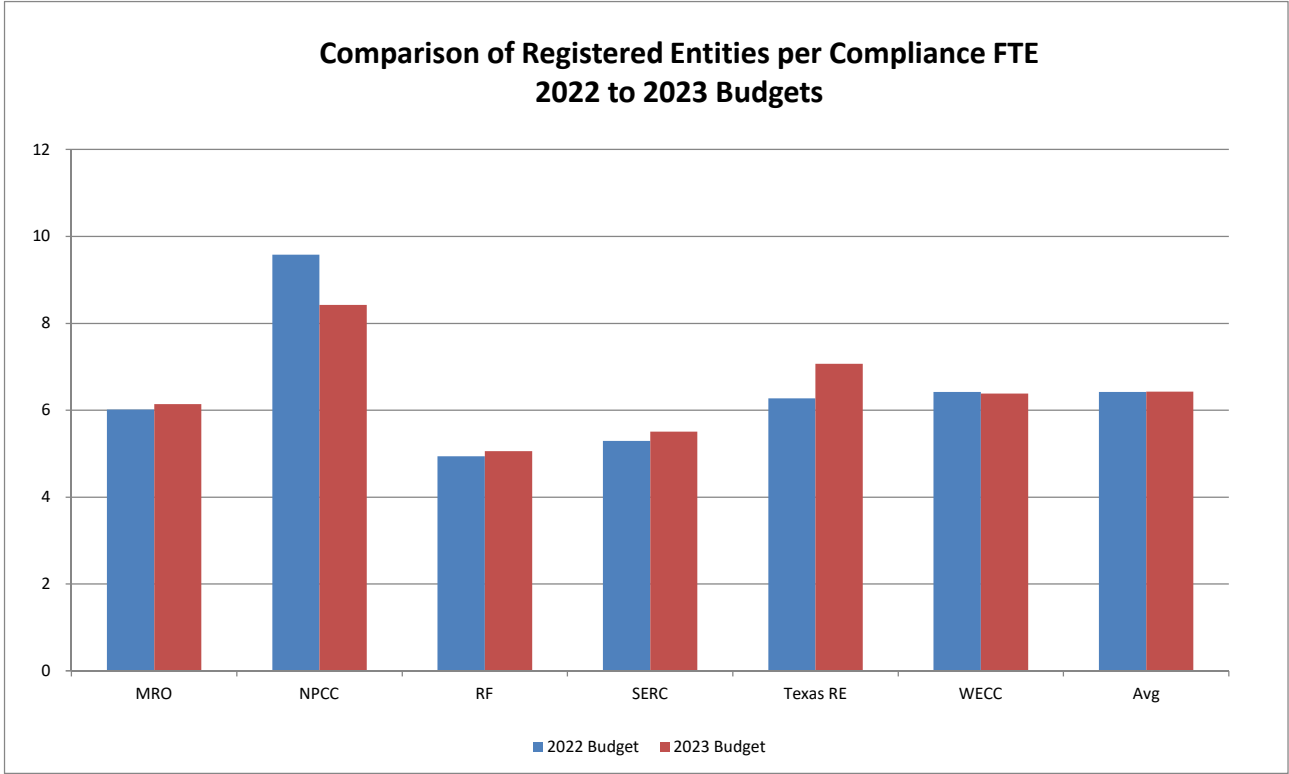


	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
2023 Compliance FTEs	37.30	28.00	54.00	50.45	41.75	68.00	46.58

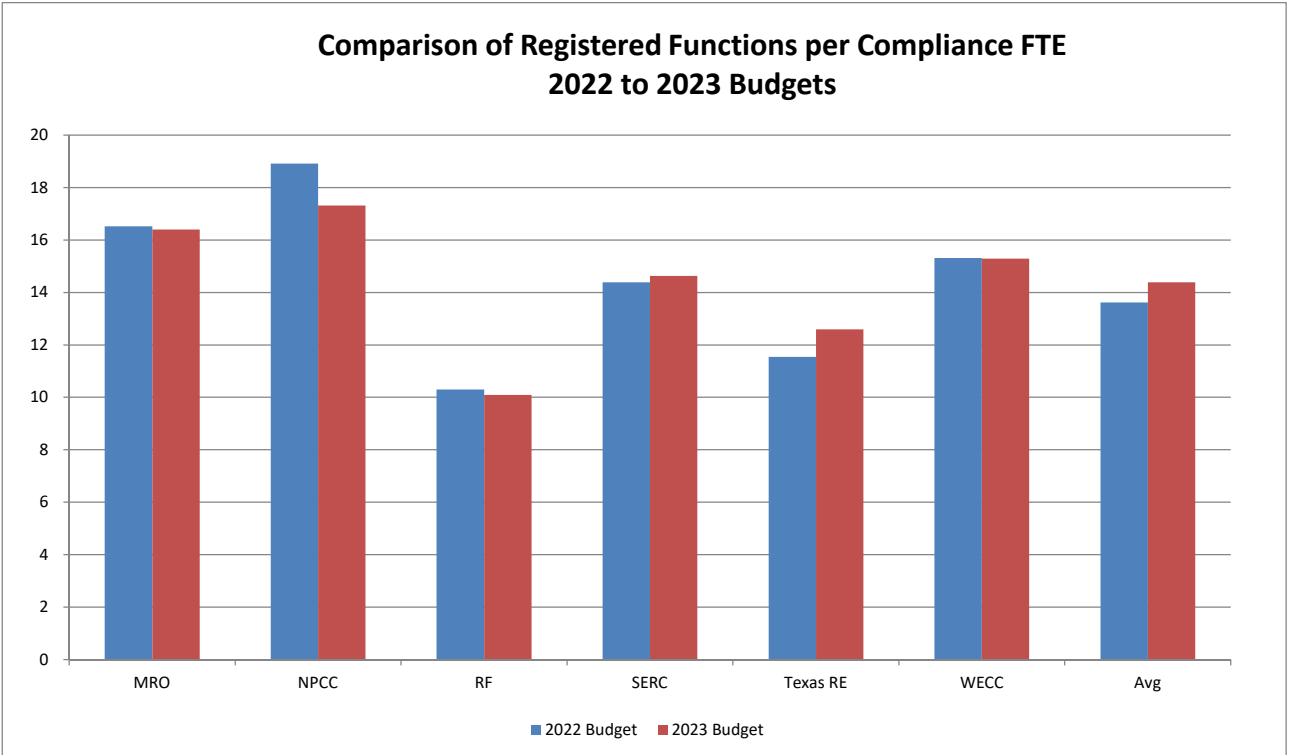
# Registered Entities per Compliance FTE	6.1	8.4	5.1	5.5	7.1	6.4	6.4
# Registered Functions per Compliance FTE	16.4	17.3	10.1	14.6	12.6	15.3	14.4



	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
2022 Budget	6.0	9.6	4.9	5.3	6.3	6.4	6.4
2023 Budget	6.1	8.4	5.1	5.5	7.1	6.4	6.4



	MRO	NPCC	RF	SERC	Texas RE	WECC	Avg
2022 Budget	16.5	18.9	10.3	14.4	11.5	15.3	13.6
2023 Budget	16.4	17.3	10.1	14.6	12.6	15.3	14.4



DOCKET NO. RR22-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2023 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 15

METRICS ON NERC AND REGIONAL ENTITY

ADMINISTRATIVE (INDIRECT) COSTS

BASED ON

THE 2022 AND 2023 BUDGETS

Analysis of Indirect (Administrative Services) Costs
2023 Budget versus 2022 Budget

2022 BUDGET						2023 BUDGET							
Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory Budget	Ratio of Statutory Direct Budget to Indirect Budget		Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory Budget	Ratio of Statutory Direct Budget to Indirect Budget			
\$ 88,828,283	\$ 51,103,265	\$ 37,725,018	42.5%	1.35	NERC*	\$ 101,001,612	\$ 58,770,510	\$ 42,231,102	41.8%	1.39			
20,034,361	12,092,092	7,942,269	39.6%	1.52	MRO	23,082,469	14,356,785	8,725,684	37.8%	1.65			
17,465,133	10,706,202	6,758,931	38.7%	1.58	NPCC	19,423,596	12,223,920	7,199,676	37.1%	1.70			
26,219,927	18,457,780	7,762,147	29.6%	2.38	RF	27,975,420	19,316,040	8,659,380	31.0%	2.23			
26,708,260	14,833,574	11,874,686	44.5%	1.25	SERC	28,215,895	14,957,149	13,258,746	47.0%	1.13			
17,160,613	9,969,676	7,190,937	41.9%	1.39	Texas RE	17,733,466	9,367,024	8,366,442	47.2%	1.12			
\$ 29,746,899	\$ 18,657,895	\$ 11,089,004	37.3%	1.68	WECC	31,812,283	20,618,638	11,193,645	35.2%	1.84			
39.2%						AVERAGE						39.6%	1.58

*NERC 2022 budget includes amendment for Atlanta office lease costs (funded by reserves)

2022 BUDGETED FTEs						2023 BUDGETED FTEs							
Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs		Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs			
223.73	142.65	81.08	36.2%	1.76	NERC	236.88	148.33	88.55	37.4%	1.68			
71.00	50.98	20.02	28.2%	2.55	MRO	78.00	58.00	20.00	25.6%	2.90			
49.90	38.95	10.95	21.9%	3.56	NPCC	56.90	44.00	12.90	22.7%	3.41			
88.60	67.60	21.00	23.7%	3.22	RF	91.00	69.00	22.00	24.2%	3.14			
104.00	68.25	35.75	34.4%	1.91	SERC	106.00	68.25	37.75	35.6%	1.81			
66.00	51.25	14.75	22.3%	3.47	Texas RE	67.00	51.25	15.75	23.5%	3.25			
152.50	110.55	41.95	27.5%	2.64	WECC	160.00	119.50	40.50	25.3%	2.95			
27.8%						AVERAGE						27.8%	2.73