

July 9, 2015

**VIA OVERNIGHT MAIL**

Sheri Young, Secretary of the Board  
National Energy Board  
517 – 10<sup>th</sup> Avenue SW  
Calgary, Alberta  
T2R 0A8

RE: *North American Electric Reliability Corporation*

Dear Ms. Young:

The North American Electric Reliability Corporation (“NERC”) hereby submits Supplemental Filing to North American Electric Reliability Corporation’s Report of Comparisons of Budgeted to Actual Costs for 2014 for NERC and the Regional Entities – Western Electricity Coordinating Council’s 2014 Audited Financial Statements and Revised Actual Cost-to-Budget Comparison Report. NERC requests, to the extent necessary, a waiver of any applicable filing requirements with respect to this filing.

Please contact the undersigned if you have any questions.

Respectfully submitted,

/s/ Holly A. Hawkins

Holly A. Hawkins  
*Associate General Counsel for the North  
American Electric Reliability Corporation*

Enclosure

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**Attachment 9A:** Western Electricity Coordinating Council – 2014 Revised Actual Cost-to-Budget Comparison and Audited Financial Statements

## **I. INTRODUCTION**

The North American Electric Reliability Corporation (“NERC”) respectfully submits this supplemental filing to its June 17, 2015 “Report of Comparisons of Budgeted to Actual Costs for 2014 for NERC and the Regional Entities” (“June 17 Filing”). Specifically, in this supplemental filing, NERC is submitting (1) the audited 2014 financial statements for the Western Electricity Coordinating Council, Inc. (“WECC”), and (2) a revised actual cost-to-budget comparison report for WECC for 2014. **Attachment 9A** to this supplemental filing contains the revised WECC 2014 actual cost-to-budget comparison report and WECC’s 2014 audited financial statements.

NERC stated in the June 17 Filing that at that time, WECC’s audited 2014 financial report was not yet available and would be filed in a supplemental filing (*see* June 17 Filing at 4). The June 17 Filing contained, as Attachment 9, a 2014 actual cost-to-budget comparison report for WECC based on its unaudited 2014 financial results. As explained below, changes in WECC’s audited 2014 financial results from the unaudited 2014 financial results available in May have necessitated minor revisions to WECC’s 2014 actual cost-to-budget comparison.

## **II. NOTICES AND COMMUNICATIONS**

Notices and communications with respect to this filing may be addressed to:

Gerald W. Cauley  
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Michael Walker  
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**III. WESTERN ELECTRICITY COORDINATING COUNCIL  
2014 REVISED ACTUAL COST-TO-BUDGET COMPARISON  
AND AUDITED FINANCIAL STATEMENTS**

WECC's revised 2014 actual cost-to-budget comparison report and audited 2014 financial statements are provided in **Attachment 9A** to this supplemental filing.

The only material differences between WECC's 2014 actual cost-to-budget comparison included in the June 17 Filing and the final actual cost-to-budget comparison in **Attachment 9A** are due to the recognition of \$2 million of civil penalty expense in 2014 actuals as a result of the Federal Energy Regulatory Commission's ("FERC") May 26, 2015 order in Docket No. IN14-11-000 approving a Stipulation and Consent Agreement among FERC, NERC and WECC concerning reliability standards violations arising out of the September 8, 2011 Arizona – Southern California outages.<sup>1</sup> In recognition of the civil penalty imposed in the May 26 Order, WECC, in accordance with requirements of Generally Accepted Accounting Principles, recorded \$2 million of civil penalty expense as unbudgeted Miscellaneous Expense in 2014 actual results.<sup>2</sup> Correspondingly, WECC recorded in Funding an additional \$2 million of Penalty Sanctions revenues previously reserved to offset the unbudgeted civil penalty expense.<sup>3</sup> These accounting actions resulted in actual-to-budget variances of \$2 million in total company Funding – Penalty Sanctions and Miscellaneous Expense. The unbudgeted \$2 million of Miscellaneous Expense

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<sup>1</sup> *Western Electricity Coordinating Council, Order Approving Stipulation and Consent Agreement*. 151 FERC ¶61,175 (2015) ("May 26 Order").

<sup>2</sup> The May 26 Order provides for a \$3 million monetary penalty to WECC; however, WECC previously recognized \$1 million of expense for this potential liability in 2013, as reported in its actual cost-to-budget comparison report and audited financial report for 2013 (*North American Electric Reliability Corporation's Report of Comparisons of Budgeted to Actual Costs for 2013 for NERC and the Regional Entities*, Attachment 9, filed July 10, 2014).

<sup>3</sup> In NERC's 2015 Business Plan and Budget filing, an exception was requested pursuant to §1107.4 of the NERC Rules of Procedure to allow WECC to use \$3.4 million of Penalty sanction revenues received between July 1, 2013 and June 30, 2014, to offset penalties imposed on WECC's registered Reliability Coordinator and Interexchange Authority functions (rather than using these Penalty sanction revenues to offset 2015 assessments), with \$2 million of this amount reserved to offset estimated penalties to be recognized in 2014. See *Notice of Filing of the North American Electric Reliability Corporation of its 2015 Business Plan and Budget and the 2015 Business Plans and Budgets of Regional Entities and for Approval of Proposed Assessments to Fund Budgets*, filed September 16, 2014, and Attachment WECC Proposed 2015 Business Plan and Budget to that filing, at 52-53.

and offsetting \$2 million of Penalty Sanctions revenues were recorded in the Situation Awareness and Infrastructure Security Program, since that was the program in which WECC's registered Reliability Coordinator and Interchange Authority functions were located at the time of the September 8, 2011 event.<sup>4</sup>

Respectfully submitted,

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Senior Vice President and Chief Financial and  
Administrative Officer  
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<sup>4</sup> These registered functions were subsequently transferred to Peak Reliability.

## **ATTACHMENT 9A**

(Available on the NERC Website at

[http://www.nerc.com/FilingsOrders/ca/Canadian%20Filings%20and%20Orders%20DL/Attach\\_NERCSuppFiling2014TrueupReport.pdf](http://www.nerc.com/FilingsOrders/ca/Canadian%20Filings%20and%20Orders%20DL/Attach_NERCSuppFiling2014TrueupReport.pdf))