



FLORIDA RELIABILITY COORDINATING COUNCIL, INC.  
3000 BAYPORT DRIVE, SUITE 600  
TAMPA, FLORIDA 33607-8411  
PHONE 813.289.5644 • FAX 813.289.5646  
WWW.FRCC.COM

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**D R A F T**

**2015 Business Plan and Budget**

**Florida Reliability Coordinating Council, Inc.**

**DATE: 5/16/2014 D R A F T**

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## Introduction

<b>TOTAL RESOURCES</b> (in whole dollars)				
	2015 Budget	U.S.	Canada	Mexico
Statutory FTEs	30.91			
Non-statutory FTEs	18.35			
<b>Total FTEs</b>	49.26			
Statutory Expenses	\$ 7,179,844			
Non-Statutory Expenses	\$ 8,422,053			
<b>Total Expenses</b>	\$ 15,601,897			
Statutory Inc(Dec) in Fixed Assets	\$ (17,611)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ (30,071)			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (47,682)			
Statutory Working Capital Requirement*	<b>(657,395)</b>			
Non-Statutory Working Capital Requirement**	<b>122,583</b>			
<b>Total Working Capital Requirement</b>	<b>(534,812)</b>			
Total Statutory Funding Requirement	\$ 6,504,838			
Total Non-Statutory Funding Requirement	\$ 8,514,565			
<b>Total Funding Requirement</b>	\$ 15,019,403			
<b>Statutory Funding Assessments</b>	\$ 6,237,838	\$ 6,237,838		
<b>Non-Statutory Fees</b>	\$ 8,240,106	\$ 8,240,106		
NEL				
NEL%				

\*Refer to Table B-1 on page 42 in Section B.

\*\*Refer to the Reserve Analysis on page 58 in Section C.

## Organizational Overview

The Florida Reliability Coordinating Council (FRCC) is a Florida not-for-profit corporation that was formed in 1996 and is one of the eight regions of the North American Electric Reliability Corporation (NERC). The FRCC's mission is to ensure and enhance the reliability and adequacy of the Bulk Electric System (BES) in Florida now and into the future. The FRCC's Web site is [www.frcc.com](http://www.frcc.com). The FRCC Region is comprised of all of Florida east of the Apalachicola River. Florida's unique geography and its highly integrated transmission system coupled with its single interface boundary to the rest of the Eastern Interconnection required the development of a reliability focus in the FRCC Region. Membership in the FRCC's Regional Entity Division is open to any entity, without cost, that has a material interest in the reliability of the BES in the FRCC Region. Currently there are 69 Registered Entities within the FRCC

Region. The FRCC is governed by a balanced stakeholder Board of Directors, and accomplishes its activities through qualified professional staff and standing committees which also have balanced stakeholder governance.

The FRCC provides the statutory functions and services for the FRCC Region through its Regional Entity Division. Non-statutory services for the FRCC Region are provided through its Member Services Division. This divisional structure is an efficient and effective means of clearly separating statutory and non-statutory activities and related funding for each. The revised FRCC Bylaws, creating this divisional structure, were first approved by the Federal Energy Regulatory Commission (“FERC”) on March 21, 2008.

The FRCC Regional Entity Division works to enhance the reliability of the BES in the FRCC Region pursuant to the approved Regional Delegation Agreement with NERC, as the Electric Reliability Organization (“ERO”), under the authority of the FERC. The functions performed by the FRCC Regional Entity Division include regional reliability standards development, compliance monitoring and enforcement of reliability standards, reliability assessment and performance analysis, event analysis and reliability improvement, training and education, situation awareness and infrastructure security. The Regional Entity division of the FRCC has one standing committee, the FRCC Regional Entity Committee and Compliance Forum (RECCF). This committee provides input to the FRCC in support of the delegated activities and functions.

The Member Services division of the FRCC provides, coordinates and administers a variety of services relating to the reliable planning and operation of the BES within the FRCC Region. These services are carried out by the FRCC Planning Committee (PC) and the FRCC Operating Committee (OC) and their various subcommittees, task forces and working groups, as well as FRCC Staff.

The FRCC PC and OC actively participate in the development and approval of their committee’s budget. The budgets reflect activities of each committee’s responsibilities, such as reliability coordination, resource adequacy, stability studies, transmission studies, operations tools, telecommunication tools and infrastructure.

Each year, the total FRCC budget is presented to the FRCC Board of Directors early in the second quarter for informational purposes prior to final approval in June. This process gives all FRCC members advanced indication of the funding level, both statutory and non-statutory, which will be required for the coming fiscal year (January 1 – December 31). This allows for timely inclusion of each member’s funding responsibility in their individual budgeting process. The final budget is presented for approval to the FRCC Board of Directors in June of each year and is then submitted to NERC for approval by the NERC Board of Trustees and then by FERC.

## **Membership and Governance**

The FRCC's members (in both divisions) include investor-owned utilities, cooperative utilities, municipal utilities, power marketers, independent power producers and others. Membership is currently 30 FRCC members in the Regional Entity Division and 23 FRCC members in the Member Services Division including affiliate and adjunct members.

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The FRCC has six (6) membership sectors which include the following:

- Non-Investor Owned Utility Wholesale
- Load Serving Entity
- Generating Load Serving Entity
- Investor Owned Utility
- Suppliers
- General

There are currently two (2) members in the General Sector of the Regional Entity Division and no members in the General Sector of the Member Services Division.

The activities of FRCC are governed by its Board of Directors. The Board is comprised of senior level executives from members of FRCC.

As part of its responsibilities, NERC, as the ERO, delegates its authority to Regional Entities to perform certain functions through delegation agreements. On October 21, 2010, FERC approved revised delegation agreements between NERC and the eight (8) Regional Entities that became effective January 1, 2011 and will expire at the end of 2015. These delegation agreements describe the responsibility and authority delegated to the Regional Entities. NERC and the Regional Entities revised the delegation agreements in 2010 to improve the efficiency, transparency, quality and effectiveness of the combined NERC and Regional Entity operations. The funding for Regional Entities is approved separately with each Regional Entity submitting its own business plan and budget for consideration by NERC and FERC.

## **Statutory Functional Scope**

The FRCC carries out its delegated functions as outlined and detailed in Exhibits A, B, C, D and E of the delegation agreement. NERC and the Regional Entities will continue to work under the existing regulatory framework governing the establishment and enforcement of reliability standards for the BPS. The existing delegation agreements expire on January 1, 2016. NERC and the Regional Entities will work collaboratively to identify any necessary revisions to the delegation agreements as renewal efforts begin in 2014 and continue through 2015. The delegated functions as defined by the NERC Rules of Procedures include:

- Reliability Standards Development (“RSD”) - Section 300
- Compliance Monitoring and Enforcement (“CMEP”) - Section 400
- Organization Registration and Certification - Section 500 (This program budget has been combined with the Compliance Monitoring and Enforcement function budget.)
- Reliability Assessment and Performance Analysis (“RA”) - Section 800 (including necessary data gathering activities and Events Analysis)
- Training, Education and Operator Certification (“TE”) - Section 900
- Situation Awareness and Infrastructure Security (“SA”) - Section 1000

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## 2015 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions (see Exhibit A of the 2015 NERC Business Plan and Budget) developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The significant assumptions underlying FRCC's 2015 business plan include:

- NERC will provide oversight of the Regional Entities performance of their delegated functions to ensure that the delegated responsibilities are adequately performed. The Regional Entities are expected to continue to have the primary responsibility for day-to-day operations and interactions with Registered Entities. NERC and the Regional Entities will also work to refine and revise procedures and processes to eliminate duplication, increase operational efficiencies, to enhance ERO-wide consistency and to achieve measurable reliability outcomes, consistent with their respective roles and responsibilities.
- Cost pressures may affect some stakeholder resources available to participate in NERC and Regional Entity activities. However, the assumption of continued industry participation in support of key program areas such as event analysis, reliability assessments and standards development is included in this business plan and budget. NERC and the Regional Entities will evaluate projected initiatives involving stakeholder participation to determine the availability and adequacy of industry resources to support these undertakings.
- The effective date for compliance with the CIP Version 5 standards will be April 1, 2016 for High and Medium impact assets and April 1, 2017 for Low impact assets. The transition between V3 to V5 will be a mission critical activity in 2015. The Regional Entities must plan to support the ongoing CIP v5 transition plans and should anticipate an expansion in the number of Registered Entities that require guidance during 2015. For most CIP activities, the resource demands are expected to increase throughout the planning period.
- The implementation of a BES exception process will require the allocation of resource requirements from several FRCC departments. Resources are expected to manage the process execution, technical validation of the definition and exception requests, and requests for registration and certification reviews. However, the long-term impact cannot be fully assessed at this time as the resource requirements will be based on the number and complexity of exception and registration requests received.
- NERC will continue to budget and incur costs to operate and maintain the software applications and systems known as Situational Awareness for FERC, NERC, and Regional Entities ("SAFNR"). Additional resource investments may be required to enhance the capabilities of SAFNR throughout the planning period; however, there will be no increased cost to the Regional Entities. NERC will continue to review the appropriateness of continued funding of existing reliability tools, with any proposed changes thereto subject to review and input from the Regional Entities, appropriate NERC Committees and working groups, and other affected parties.
- NERC and the Regional Entities will collaboratively work to build and develop ERO Enterprise applications supporting both NERC and Regional Entity operations that will maximize efficiency of technology hardware, consistency of application, resources and data security. These will be managed by a single Project Management Office (PMO) at

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NERC. ERO Enterprise funding for the development and maintenance of Enterprise applications will be subject to the budget and funding limits set forth in the approved Business Plan and Budget. The FRCC will also continue to fund applications and systems to satisfy our regional business needs.

- Improved disaster recovery mechanisms and improved IT security procedures will increase capital and operating costs at the Regional Entities.

## **2015 Goals and Key Deliverables (Regional Entity Division)**

- Support NERC's goals that will continue to improve the quality and content of Reliability Standards, including a cost effectiveness assessment of proposed standards.
- Continue to encourage stakeholder awareness and participation in the NERC standards development process through educational outreach efforts and participation in Standard Drafting Teams, the NERC Standards Committee and related subcommittees. Support NERC's efforts to develop the bulk power system risk profile and assess standards compared to the profile and address the most important risk gaps.
- Work with NERC and the other Regional Entities, to continue refinement, improvement and prioritization of risk based compliance monitoring efforts. Continue support of the Reliability Assurance Initiative, including providing the necessary training for compliance and enforcement staff.
- Work with NERC and the other Regional Entities to register entities commensurate with risk to the Bulk Power System (BPS). Support the implementation of any changes resulting from the registration review that began in 2014.
- Continue the implementation of the BES exception process which began mid-2014.
- Work with NERC and the other Regional Entities to hold the industry accountable for violations that create serious risk to the BPS. Improve consistency, quality, and timeliness of compliance monitoring and enforcement activities while utilizing more enforcement discretion for those violations that have minimal impact to the reliability of the BES.
- Continue to be a strong enforcement authority that is independent, without conflict of interest, objective and fair, using enforcement discretion when warranted and imposing penalties and sanctions that are commensurate with risk.
- Support an ERO culture of reliability excellence. Work with NERC and the other Regional Entities to facilitate a learning environment throughout the industry. Work to improve event causal analysis, communication of lessons learned, tracking of recommendations, and implementation of best practices.
- Continue to improve consistency, quality, timeliness and cost effectiveness of NERC and Regional Entity data collection, analysis systems and capabilities through process improvements and more effective coordination and collaboration.
- Support NERC's efforts to move toward and implement an outcome based approach in Reliability Assessments to achieve measureable improvements in the BES reliability. Risks will be identified and prioritized based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.

- Work closely with the other Regional Entities and NERC to ensure that the delegated functions are implemented consistently and rationally and to promote the success of the ERO as a collaborative enterprise. Perform delegated functions with independence, without conflict of interest, with objectivity and fairness and with increased transparency.
- Support the ERO in addressing and mitigating reliability risks. Work with NERC and the other Regional Entities and the industry to effectively address security vulnerabilities and threats. During crisis situations, support ERO sharing of information among industry, Regions, and government.

## 2015 Overview of Cost Impacts

The FRCC's proposed 2015 Regional Entity budgeted expenses and net fixed assets (see page 12) is \$7,162,233, which is a \$368,944 or 5.4% increase over the 2014 budget. The major drivers of this increase are the net effect of:

- Increased compliance software maintenance and development to reflect current costs from the vendor, implement changes necessary to implement RAI and for needed portal efficiencies and program improvements.
- Increased allocated General and Administrative expense due to implementing succession plans for key functions involving a temporary increase of 1 FTE for training to succeed an anticipated retirement
- Budgeted 3% annual merit increase.
- Reduced Medical Benefits expense based on actual experience.
- Decrease in legal fees due to in house legal support.

## Statutory Accounting Methodology

The FRCC, in order to be consistent with all the regions, has modified its accounting reporting as follows:

- ERO assessments needed to fund working capital are reflected in the General and Administrative Program within Administrative Services.
- The majority of the Operating Expenses are accounted for within their related department's budget. If an expense cannot be specifically linked to a department, it is included in the General and Administrative Program, within Administrative Services.
- All expenses for the Administrative Services Programs, referred to as indirect expenses for 2015, are allocated to the delegated program areas by their respective FTEs and are shown on one line of each delegated program area Statement of Activities as "Indirect Expenses".
- Capital expenditures are broken out as fixed assets at the end of each statement of activities rather than being included in their related lines in the operating expenses section.
- Expenses include depreciation, but since funding is not being requested for depreciation expense, it has been deducted from the funding requirement for capital expenditures.

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## 2015 Key Deliverables by Program

In 2015, FRCC will achieve the following key deliverables:

- **Reliability Standards Development** — Continue support of NERC in its efforts to improve the quality and content of Reliability Standards and to support NERC's implementation of a cost effectiveness assessment of proposed standards. Support NERC in its efforts to evaluate significant BPS events (Category 3 and above) to identify gaps in standards and address any gaps identified. Support NERC's plan to develop or modify the Reliability Standard Audit Worksheets (RSAWs) by the time a Reliability Standard is balloted. Develop regional reliability standards as needed to support NERC's prioritized work plan and provide increased coordination of standards development activities.
- **Compliance Monitoring and Enforcement** — Continue to support the development and implementation of the Reliability Assurance Initiative, including implementation of the ERO Auditor Handbook and Manual and implementation of the common methodology to assess risk and determine the scope of monitoring activities. Ensure timely and thorough mitigation of all violations of mandatory reliability standards with the most focus on those violations that create serious risk to the Bulk Electric System. Promote a strong culture of compliance excellence, reliability improvement, and risk-based methods among all registered entities in the FRCC Region.
- **Event Analysis** — Continue to support improved reliability through reporting and categorizing of system events and security incidents. Consistently analyze events and system performance for sequence, cause, and remediation to identify reliability risks and trend, and to inform standards, compliance, and other programs. Work to ensure that the industry is well informed of system events, emerging trends, risk analysis, lessons learned and expected actions. Provide timely written lessons learned and recommendations from events and provide all BPS system event reports to the industry through a secure portal.
- **Critical Infrastructure Protection and Cyber Security** — Facilitate, educate and support Registered Entities in complying with CIP reliability standards and responding to cyber security alerts. Facilitate a proactive action plan by industry that demonstrates effective identification and mitigation of security risks, including safeguarding of assets, developing mitigation alternatives, and preparing and testing recovery plans. Support the transition from CIP V3 to V5 including provision of necessary training to FRCC staff, and providing education and outreach to stakeholders to ensure their understanding of the technical aspects of the requirements.
- **Reliability Assessments** — Provide annual, seasonal, probabilistic, scenario and special reliability assessments of the reliability of the FRCC BES in accordance with definitions and requirements. Work with NERC and the other Regional Entities to develop and demonstrate BES performance metrics for the purpose of analyzing and trending reliability improvements and benefits, as well as risk/severity based methods. Work with NERC and the other Regional Entities to support the exception process for the evaluation of Exception Requests as permitted by the revised definition of the BES and the NERC Rules of Procedure.

- **Situation Awareness** — Continue to support NERC in maintaining and enhancing the current and future situation awareness capabilities that include near real-time information and communications protocols that meet the needs of FERC, NERC, and applicable Registered Entities. Issue and track security recommendation to protect the Bulk Power System. Share information learned in Situation Awareness with the Events Analysis program to develop relevant lessons learned.
- **Effective Financial Controls** — Continue to provide rigorous cost controls and efficient management of resources to remain an efficient provider of ERO delegated functions.

## Long Term Business Planning

NERC and the Regional Entities continue to work together to improve the overall ERO business planning and budgeting process, including long-term resource and financial planning. The 2015 Business Plan and Budget process builds upon the improvements made over the past several years including face-to-face meetings, conference calls and exchanges of documentation among senior management and staff of NERC and Regional Entities regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness.

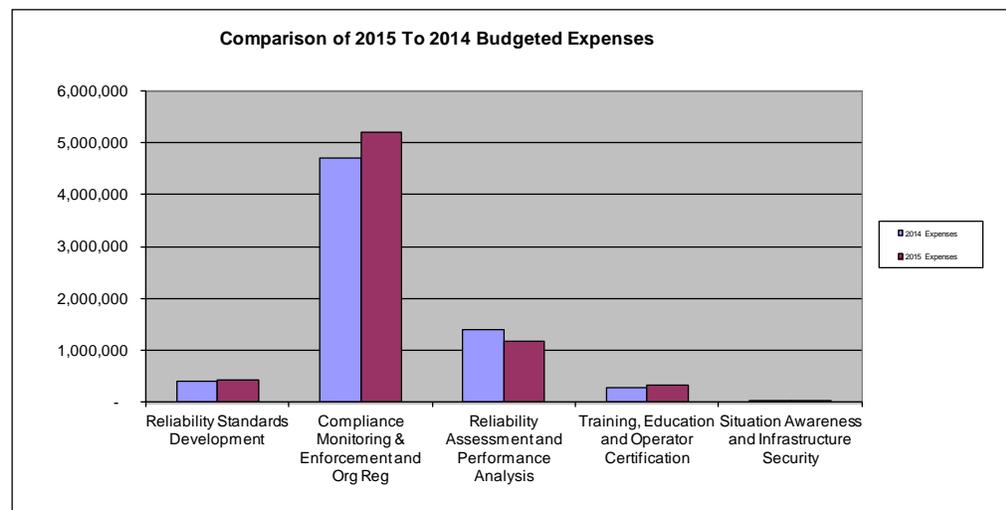
Throughout 2013 and into early 2014, NERC and the Regional Entities worked to develop a common operating model with defined roles and responsibilities that align with business planning goals, objectives, metrics and assumptions for the ERO Enterprise. As part of updating the ERO Strategic Plan, NERC and the Regional Entities consolidated five goals within the existing focus areas of standards; compliance, registration and certification; risks to reliability; and coordination and collaboration. A number of objectives and deliverables expected of the ERO Enterprise were identified. NERC and the Regional Entities added four overarching performance metrics to assess the overall effectiveness of the ERO Enterprise in addressing risk to the Bulk Power System and improving reliability. With the ERO Strategic Plan, the developed performance metrics, and the set of common assumptions, the 2015 Business Plan and Budgets of NERC and the Regional Entities will support and complement each other. The Shared Business Plan and Budget Assumptions (Exhibit A of the 2015 NERC Business Plan and Budget) incorporate assumptions affecting resource demands through the 2017 planning horizon.

NERC and the Regional Entities continue to work together to develop, strengthen and improve an integrated long term ERO business plan and budget that leverages and builds on the combined strengths and resources of NERC and the Regional Entities to improve the overall effectiveness and efficiency of ERO operations and improve the reliability of the BES of North America.

## Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B. Below is an overall summary of the changes by program area.

Funding by Program	Budget 2014	Projection 2014	Budget 2015	Variance	
				2015 Budget v 2014 Budget	Variance %
Reliability Standards Development	409,591	409,592	423,143	13,552	3.3%
Compliance Monitoring & Enforcement and Org Reg	4,702,351	4,702,351	5,211,874	509,523	10.8%
Reliability Assessment and Performance Analysis	1,391,299	1,391,299	1,182,409	(208,890)	-15.0%
Training, Education and Operator Certification	272,310	297,679	321,525	49,215	18.1%
Situation Awareness and Infrastructure Security	19,380	19,380	23,281	3,901	20.1%
<b>Total Funding All Sources</b>	<b>6,794,932</b>	<b>6,820,302</b>	<b>7,162,233</b>	<b>367,301</b>	<b>5.4%</b>



This graphical representation does not include an allocation of working capital requirements among the Program Areas.

Total FTE's by Program Area	Budget 2014	Projection 2014	Direct	Shared	Total FTEs 2015 Budget	Change from 2014 Budget
			FTEs 2015 Budget	FTEs <sup>1</sup> 2015 Budget		
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards Development	1.74	1.33	1.71		1.71	-0.03
Compliance Monitoring & Enforcement and Org Reg	19.26	18.25	19.77		19.77	0.51
Reliability Assessment and Performance Analysis	5.29	4.26		4.40	4.40	-0.89
Training, Education and Operator Certification	0.67	0.50		0.90	0.90	0.23
Situation Awareness and Infrastructure Security	0.08	0.06		0.09	0.09	0.01
<b>Total FTEs Operational Programs</b>	<b>27.04</b>	<b>24.40</b>	<b>21.48</b>	<b>5.39</b>	<b>26.87</b>	<b>-0.17</b>
<b>Administrative Programs</b>						
General & Administrative	3.36	3.57		4.04	4.04	0.68
<b>Total FTEs Administrative Programs</b>	<b>3.36</b>	<b>3.57</b>	<b>0.00</b>	<b>4.04</b>	<b>4.04</b>	<b>0.68</b>
<b>Total FTEs</b>	<b>30.40</b>	<b>27.97</b>	<b>21.48</b>	<b>9.43</b>	<b>30.91</b>	<b>0.51</b>

<sup>1</sup>A shared FTE is defined by NERC as an employee who performs both Statutory and Non-Statutory functions.

## 2014 Statutory Budget and Projection and 2015 Budget Comparisons

### Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection, and 2015 Budget

STATUTORY					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 5,488,057	\$ 5,488,058	\$ 0	6,237,838	\$ 749,781
Penalty Sanctions	343,000	343,000	-	153,000	(190,000)
<b>Total ERO Funding</b>	<b>\$ 5,831,057</b>	<b>\$ 5,831,058</b>	<b>\$ 0</b>	<b>\$ 6,390,838</b>	<b>\$ 559,781</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	24,000	24,000	-	24,000	-
Workshops	90,000	115,369	25,369	90,000	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 5,945,057</b>	<b>\$ 5,970,427</b>	<b>\$ 25,369</b>	<b>\$ 6,504,838</b>	<b>\$ 559,781</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,806,631	3,630,346	\$ (176,285)	\$ 4,082,307	\$ 275,676
Payroll Taxes	239,599	231,599	(8,000)	253,874	14,275
Benefits	657,255	608,521	(48,734)	579,483	(77,772)
Retirement Costs	602,881	594,403	(8,478)	666,669	63,788
<b>Total Personnel Expenses</b>	<b>\$ 5,306,366</b>	<b>\$ 5,064,869</b>	<b>\$ (241,497)</b>	<b>\$ 5,582,333</b>	<b>\$ 275,967</b>
<b>Meeting Expenses</b>					
Meetings	\$ 80,930	\$ 48,138	\$ (32,792)	\$ 69,292	\$ (11,638)
Travel	167,209	137,943	(29,266)	191,753	24,544
Conference Calls	18,771	14,732	(4,039)	9,482	(9,289)
<b>Total Meeting Expenses</b>	<b>\$ 266,910</b>	<b>\$ 200,813</b>	<b>\$ (66,097)</b>	<b>\$ 270,527</b>	<b>\$ 3,617</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 348,768	\$ 416,262	\$ 67,494	\$ 393,718	\$ 44,950
Office Rent	555,089	554,412	(677)	547,586	(7,503)
Office Costs	118,343	122,974	4,631	132,069	13,726
Professional Services	116,642	41,315	(75,327)	51,324	(65,318)
Miscellaneous	-	-	-	-	-
Depreciation	110,490	157,036	46,546	202,287	91,797
<b>Total Operating Expenses</b>	<b>\$ 1,249,332</b>	<b>\$ 1,291,999</b>	<b>\$ 42,667</b>	<b>\$ 1,326,984</b>	<b>\$ 77,652</b>
<b>Total Direct Expenses</b>	<b>\$ 6,822,608</b>	<b>\$ 6,557,681</b>	<b>\$ (264,927)</b>	<b>\$ 7,179,844</b>	<b>\$ 357,236</b>
<b>Indirect Expenses</b>	<b>\$ (1,643)</b>	<b>\$ -</b>	<b>\$ 1,643</b>	<b>\$ 0</b>	<b>\$ 1,643</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 6,820,965</b>	<b>\$ 6,557,681</b>	<b>\$ (263,284)</b>	<b>\$ 7,179,844</b>	<b>\$ 358,879</b>
<b>Change in Assets</b>	<b>\$ (875,908)</b>	<b>\$ (587,254)</b>	<b>\$ 288,653</b>	<b>\$ (675,006)</b>	<b>\$ 200,902</b>
<b>Fixed Assets</b>					
Depreciation	\$ (110,490)	\$ (157,036)	\$ (46,546)	\$ (202,287)	\$ (91,797)
Total Fixed Asset Purchases	82,814	129,422	46,608	184,676	101,862
<b>Change in Fixed Assets</b>	<b>27,676</b>	<b>27,614</b>	<b>(62)</b>	<b>17,611</b>	<b>(10,065)</b>
<b>TOTAL BUDGET</b>	<b>\$ 6,793,289</b>	<b>\$ 6,530,067</b>	<b>\$ (263,222)</b>	<b>\$ 7,162,233</b>	<b>\$ 368,944</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (848,232)</b>	<b>\$ (559,640)</b>	<b>\$ 288,591</b>	<b>\$ (657,395)</b>	<b>\$ 190,837</b>
FTEs	30.40	27.97	(2.43)	30.91	0.51

**Section A – Statutory Programs**  
**2015 Business Plan and Budget**

## Reliability Standards Development Program

<b>Reliability Standards Development Program</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.74	1.71	(0.03)
Direct Expenses	\$ 369,582	\$ 370,389	\$ 807
Indirect Expenses	\$ 40,021	\$ 49,808	\$ 9,787
Inc(Dec) in Fixed Assets	\$ (12)	\$ 2,946	\$ 2,958
Total Funding Requirement	\$ 409,591	\$ 423,143	\$ 13,552

### Program Scope and Functional Description

The FRCC may develop, through the FRCC Regional Reliability Standards Development Process, separate Regional Reliability Standards that are specific to the FRCC Region and go beyond, add detail to, or implement NERC Reliability Standards. FRCC Regional Reliability Standards will not be inconsistent with or less stringent than NERC Reliability Standards.

The FRCC Regional Reliability Standards Development Process is an open, balanced and fair process that ensures all interested and affected parties have an opportunity to participate in the development of FRCC Regional Reliability Standards for the FRCC Region.

While the FRCC may develop separate Regional Reliability Standards, the preference is to support the development of continent wide reliability standards. The FRCC staff follows and participates in NERC's Standards Development Process. This includes FRCC standards staff participation in the NERC Standards Committee, the NERC Standards Committee Process Subcommittee, and NERC standards drafting teams as appropriate. In addition, the FRCC supports and encourages stakeholder awareness and participation in the NERC standards development process through educational outreach efforts at workshops, webinars and committee meetings.

### 2015 Key Assumptions

The key assumptions included in the Shared Business Plan and Budget Assumptions, Exhibit A, affecting the Reliability Standards Program include:

1. NERC will continue to focus on reaching a steady state, and improving quality and content of Reliability Standards. This will require the allocation of resources from NERC and the Regional Entities. The implementation of a cost effectiveness assessment of proposed standards and other reform activities are expected to require additional resources however the impacts are not fully known at this time.
2. The number of projects contained in NERC's Reliability Standards Development Plan is expected to increase over the planning period reflecting the transformation of standards to

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a steady-state. However, the scope of these projects is expected to narrow as regulatory obligations in the form of directives and five-year reviews, Paragraph 81, and other recommendations are addressed.

3. The focus on improving the quality and content of standards will likely increase the demand on NERC, the Regional Entities and stakeholders to review and comment on proposed revisions to standards, support regulatory filings and support successful implementation of new standards as they become effective.
4. The number of interpretation and guidance requests is expected to remain low, reflecting the initiative to reach steady state and implementation of the Reliability Assurance Initiative (RAI).
5. NERC and the Regional Entities must provide sufficient resources to develop or modify the RSAWs by the time a Standard is balloted which is required to support the Reliability Standards Development Plan.
6. Activity associated with FRCC Regional Reliability Standards development is expected to remain low. FRCC will continue to keep several regional standards development projects on hold while NERC development, on standards addressing the same reliability issues, proceeds to a conclusion.
7. NERC and the Regional Entities will continue to provide communication and outreach opportunities, project level communications and will continue education and training for new or revised standards.

### **2015 Goals and Key Deliverables**

The Standards Program objectives for 2015 are outlined below:

- Continue to follow and participate in NERC's Standards Development Process. This includes FRCC standards staff participation in the NERC Standards Committee, the NERC Standards Committee Process Subcommittee and on NERC standards drafting teams as appropriate.
- Continue to encourage stakeholder awareness and participation in the NERC standards development process.
- Continue to monitor the need for development of Regional Reliability Standards that are required by NERC Reliability Standards or are needed for reliability within the FRCC region.
- Assist the FRCC members and registered entities in following and understanding NERC standards development activities by increasing education and outreach programs to include:
  - Development and presentation at Standards Workshops, Webinars and committee meetings to address continent-wide and regional reliability issues.
  - Develop and deliver project level communications, education and training for new or revised reliability standards.
  - Review, analyze and identify potential Regional concerns associated with NERC Reliability Standards under development.

- Establish a stronger relationship with the FRCC Regional Entity Committee to fully vet and identify any concerns and assist in articulating the concern to standard drafting teams as appropriate.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

- **Personnel Expenses** – The slight decrease in the number of FTEs is due to the expectation of more time being spent in Reliability Assessment program implementing the NERC BES Definition and the BES Definition Exception Process and the expectation of more time being spent in review of Registered Entity registration. The increase in personnel expenses is due to budgeted annual merit increases partially offset by a reduction in Medical Benefit expense.
- **Meeting Expenses** - Less travel is expected in 2015 with the BES Standards Writing Project being complete.
- **Operating Expenses** – The decrease in Operating Expenses is primarily the anticipated decrease in legal fees partially offset by increased contract costs included in Contracts, Consultants and Software for a security improvement initiative.
- **Indirect Expenses** - The increase in Indirect Expense is the result of a succession plan for expected future retirements.
- **Fixed Assets** – The increase in Fixed Assets is due to increased physical and cyber security measures and planned replacement of old computer equipment.

## Reliability Standards Development Program

Funding sources and related expenses for the reliability standards section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Reliability Standards Development</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 387,520	\$ 387,520	\$ 0	\$ 413,407	\$ 25,887
Penalty Sanctions	\$ 22,072	\$ 22,072		9,737	(12,335)
<b>Total ERO Funding</b>	<b>\$ 409,591</b>	<b>\$ 409,592</b>	<b>\$ 0</b>	<b>\$ 423,143</b>	<b>\$ 13,552</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 409,591</b>	<b>\$ 409,592</b>	<b>\$ 0</b>	<b>\$ 423,143</b>	<b>\$ 13,552</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 217,880	\$ 173,035	\$ (44,845)	\$ 225,465	\$ 7,585
Payroll Taxes	13,714	11,039	(2,675)	14,021	307
Benefits	33,809	23,651	(10,158)	32,602	(1,207)
Retirement Costs	34,595	28,420	(6,175)	36,074	1,479
<b>Total Personnel Expenses</b>	<b>\$ 299,998</b>	<b>\$ 236,145</b>	<b>\$ (63,853)</b>	<b>\$ 308,162</b>	<b>\$ 8,164</b>
<b>Meeting Expenses</b>					
Meetings	\$ 2,080	\$ 969	\$ (1,111)	\$ 2,606	\$ 526
Travel	24,913	16,324	(8,589)	17,469	(7,444)
Conference Calls	174	456	282	203	29
<b>Total Meeting Expenses</b>	<b>\$ 27,167</b>	<b>\$ 17,749</b>	<b>\$ (9,418)</b>	<b>\$ 20,278</b>	<b>\$ (6,889)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 4,529	\$ 5,222	\$ 693	\$ 7,381	\$ 2,852
Office Rent	23,230	19,312	(3,918)	21,993	(1,237)
Office Costs	6,324	5,968	(356)	7,681	1,357
Professional Services	7,482	2,257	(5,225)	3,261	(4,221)
Miscellaneous	-	-	-	-	-
Depreciation	852	1,073	221	1,633	781
<b>Total Operating Expenses</b>	<b>\$ 42,417</b>	<b>\$ 33,832</b>	<b>\$ (8,585)</b>	<b>\$ 41,949</b>	<b>\$ (468)</b>
<b>Total Direct Expenses</b>	<b>\$ 369,582</b>	<b>\$ 287,726</b>	<b>\$ (81,856)</b>	<b>\$ 370,389</b>	<b>\$ 807</b>
<b>Indirect Expenses</b>	<b>\$ 40,021</b>	<b>\$ 37,186</b>	<b>\$ (2,835)</b>	<b>\$ 49,808</b>	<b>\$ 9,787</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 409,603</b>	<b>\$ 324,912</b>	<b>\$ (84,691)</b>	<b>\$ 420,197</b>	<b>\$ 10,594</b>
<b>Change in Assets</b>	<b>\$ (12)</b>	<b>\$ 84,680</b>	<b>\$ 84,692</b>	<b>\$ 2,946</b>	<b>\$ 2,958</b>
<b>Fixed Assets</b>					
Depreciation	\$ (852)	\$ (1,073)	\$ (221)	\$ (1,633)	\$ (781)
Total Fixed Asset Purchases	840	371	(469)	4,579	3,739
<b>Change in Fixed Assets</b>	<b>\$ 12</b>	<b>\$ 702</b>	<b>\$ 690</b>	<b>\$ (2,946)</b>	<b>\$ (2,958)</b>
<b>TOTAL BUDGET</b>	<b>\$ 409,591</b>	<b>\$ 324,210</b>	<b>\$ (85,381)</b>	<b>\$ 423,143</b>	<b>\$ 13,552</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ 85,382</b>	<b>\$ 85,382</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	1.74	1.33	(0.41)	1.71	(0.03)

## Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	19.26	19.77	0.51
Direct Expenses	\$ 4,281,909	\$ 4,658,890	\$ 376,981
Indirect Expenses	\$ 442,994	\$ 575,856	\$ 132,862
Inc(Dec) in Fixed Assets	\$ (22,552)	\$ (22,872)	\$ (320)
Total Funding Requirement	\$ 4,702,351	\$ 5,211,874	\$ 509,523

### Program Scope and Functional Description

Monitoring, evaluating, investigating and enforcing compliance with Reliability Standards by owners, operators and users of the BES, as well as the development and adoption of the reliability standards themselves, are at the core of FRCC's mission. Reliable operation of the BES is in the public interest, because it will benefit all owners, operators and users of the BES, and, ultimately, all users and consumers of electric power in the FRCC Region.

Compliance and Enforcement activities are carried out by the FRCC compliance staff and are independent of all users, owners and operators of the BES. Compliance activities are governed by the delegation agreement between the North American Electric Reliability Corporation (NERC) and the FRCC. Through a risk-based program of monitoring, evaluating, enforcing, and if necessary, the imposition of penalties and sanctions for noncompliance with Reliability Standards, FRCC will strive to increase the level of reliable operation of the BES in the FRCC Region.

The NERC Compliance Monitoring and Enforcement Program (CMEP) is the program used by the FRCC to monitor, assess, and enforce compliance with Reliability Standards within the FRCC Region. The FRCC compliance staff works with the compliance staff of the other Regional Entities and with NERC to achieve as much consistency and transparency as possible in the implementation of the CMEP. The development and implementation of the Reliability Assurance Initiative (RAI) throughout 2014 and into early 2015 provides the foundation and guidance for NERC and the Regional Entities in moving to a risk-based environment aimed at focusing on those risks that are most important to the reliability of the BES.

### 2015 Highlights Compliance Monitoring and Enforcement Processes

In 2015 the FRCC will monitor, assess and enforce compliance with Reliability Standards using seven (7) monitoring processes (Compliance Audits, Self-Certifications, Spot Checking, Compliance Investigations, Self-Reporting, Periodic Data Submittals, and Complaints) to collect information in order to make assessments of compliance to Reliability Standards. However as risk based monitoring activities increase, strong consideration will be given by NERC and the

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Regions to modify the current three (3) and six (6) year audit cycles for registered entities. The rigor, scope, depth and recurrence of audits and spot checks will be assessed by the reliability risk and not a predetermined schedule.

### **Registration and Certification**

The FRCC has registered the organizations responsible for complying with Reliability Standards in accordance with Section 500 of the NERC Rules of Procedure. Currently there are 69 Registered Entities with a total of 244 registered functions. Maintaining a complete and accurate registration database will be an ongoing activity. The FRCC will develop, maintain and provide to NERC accurate information on entity registration within the FRCC Region with updates as changes occur. NERC and the Regional Entities began a review of the organization registration process in 2014 which may result in changes to the registration process that could begin in 2015. While expectations of increased activity are associated with the implementation of the BES Exception Process mid-2014, there is some uncertainty in the amount of activity associated with registration and certification of registered entities. The FRCC may consider the reallocation of existing resources should the need arise for additional support in this area.

### **Enforcement and Mitigation**

Enforcement actions taken by FRCC may include the imposition of remedial action directives, sanctions and penalties which are applied per the NERC Rules of Procedure. Mitigation of violations of the approved Reliability Standards remains central to the FRCC's reliability focus. Registered Entities found in violation of a Reliability Standard will be required to fully mitigate the violation regardless of any enforcement actions taken. The year 2014 continued to bring advances in enforcement discretion of violations with minimal impact to the reliability of the BES. This additional discretion will continue in 2015 through the development and implementation of the NERC Reliability Assurance Initiative allowing for more focus being placed on those violations that pose a more serious risk to the reliability of the BES.

### **2015 Key Assumptions**

- Audits are expected to continue under the current three and six year schedules until NERC and the Regional Entities transition to a more risk-based approach to compliance monitoring as developed in the Reliability Assurance Initiative (RAI).
- Reliability risk profiles for all Registered Entities will be developed and audit scopes will be tailored to the risk profiles which may increase the depth and complexity of some audits and decrease the depth and complexity of others. The consistent approach to audit scope methodology being developed as part of the RAI in 2014 is expected to be used in early 2015.
- Integration of the assessment of Registered Entity internal controls programs as part of the compliance monitoring program will allow NERC and the Regional Entities to further prioritize risk based compliance monitoring activities. Greater emphasis on internal controls provides positive incentives for industry to demonstrate effective management of compliance programs that are focused on reliability, as well as place downward pressure on compliance resource requirements for industry, NERC and the Regional Entities.
- The use of spot checks and self-certifications is expected to increase as risk-based monitoring is implemented, but that should have little effect on FRCC's overall resource requirements. The implementation of the Reliability Assurance Initiative and the

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expansion of the Find Fix and Track (FFT) process will require resources to complete the design and to begin implementing RAI for both compliance and enforcement.

- The approval of CIP V5 is anticipated to significantly increase the compliance monitoring activities. The effective date for compliance with the CIP Version 5 standards will be April 1, 2016 for High and Medium impact assets and April 1, 2017 for Low impact assets. The transition between V3 to V5 will be a mission critical activity for the ERO Enterprise in 2015. FRCC plans to support the ongoing CIP v5 transition plans and anticipates an expansion in the number of Registered Entities that require guidance during 2015. Additional training requirements will be necessary to support the transition and will affect the annual training commitments. For most CIP activities, the resource demands are expected to increase throughout the planning period.
- The number of non-CIP violations is expected to decrease as most registered entities have been audited and the standards and RSAWs have matured.
- The Technical Feasibility Exception (TFE) program will continue however the processing per the revised Appendix 4D, of the NERC Rules of Procedure, is expected to drive a less onerous process for TFE reporting and reviewing.
- Applications planned to be centralized, such as a common audit management tool, at NERC to improve consistency and efficiency, will require Regional Entity support and resources for development and implementation. A significant multiyear investment will be required to develop and implement the system which will be funded by NERC.
- NERC and the Regional Entities are expected to utilize consistent audit practices and focus on higher target reliability risks to increase efficiency and mitigate overall compliance costs.
- NERC and the Regional Entities will provide sufficient resources to develop or modify the RSAWs by the time a Standard is balloted which is required to support the Reliability Standards Development Plan.
- NERC and the Regional Entities must plan 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. Regional Entities will be expected to provide training documents and other related compliance guidance to compliance staff, review Auditor job descriptions and properly reflect the guidance provided in the Compliance Auditor Capabilities and Competency Guide, perform a gap analysis to identify both individual training needs and organizational compliance resource needs, provide an assessment process to evaluate audit team competencies and capability needs, and put a training program in place that addresses initial and continuing training for capability and competency development.
- NERC will continue to budget and incur the cost of a unified learning management system (LMS) for the regional audit staff and work with the Regional Entities to consolidate training resources and promote better coordination, planning, delivery and management of training efforts across the ERO.
- Additional resources will be required, and increases to NERC and Regional Entity training budgets are expected to support certain training initiatives of the RAI. Regional Entities are expected to allocate resources to meet the training requirements for the compliance and enforcement staff that are associated with the implementation of the RAI.

- Maintaining budgeted qualified compliance and enforcement staff will continue to be a challenge driven by a limited pool of qualified people and an aging work force. Investments in training less experienced personnel are likely to increase.

## 2015 Goals and Key Deliverables

The Compliance Monitoring and Enforcement Program objectives for 2015 are outlined below:

- Continue to assess and update entity registration and certification. The FRCC will support the implementation of the changes resulting from the registration review that began in 2014.
- Support the development and implementation of NERC's Reliability Assurance Initiative, including providing the necessary training for compliance and enforcement staff. Enforce compliance with mandatory reliability standards in accordance with the CMEP and ROP while improving consistency, quality, timeliness and utilizing more enforcement discretion for those violations that have minimal impact to the reliability of the BES.
- Develop and maintain reliability risk profiles of all registered entities in the FRCC Region for use in the continued transition to a more risk-based compliance monitoring.
- Implement the ERO Auditor Handbook and Manual and continue to work with NERC Compliance staff and other Regional Entity Compliance staff to modify compliance procedures to increase consistency in the determination of violations and penalties.
- Implement the common methodology developed in 2014 to assess risk and determine scope of monitoring activities. Conduct periodic audits, spot checks, self-certifications, and compliance investigations as required by the NERC Compliance Monitoring and Enforcement Program.
- Continue to promote the self-identification of non-compliance by Registered Entities and utilize increased discretion as appropriate. Ensure timely and thorough mitigation of all violations of mandatory reliability standards.
- Promote a culture of compliance excellence through education, transparency, information sharing and incentives.

## Funding Sources and Requirements — Explanation of Increase (Decrease)

- **Personnel Expenses** – The increase in FTEs and personnel expense can be primarily attributed to expected increased effort in the Organization Registration Program and the effect of having an addition to staff budgeted for May of 2014 for a full year in 2015. The increase in personnel expense is also due to a budgeted annual merit increase. These increases are partially offset by reduced expected benefit expenses based from medical expenses being less than anticipated in the 2014 budget.
- **Meeting Expenses** – Increased travel is expected in 2015 to meet expectations of NERC for meetings to ensure consistent implementation of the Reliability Assurance Initiative (RAI), RAI associated updates to the Auditor Handbook, and to support ERO IT development projects.
- **Operating Expenses** – Anticipated increased cost of the Compliance Software to implement RAI and NERC business rules, increased contract costs included in Contracts,

Consultants and Software for a security improvement initiative and the increased depreciation effect of the additions of same in 2014 and 2015 partially offset by an anticipated decrease in legal fees.

- **Indirect Expenses** - The increase in Indirect Expense is the result of a succession plan for expected future retirements.
- **Fixed Assets** – The increase in Fixed Assets is due to increased cost in enhancements of the Compliance Software, increased physical and cyber security measures and planned replacement of old computer equipment.

## Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2015 business plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection, and 2015 Budget

#### Compliance Monitoring & Enforcement and Organization Registration & Certification

	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 4,458,040	\$ 4,458,040	\$ -	\$ 5,099,302	\$ 641,262
Penalty Sanctions	244,311	244,311	-	112,572	(131,739)
<b>Total ERO Funding</b>	<b>\$ 4,702,351</b>	<b>\$ 4,702,351</b>	<b>\$ -</b>	<b>\$ 5,211,874</b>	<b>\$ 509,523</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 4,702,351</b>	<b>\$ 4,702,351</b>	<b>\$ -</b>	<b>\$ 5,211,874</b>	<b>\$ 509,523</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,411,701	\$ 2,368,964	\$ (42,737)	\$ 2,611,174	\$ 199,473
Payroll Taxes	151,798	151,129	(669)	162,386	10,588
Benefits	452,812	421,727	(31,085)	385,976	(66,836)
Retirement Costs	382,958	389,089	6,131	431,288	48,330
<b>Total Personnel Expenses</b>	<b>\$ 3,399,269</b>	<b>\$ 3,330,909</b>	<b>\$ (68,360)</b>	<b>\$ 3,590,824</b>	<b>\$ 191,555</b>
<b>Meeting Expenses</b>					
Meetings	\$ 4,915	\$ 7,412	\$ 2,497	\$ 12,729	\$ 7,814
Travel	92,966	81,240	(11,726)	122,194	29,228
Conference Calls	4,565	8,805	4,240	4,390	(175)
<b>Total Meeting Expenses</b>	<b>\$ 102,446</b>	<b>\$ 97,457</b>	<b>\$ (4,989)</b>	<b>\$ 139,313</b>	<b>\$ 36,867</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 119,235	\$ 225,494	\$ 106,259	\$ 214,984	\$ 95,749
Office Rent	406,366	413,633	7,267	404,082	(2,284)
Office Costs	69,926	74,111	4,185	80,150	10,224
Professional Services	83,069	30,900	(52,169)	37,762	(45,307)
Miscellaneous	-	-	-	-	-
Depreciation	101,598	148,536	46,938	191,775	90,177
<b>Total Operating Expenses</b>	<b>\$ 780,194</b>	<b>\$ 892,674</b>	<b>\$ 112,480</b>	<b>\$ 928,753</b>	<b>\$ 148,559</b>
<b>Total Direct Expenses</b>	<b>\$ 4,281,909</b>	<b>\$ 4,321,040</b>	<b>\$ 39,131</b>	<b>\$ 4,658,890</b>	<b>\$ 376,981</b>
<b>Indirect Expenses</b>	<b>\$ 442,994</b>	<b>\$ 509,116</b>	<b>\$ 66,122</b>	<b>\$ 575,856</b>	<b>\$ 132,862</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 4,724,903</b>	<b>\$ 4,830,156</b>	<b>\$ 105,253</b>	<b>\$ 5,234,746</b>	<b>\$ 509,843</b>
<b>Change in Assets</b>	<b>\$ (22,552)</b>	<b>\$ (127,805)</b>	<b>\$ (105,253)</b>	<b>\$ (22,872)</b>	<b>\$ (320)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (101,598)	\$ (148,536)	\$ (46,938)	\$ (191,775)	\$ (90,177)
Total Fixed Asset Purchases	79,046	127,708	48,662	168,903	89,857
<b>Change in Fixed Assets</b>	<b>\$ 22,552</b>	<b>\$ 20,828</b>	<b>\$ (1,724)</b>	<b>\$ 22,872</b>	<b>\$ 320</b>
<b>TOTAL BUDGET</b>	<b>\$ 4,702,351</b>	<b>\$ 4,809,328</b>	<b>\$ 106,977</b>	<b>\$ 5,211,874</b>	<b>\$ 509,523</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ (106,977)</b>	<b>\$ (106,977)</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	19.26	18.25	(1.01)	19.77	0.51

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessment and Performance Analysis Program</b>			
(in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	5.29	4.39	(0.90)
Direct Expenses	\$ 1,270,439	\$ 1,049,392	\$ (221,047)
Indirect Expenses	\$ 121,674	\$ 127,871	\$ 6,197
Inc(Dec) in Fixed Assets	\$ (814)	\$ 5,146	\$ 5,960
Total Funding Requirement	\$ 1,391,299	\$ 1,182,409	\$ (208,890)

### Program Scope and Functional Description

The FRCC will assess the reliability of the BES in the FRCC region and will continue to ensure that the planned system is robust, reliable and stable. The FRCC will participate in Event Analysis Teams to analyze any disturbances that may occur within the FRCC region.

The FRCC performs transmission reliability studies in order to provide an assessment to NERC for its periodic NERC Reliability Assessments. These studies evaluate regional and inter-regional facilities. The FRCC prepares a minimum of three reliability assessments each year and a probabilistic assessment every other year in support of NERC Reliability Assessments:

- A 20 year long-term reliability assessment report
- A summer assessment report
- A winter assessment report
- A probabilistic long-term reliability assessment (biennial)

These reports evaluate electricity demand, the adequacy of supply and its deliverability, fuel reliability and the adequacy of the transmission system within the FRCC. The FRCC will prepare special reliability assessment reports as conditions warrant.

The FRCC Reliability Assessment and Performance Analysis Program (RA) will support NERC's efforts to move toward and implement an outcome based approach in Reliability Assessments to achieve measureable improvements in the BES reliability. Risks will be identified and prioritized based on reliability impacts, cost/practicality of assessments, projected resources, and emerging issues. The FRCC will support NERC's efforts for collection and analysis of data, as well as support any of NERC's special reliability assessments and the efforts related to the collection of data via the Generation Availability Data System (GADS), Transmission Availability Data System (TADS) and Demand Response Availability Data System (DADS). In addition, the FRCC will work with NERC to gather data and/or complete

analysis in support of U.S. Federal initiatives, including high impact/low frequency events such as geomagnetic disturbances, system frequency response analysis, climate change and other environmental regulations.

The FRCC will support a new ERO initiative focused on identifying essential reliability services and providing the industry with technical papers and guidelines as appropriate.

The FRCC actively participates in the Eastern Interconnection Reliability Assessment Group (ERAG) which is responsible for the Eastern Interconnection transmission models and inter-regional studies. The FRCC will support NERC's and ERAG's efforts to improve the data quality of the Eastern Interconnection (EI) transmission models and validate the performance of these models compared to system events. The FRCC is an active participant on the NERC Reliability Assessment Subcommittee which is responsible for performing an independent review of reliability assessments.

The FRCC Events Analysis Program will analyze or support the analysis of significant events and system performance that impact the BES within the FRCC Region. The FRCC will facilitate consistent identification of sequence, root cause and remediation to identify reliability risks and trends, and lessons learned. FRCC's analysis will result in the identification of any gaps in standards, compliance effectiveness, registration and risk controls effectiveness. The FRCC will provide lessons learned and recommendations from events and identified risks.

The FRCC will support NERC to improve event causal analysis, communication of lessons learned, tracking of recommendations, and implementation of best practices. The FRCC will support NERC to continue to improve consistency, quality, timeliness and cost effectiveness of NERC and Regional Entity data collection, analysis systems and capabilities through process improvements and more effective coordination and collaboration.

## 2015 Key Assumptions

- NERC will continue to incrementally improve definitions, refine data reporting requirements for Registered Entities and review adequate level of reliability related metrics used in reliability assessments.
- NERC and Regional Entities will be requested to gather data or perform analysis in support of federal initiatives related to critical infrastructure protection including high impact/low frequency, climate change, environmental regulations, and/or renewable energy initiatives. Generation Availability Data System (GADS), Spare Equipment Database (SED) and Demand Response Data System (DADS) collection will continue to be mandatory in 2015.
- NERC and the Regional Entities are expected to provide independent reviews of assessments to assure a high level of technical rigor.
- Implementation of the BES exception process will require the re-allocation of resources from several NERC and Regional Entity departments. The resources will be expected to manage the process execution, technical validation of the definition and exception requests, self-determined notification submittals and requests for registration and certification review. The resource impacts are not fully known at this time, but are expected to be driven by the number and complexity of exception requests, self-determined notification submittals and registration requests received.

- NERC has established an Essential Reliability Services Task Force that may have an impact on resource requirements in order to support the work of this task force which is expected to have weekly conference calls and two or three in person meetings.
- NERC will sustain a Reliability Assessment and Performance Analysis team with representatives from the Regional Entities to:
  - Develop and implement improved enterprise-based data collection and analysis systems and capabilities
  - Support the integration of RAPA information systems for modeling and data requirements and achieve timelines for delivering high quality reports
  - Develop, verify and validate quality reliability assessment and analyses model and data quality characteristics
  - Address impacts of new technologies, changing resource or demand resource composition, and environmental related regulations or legislation
  - Support the compilation of long-term sustainable Eastern Interconnection models
  - Provide technical resources and expertise to perform analyses as needed for standards development, compliance and enforcement activities
  - Support quality analysis and overall assessment of the geomagnetic disturbance (GMD) vulnerability, planning guides and planning standards.
- The number of “qualified system events” as defined in the NERC Events Analysis Process, is expected to remain steady (approximately 10 per month across North America). Greater collaboration with the region and the registered entity is leading to more detailed analysis and supporting the identification of reliability issues and challenges.

## 2015 Goals and Key Deliverables

The Reliability Assessment and Performance Analysis Objectives for 2015 are outlined below:

- Perform a reliability assessment of the FRCC Region to determine if the planned resources and proposed transmission expansion plans will meet the needs of the projected demand throughout the planning horizon.
- Support NERC in preparing its reliability assessment reports.
- Support the implementation of the BES exception process. This will include providing a technical review of exception requests that are submitted by the registered entities.
- Support the work of the newly created Essential Reliability Services Task Force by assigning an FRCC Staff person to support this NERC initiative.
- Evaluate, track and assess severity/risk and reliability metrics and risk indices – including providing support to update reliability metrics and risk indices.
- Support data gathering and reporting efforts for the Generating Availability Data System (GADS), the Transmission Availability Data System (TADS), Spare Equipment Database (SED) and Demand Response Availability Data System (DADS).

- Strengthen data collection and validation processes by designing, creating, testing and implementing data checking systems to accommodate the increasing amount of data NERC collects for its long-term, seasonal, operational, scenarios and special reliability assessments along with the databases supporting reliability performance assessments.
- Review and/or analyze significant events that impact the FRCC BES and work with NERC to identify the root causes of events that may be precursors of potentially more serious events.
- Assess past reliability performance for potential lessons learned.
- Maintain relationships with NERC, regulatory and governmental organizations involved with BES reliability (e.g., Florida Public Service Commission (FPSC), Department of Energy (DOE), FERC, Energy Information Administration (EIA), etc.).
- Maintain a databank of power flow, short circuit and dynamic models to use in planning and evaluating future systems and current operating conditions.
- Work with ERAG Multi-Area Modeling Working Group (MMWG) to develop Eastern Interconnection steady-state and dynamics models and develop model validation processes.
- Conduct Loss of Load Probability and the Scenario Analysis studies as needed.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

- **Personnel Expenses** – In 2014, the committee structure was streamlined to reduce the amount of time that staff spent preparing for meetings and participating in meetings. Previously, the FRCC conducted business associated with Reliability Assessments in both the Operating Committee and the Planning Committee. This approach resulted in staff members attending multiple meetings each month to cover the same topics. With the revised structure, all Regional Entity activities will be conducted in one forum; the new Regional Entity Committee and Compliance Forum (RECCF). In addition to consolidating the Regional Entity activities under the RECCF, it was also determined that the RECCF will not need to meet monthly, but will meet face-to-face six times in 2015. This new construct will allow FRCC staff to complete the Reliability Assessment deliverables much more efficiently and drives the decrease to FTEs and personnel expenses.
- **Meeting Expenses** – With the formation of the RECCF, there will be fewer meetings required to complete the RA deliverables decreasing Meeting Expenses.
- **Operating Expenses** – The decrease is due to an anticipated decrease in legal fees and a reduction in certain consultant expenses which have been consistently over-budgeted.
- **Indirect Expenses** - The increase in Indirect Expense is the result of a succession plan for expected future retirements.
- **Fixed Assets** – The increase in Fixed Assets is due to increased physical and cyber security measures and planned replacement of old computer equipment.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 1,300,196	\$ 1,300,196	\$ -	\$ 1,133,412	\$ (166,784)
Penalty Sanctions	67,103	67,103	-	24,997	(42,106)
<b>Total ERO Funding</b>	<b>\$ 1,367,299</b>	<b>\$ 1,367,299</b>	<b>\$ -</b>	<b>\$ 1,158,409</b>	<b>\$ (208,890)</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	24,000	24,000	-	24,000	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 1,391,299</b>	<b>\$ 1,391,299</b>	<b>\$ -</b>	<b>\$ 1,182,409</b>	<b>\$ (208,890)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 662,404	\$ 552,292	\$ (110,112)	\$ 580,711	\$ (81,693)
Payroll Taxes	41,693	35,234	(6,459)	36,114	(5,579)
Benefits	99,378	84,437	(14,941)	82,646	(16,732)
Retirement Costs	105,185	90,711	(14,474)	92,914	(12,271)
<b>Total Personnel Expenses</b>	<b>\$ 908,660</b>	<b>\$ 762,674</b>	<b>\$ (145,986)</b>	<b>\$ 792,385</b>	<b>\$ (116,275)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 6,674	\$ 1,307	\$ (5,367)	\$ 1,612	\$ (5,062)
Travel	43,265	34,637	(8,628)	47,375	4,110
Conference Calls	8,543	1,437	(7,106)	447	(8,096)
<b>Total Meeting Expenses</b>	<b>\$ 58,482</b>	<b>\$ 37,381</b>	<b>\$ (21,101)</b>	<b>\$ 49,434</b>	<b>\$ (9,048)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 192,989	\$ 130,637	\$ (62,352)	\$ 122,547	\$ (70,442)
Office Rent	70,623	61,640	(8,983)	56,646	(13,977)
Office Costs	13,480	12,843	(637)	14,617	1,137
Professional Services	22,829	7,204	(15,625)	8,398	(14,431)
Miscellaneous	-	-	-	-	-
Depreciation	3,376	4,213	837	5,365	1,989
<b>Total Operating Expenses</b>	<b>\$ 303,297</b>	<b>\$ 216,537</b>	<b>\$ (86,760)</b>	<b>\$ 207,573</b>	<b>\$ (95,724)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,270,439</b>	<b>\$ 1,016,592</b>	<b>\$ (253,847)</b>	<b>\$ 1,049,392</b>	<b>\$ (221,047)</b>
<b>Indirect Expenses</b>	<b>\$ 121,674</b>	<b>\$ 118,694</b>	<b>\$ (2,980)</b>	<b>\$ 127,871</b>	<b>\$ 6,197</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,392,113</b>	<b>\$ 1,135,286</b>	<b>\$ (256,827)</b>	<b>\$ 1,177,263</b>	<b>\$ (214,850)</b>
<b>Change in Assets</b>	<b>\$ (814)</b>	<b>\$ 256,013</b>	<b>\$ 256,827</b>	<b>\$ 5,146</b>	<b>\$ 5,960</b>
<b>Fixed Assets</b>					
Depreciation	\$ (3,376)	\$ (4,213)	\$ (837)	\$ (5,365)	\$ (1,989)
Total Fixed Asset Purchases	2,562	1,186	(1,376)	10,511	7,949
<b>Change in Fixed Assets</b>	<b>\$ 814</b>	<b>\$ 3,027</b>	<b>\$ 2,213</b>	<b>\$ (5,146)</b>	<b>\$ (5,960)</b>
<b>TOTAL BUDGET</b>	<b>\$ 1,391,299</b>	<b>\$ 1,132,259</b>	<b>\$ (259,040)</b>	<b>\$ 1,182,409</b>	<b>\$ (208,890)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ 259,040</b>	<b>\$ 259,040</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	5.29	4.26	(1.03)	4.40	(0.89)

## Training, Education, and Operator Certification Program

<b>Training, Education and Operator Certification Program</b>			
(in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.67	0.91	0.24
Direct Expenses	\$ 257,163	\$ 295,452	\$ 38,289
Indirect Expenses	\$ 15,410	\$ 26,506	\$ 11,096
Inc(Dec) in Fixed Assets	\$ (263)	\$ (433)	\$ (170)
Total Funding Requirement	\$ 272,310	\$ 321,525	\$ 49,215

### Program Scope and Functional Description

The FRCC is a NERC-approved Continuing Education (CE) Provider. The FRCC System Operator Subcommittee (SOS) develops and delivers training in which FRCC grants NERC CE hours to those individuals who successfully complete a course. FRCC will utilize the NERC database to accommodate the recordkeeping requirements for the continuing education program. Maintaining the reliability of the BES requires informed and trained personnel. The FRCC supports training activities through its staff and its System Operator Subcommittee which reports to the FRCC Operating Committee.

The FRCC provides educational workshops and web based seminars to improve Registered Entity understanding of the FRCC CMEP, NERC Standards Development and CIP topics and trends. These outreach efforts are aimed at improving the effectiveness, understanding of and adherence to NERC reliability initiatives. The workshops also improve the working relationships between the FRCC Regional Entity program areas and the Registered Entities within the FRCC region.

### System Operator Certification Program

The FRCC SOS identifies and manages annual training activities for the FRCC System Operators and provides information to FRCC members regarding the NERC training standards and any issues they may have related to system operators obtaining/retaining required NERC Certification.

The training and education program activities are carried out by FRCC's professional/technical staff and SOS members possessing the appropriate technical knowledge and competencies. In addition, vendors that specialize in System Operator training are also used. Providing the FRCC training and education programs helps to achieve a high level of knowledge and competence among the operating personnel in the performance of their reliability-related functions.

### Compliance Workshops

Compliance workshops will be held in the spring and fall of 2015 consisting of three (3) sessions each. These workshops will be aimed at providing updates to the Registered Entities on

compliance procedures, instructions on changes to FRCC compliance website, lessons learned for previous violations and providing sufficient and appropriate evidence in a compliance audit. The entities will also be apprised of changes in rules and expectations of NERC and FERC with regard to the CMEP. The effect on compliance monitoring as a result of on-going changes in the NERC and Regional Reliability Standards will also be addressed.

In addition, there will be at least one (1) CIP Compliance Workshop that will address technical aspects of the CIP Reliability Standards, including, providing quality evidence, lessons learned and compliance processes specific to the monitoring and enforcement of the CIP standards. In addition, particular focus will be made on the transition from CIP V3 to CIP V5 standards.

In addition to the face to face venues, in 2015 FRCC compliance staff projects holding at least three (3) webinars (two sessions each) that will address specific topics that may be identified by registered entities or by emerging trends within the FRCC.

### **Standards Workshops**

The FRCC Standards Department will be supporting and participating in various FRCC sponsored workshops (e.g., FRCC Compliance Workshops and FRCC SOS seminars) throughout 2015. The Standards Department contribution to the workshops will be designed to promote stakeholder awareness of Reliability Standards activities as well as education and training for new or revised Reliability Standards. In addition, the FRCC Standards Department plans to hold at least four (4) workshops or webinars that will educate stakeholders on the NERC Reliability Standards Development Procedure, and specific changes to existing reliability standards or specifics on new reliability standards. To help encourage stakeholder participation at the continent-wide level, the workshops will provide stakeholders with details of associated NERC Reliability Standards Development Projects, identifying key areas that may be of concern or interest to the stakeholders and identifying areas that are in need of industry support.

### **2015 Key Assumptions**

- The Operating Personnel Certification program is expected to remain at steady state therefore no significant changes are expected in System Operator Certification CEH requirements through 2015.
- The System Operator Certification Program and Continuing Education Program will continue to be self-funded through a fee based structure for the exams and applications for approval of continuing education activities.
- The Regional Entities are expected to help determine training needs and anticipate areas of support for standards, compliance monitoring and enforcement and information technology (IT) for their staffs and stakeholders.

### **2015 Goals and Key Deliverables**

The training, education and operator certification program objectives for 2015 are outlined below:

- Provide assistance to Regional Entity members in any issues they may have related to System Operator Certification.

- Conduct the annual system operator training seminars over a five (5) week period, with two (2) days each for the training. The training seminars involve from two (2) to four (4) FRCC staff members, as well as industry volunteers who participate as presenters. This activity is funded primarily through registration fees.
- Host FRCC Compliance Workshops and Webinars open to all FRCC Members and Registered Entities aimed at providing updates on compliance procedures, instructions on changes to compliance tools, changes associated with the implementation of the RAI and guidance on the providing of appropriate and sufficient evidence in a compliance audit.
- Host Reliability Standards Workshops and Webinars open to all FRCC Members and Registered Entities aimed at providing information concerning reliability standards under development, as well as the identification of technical concerns or issues that may impact the reliability of the FRCC BES.
- Conduct FRCC Reliability Standards Department presentations to support multiple training objectives (i.e., FRCC Compliance Workshops and FRCC SOS Seminars) to promote stakeholder awareness of continent wide and regional standards activities.
- Work with NERC and the other Regional Entities to achieve improvements in the coordination, content and manner of internal and external training programs.

#### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

- **Personnel Expenses** – The increase in FTEs and Personnel Expenses is due to more time planned to be spent on training and education of registered entities in elements pertaining to the Reliability Assurance Initiative and in expectation of the transition to CIP Version 5. The increase in personnel expense is also due to a budgeted annual merit increase.
- **Meeting Expenses** – The decrease in Meeting Expenses is due to the anticipation that the cost for the SOS meeting facility will be less than it has been in the past.
- **Operating Expenses** – The increase in Operating Expenses is due to the cost of a security improvement initiative offset by an anticipated decrease in legal fees.
- **Indirect Expenses** - The increase in Indirect Expense is the result of a succession plan for expected future retirements.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>Training, Education and Operator Certification</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 173,812	\$ 173,812	\$ -	\$ 226,344	\$ 52,532
Penalty Sanctions	8,499	8,499	-	5,182	(3,317)
<b>Total ERO Funding</b>	<b>\$ 182,310</b>	<b>\$ 182,310</b>	<b>\$ -</b>	<b>\$ 231,525</b>	<b>\$ 49,215</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	90,000	115,369	25,369	90,000	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 272,310</b>	<b>\$ 297,679</b>	<b>\$ 25,369</b>	<b>\$ 321,525</b>	<b>\$ 49,215</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 83,896	\$ 65,388	\$ (18,508)	\$ 119,243	\$ 35,347
Payroll Taxes	5,281	4,171	(1,110)	7,416	2,135
Benefits	11,616	20,293	8,677	14,228	2,612
Retirement Costs	13,325	10,740	(2,585)	19,079	5,754
<b>Total Personnel Expenses</b>	<b>\$ 114,118</b>	<b>\$ 100,592</b>	<b>\$ (13,526)</b>	<b>\$ 159,966</b>	<b>\$ 45,848</b>
<b>Meeting Expenses</b>					
Meetings	\$ 67,248	\$ 38,432	\$ (28,816)	\$ 52,311	\$ (14,937)
Travel	5,996	5,674	(322)	4,616	(1,380)
Conference Calls	5,481	4,013	(1,468)	4,433	(1,048)
<b>Total Meeting Expenses</b>	<b>\$ 78,725</b>	<b>\$ 48,119</b>	<b>\$ (30,606)</b>	<b>\$ 61,360</b>	<b>\$ (17,365)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 29,259	\$ 51,473	\$ 22,214	\$ 37,104	\$ 7,845
Office Rent	8,945	7,298	(1,647)	11,632	2,687
Office Costs	22,610	26,705	4,095	22,613	3
Professional Services	2,916	853	(2,063)	1,725	(1,191)
Miscellaneous	-	-	-	-	-
Depreciation	590	774	184	1,052	462
<b>Total Operating Expenses</b>	<b>\$ 64,320</b>	<b>\$ 87,103</b>	<b>\$ 22,783</b>	<b>\$ 74,126</b>	<b>\$ 9,806</b>
<b>Total Direct Expenses</b>	<b>\$ 257,163</b>	<b>\$ 235,814</b>	<b>\$ (21,349)</b>	<b>\$ 295,452</b>	<b>\$ 38,289</b>
<b>Indirect Expenses</b>	<b>\$ 15,410</b>	<b>\$ 14,055</b>	<b>\$ (1,355)</b>	<b>\$ 26,506</b>	<b>\$ 11,096</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 272,573</b>	<b>\$ 249,869</b>	<b>\$ (22,704)</b>	<b>\$ 321,958</b>	<b>\$ 49,385</b>
<b>Change in Assets</b>	<b>\$ (263)</b>	<b>\$ 47,810</b>	<b>\$ 48,073</b>	<b>\$ (433)</b>	<b>\$ (170)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (590)	\$ (774)	\$ (184)	\$ (1,052)	\$ (462)
Total Fixed Asset Purchases	327	140	(187)	619	292
<b>Change in Fixed Assets</b>	<b>\$ 263</b>	<b>\$ 634</b>	<b>\$ 371</b>	<b>\$ 433</b>	<b>\$ 170</b>
<b>TOTAL BUDGET</b>	<b>\$ 272,310</b>	<b>\$ 249,235</b>	<b>\$ (23,075)</b>	<b>\$ 321,525</b>	<b>\$ 49,215</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ 48,444</b>	<b>\$ 48,444</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	0.67	0.50	(0.17)	0.90	0.23

## Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security Program</b>			
(in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.08	0.09	0.01
Direct Expenses	\$ 19,932	\$ 23,058	\$ 3,126
Indirect Expenses	\$ 1,840	\$ 2,621	\$ 781
Inc(Dec) in Fixed Assets	\$ (2,392)	\$ (2,398)	\$ (6)
Total Funding Requirement	\$ 19,380	\$ 23,281	\$ 3,901

### Program Scope and Functional Description

The FRCC and the other Regional Entities support the ERO's situational awareness, cyber security preparedness and provide independent reliability information to policy makers and regulators. The Reliability Process for the FRCC Bulk Electric System documents the various reliability roles and functions that are coordinated, monitored and established by FRCC to provide situation awareness of the reliability of the FRCC BES. Two of the primary reliability goals of the FRCC are continuous improvement of the situation awareness of the operators within the FRCC and ensuring that adequate physical, operational and cyber security objectives are in place for the Regions' shared communications networks.

The FRCC supports NERC's situation awareness/event analysis coordination conference calls, the Situation Awareness for FERC, NERC and the Regions (SAFNR) Version 2 project and the FRCC satellite phone for situation awareness.

The NERC Rules of Procedure, Section 1000, requires that NERC monitor present conditions on the BES and provide leadership coordination, technical expertise and assistance to the industry in responding to events as necessary.

The Situation Awareness process will be used to support NERC and FERC's efforts for situation awareness of current system conditions.

### 2015 Key Assumptions

- NERC's Critical Infrastructure Department will have responsibility for the identification and management of the specialized critical infrastructure protection resources needed to support overall ERO CIP goals and objectives, as well as the specialized CIP resources needs of the other program areas (e.g., Standards, Compliance, Situation Awareness)
- NERC will continue to budget and incur costs to operate and maintain the software applications and systems known as Situational Awareness for NERC, FERC and Regions (SAFNR). NERC will also continue to fund the Grid Security Exercise (GridEx) and the Security Readiness Program to help Registered Entities with CIP compliance and security

awareness. The Regional Entities will be expected to provide subject matter experts for support of these activities.

- NERC will continue to fund, operate and maintain the Electricity Sector Information Sharing and Analysis Center (ES-ISAC), with no increased cost to Regional Entities.
- There will be increased need and demand for CIP-related training and workshops. CIP compliance activities are budgeted within compliance. FRCC will continue to support and facilitate the development of NERC's secure portal for the management of alerts and infrastructure security information.
- There will be continued focus on detecting off-normal events to be analyzed by the responsible entity, FRCC or NERC.

### 2015 Goals and Key Deliverables

- Ensure that FRCC goals and activities support the mission to provide FERC, NERC and the staffs from the eight Regional Entities a visualization tool that enables the appropriate level of situation awareness for the near real-time conditions on the BES. Continue to work with the FRCC Reliability Coordinator to ensure that SAFNR and appropriate hardware and software resources are allocated. Continue to support future development of the situation awareness project capabilities.
- Issue and track security recommendations to protect the Bulk Power System. Share information learned in Situation Awareness with the Events Analysis program to develop relevant lessons learned.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

- **Personnel Expenses** – There is a de minimus (0.01) increase in FTEs. The increase in personnel expense is due to a budgeted annual merit increase.
- **Operating Expenses** –The increase in Operating Expenses is driven by the cost of a security improvement initiative offset by an anticipated decrease in legal fees.
- **Indirect Expenses** - The increase in Indirect Expense is the result of a succession plan for expected future retirements.

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2015 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2014 Budget & Projection, and 2015 Budget					
Situation Awareness and Infrastructure Security					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 18,365	\$ 18,365	\$ -	\$ 22,769	\$ 4,404
Penalty Sanctions	1,015	1,015	-	512	(502)
<b>Total ERO Funding</b>	<b>\$ 19,380</b>	<b>\$ 19,380</b>	<b>\$ -</b>	<b>\$ 23,281</b>	<b>\$ 3,901</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 19,380</b>	<b>\$ 19,380</b>	<b>\$ -</b>	<b>\$ 23,281</b>	<b>\$ 3,901</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 10,017	\$ 7,735	\$ (2,282)	\$ 12,256	\$ 2,239
Payroll Taxes	631	493	(138)	762	131
Benefits	1,387	1,015	(372)	1,463	76
Retirement Costs	1,591	1,270	(321)	1,961	370
<b>Total Personnel Expenses</b>	<b>\$ 13,626</b>	<b>\$ 10,513</b>	<b>\$ (3,113)</b>	<b>\$ 16,442</b>	<b>\$ 2,816</b>
<b>Meeting Expenses</b>					
Meetings	\$ 13	\$ 18	\$ 5	\$ 34	\$ 21
Travel	69	68	(1)	99	30
Conference Calls	8	21	13	9	1
<b>Total Meeting Expenses</b>	<b>\$ 90</b>	<b>\$ 107</b>	<b>\$ 17</b>	<b>\$ 142</b>	<b>\$ 52</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 209	\$ 234	\$ 25	\$ 401	\$ 192
Office Rent	1,068	863	(205)	1,196	128
Office Costs	2,162	1,540	(622)	2,237	75
Professional Services	346	101	(245)	178	(168)
Miscellaneous	-	-	-	-	-
Depreciation	2,431	2,440	9	2,462	31
<b>Total Operating Expenses</b>	<b>\$ 6,216</b>	<b>\$ 5,178</b>	<b>\$ (1,038)</b>	<b>\$ 6,474</b>	<b>\$ 258</b>
<b>Total Direct Expenses</b>	<b>\$ 19,932</b>	<b>\$ 15,798</b>	<b>\$ (4,134)</b>	<b>\$ 23,058</b>	<b>\$ 3,126</b>
<b>Indirect Expenses</b>	<b>\$ 1,840</b>	<b>\$ 1,660</b>	<b>\$ (180)</b>	<b>\$ 2,621</b>	<b>\$ 781</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 21,772</b>	<b>\$ 17,458</b>	<b>\$ (4,314)</b>	<b>\$ 25,679</b>	<b>\$ 3,907</b>
<b>Change in Assets</b>	<b>\$ (2,392)</b>	<b>\$ 1,922</b>	<b>\$ 4,314</b>	<b>\$ (2,398)</b>	<b>\$ (6)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (2,431)	\$ (2,440)	\$ (9)	\$ (2,462)	\$ (31)
Total Fixed Asset Purchases	39	17	(22)	64	25
<b>Change in Fixed Assets</b>	<b>\$ 2,392</b>	<b>\$ 2,423</b>	<b>\$ 31</b>	<b>\$ 2,398</b>	<b>\$ 6</b>
<b>TOTAL BUDGET</b>	<b>\$ 19,380</b>	<b>\$ 15,035</b>	<b>\$ (4,345)</b>	<b>\$ 23,281</b>	<b>\$ 3,901</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ 4,345</b>	<b>\$ 4,345</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	0.08	0.06	(0.02)	0.09	0.01

## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.36	4.04	0.68
Expenses	\$ 623,583	\$ 782,663	\$ 159,080
Inc(Dec) in Fixed Assets	\$ (1,643)	\$ -	\$ 1,643
Total Allocation to Statutory Programs	\$ 621,940	\$ 782,663	\$ 160,723
Working Capital Requirement	\$ (849,875)	\$ (657,395)	\$ 192,480

### Program Scope and Functional Description Background

Charges included in General and Administrative are general legal expenses, executive time and expenses, human resources, information technology and accounting and finance. Every effort is made to charge items and time directly to activities and to designate as statutory or non-statutory. Undesignated items are shared costs between the Regional Entity Division and the Member Services Division and are allocated based on actual labor hours charged.

### Legal and Regulatory Background

The FRCC General Counsel serves as the chief legal advisor to the President and CEO, Board of Directors, staff and stakeholders on all legal and regulatory matters affecting the FRCC. FRCC may use additional specialized legal resources on an as-needed basis, such as for tax matters, employee benefit plan issues and significant policy or FERC matters.

### 2015 Goals and Key Deliverables

- Assist the FRCC in carrying out its responsibilities as required by the approved delegation agreement between NERC and FRCC.
- Provide general corporate legal advice, legal training and timely, accurate filings to Regulatory authorities.

### 2015 Assumptions

In the 2015 Budget, as in the 2014 and 2013 budgets, there are no specific funds for hearings under CMEP Rules.

### Information Technology Background

The FRCC maintains a number of tools and other support services for the benefit of its members, Registered Entities, Reliability Coordinator agent(s) and other system operators. These services include the FRCC Load and Resource Database (LRDB), the Compliance Tracking System (CTS), Compliance Issues Tracking System (CITS), Models on Demand (MOD), the FRCC corporate website, as well as other systems for collaboration, communication, data gathering and analysis.

Several years ago, NERC and the eight (8) Regional Entities formed an executive management group (known as the ERO EMG) which has, among other things, concentrated on developing enterprise-wide IT applications; with a goal of improving efficiency and consistency across NERC and the Regional Entities. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed through a single Project Management Office (PMO) at NERC. The PMO has developed an ERO Enterprise application roadmap that will identify projects that NERC and the Regional Entities have agreed upon that are necessary to support improved efficiency and consistency across the ERO.

The NERC IT budget does not supplant the FRCC's need for IT expenditures for specific regional projects, but to the extent that agreed –upon ERO Enterprise applications provide greater efficiencies, there is no unnecessary, redundant expenditures contained in the FRCC business plan and budget.

### **2015 Goals and Key Deliverables**

- Maintain IT and telecommunications systems and resources for efficient utilization of FRCC personnel.
- Improve the physical security of the FRCC office with additional access control and logging.
- Implement updated communications tools and technologies.
- Develop and enhance tools to automate and improve FRCC data collection and analysis processes.
- Expand IT support of the FRCC CMEP and provide additional metrics to improve accuracy and tracking within the CMEP processes.
- Continue the process of Document Management conversion in the Operating and Planning and Administrative programs.
- Implement needed changes to improve the FRCC corporate security posture as identified in the security assessment performed in 2014; improve overall security in all programs, enhance access controls with improved authentication mechanisms and increase security awareness and training.
- Improve disaster recovery and business continuity capabilities by implementing new geographically diverse data recovery solutions.

### **Human Resources Background**

The FRCC has assembled an exceptional team of highly qualified employees to carry out the activities of the FRCC. The human resources department, in adherence with applicable federal and state laws, develops plans, and implements human resources policies and procedures, including staffing, compensation, benefits, employee relations, and training and development.

### **2015 Goals and Key Deliverables**

- Recruit successful employees
- Improve human resource policies and procedures

- Provide management and training programs
- Ensure competitive employee compensation and benefits

### **Finance and Accounting Background**

The FRCC will submit its annual budget for statutory and non-statutory activities to the FRCC Board of Directors for approval and then file the approved annual budget for statutory and non-statutory activities to NERC. This includes supporting materials such as a complete business plan and organizational chart, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures.

The Finance and Accounting Department will: direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget preparation and reporting, tax, and audit activities; and oversee financial and accounting system controls and standards.

### **2015 Goals and Key Deliverables**

- Prepare the 2016 statutory and non-statutory budgets
- Report budget variances to the FRCC Corporate Compliance Finance and Audit Committee, the FRCC Board and to NERC on a quarterly basis
- Evaluate and advise on the impact of long-range planning
- Continue to provide on-going training to employees to ensure employees charge their time correctly
- Carry out succession planning and training in anticipation of retirement of key personnel

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

- **Personnel Expenses** – The increase is the result of a succession plan for an anticipated retirement and the training costs associated with that transition. The increase in personnel expense is also due to a budgeted annual merit increase.
- **Operating Expenses** – The increase in Operating Expenses is driven by the increased contract costs included in Contracts, Consultants and Software for a security improvement initiative.

## General and Administrative

Funding sources and related expenses for the general and administrative section of the 2015 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2014 Budget &amp; Projection, and 2015 Budget</b>					
<b>General and Administrative</b>					
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ (849,875)	\$ (849,875)	\$ -	\$ (657,395)	\$ 192,480
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<u>\$ (849,875)</u>	<u>\$ (849,875)</u>	<u>\$ -</u>	<u>\$ (657,395)</u>	<u>\$ 192,480</u>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ (849,875)</u>	<u>\$ (849,875)</u>	<u>\$ -</u>	<u>\$ (657,395)</u>	<u>\$ 192,480</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 420,733	\$ 462,932	\$ 42,199	\$ 533,458	\$ 112,725
Payroll Taxes	26,482	29,533	3,051	33,175	6,693
Benefits	58,253	57,398	(855)	62,568	4,315
Retirement Costs	65,227	74,173	8,946	85,353	20,126
<b>Total Personnel Expenses</b>	<u>\$ 570,695</u>	<u>\$ 624,036</u>	<u>\$ 53,341</u>	<u>\$ 714,554</u>	<u>\$ 143,859</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 2,547	\$ 3,202	\$ 655	\$ 11,301	\$ 8,754
Office Rent	44,857	51,666	6,809	52,037	7,180
Office Costs	3,841	1,807	(2,034)	4,771	930
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	1,643	-	(1,643)	-	(1,643)
<b>Total Operating Expenses</b>	<u>\$ 52,888</u>	<u>\$ 56,675</u>	<u>\$ 3,787</u>	<u>\$ 68,109</u>	<u>\$ 15,221</u>
<b>Total Direct Expenses</b>	<u>\$ 623,583</u>	<u>\$ 680,711</u>	<u>\$ 57,128</u>	<u>\$ 782,663</u>	<u>\$ 159,080</u>
<b>Indirect Expenses</b>	<u>\$ (623,583)</u>	<u>\$ (680,711)</u>	<u>\$ (57,128)</u>	<u>\$ (782,663)</u>	<u>\$ (159,080)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ (849,875)</u>	<u>\$ (849,875)</u>	<u>\$ -</u>	<u>\$ (657,395)</u>	<u>\$ 192,480</u>
<b>Fixed Assets</b>					
Depreciation	\$ (1,643)	\$ -	\$ 1,643	\$ -	\$ 1,643
Total Fixed Asset Purchases	-	-	-	-	-
<b>Change in Fixed Assets</b>	<u>\$ 1,643</u>	<u>\$ -</u>	<u>\$ (1,643)</u>	<u>\$ -</u>	<u>\$ (1,643)</u>
<b>TOTAL BUDGET</b>	\$ -	\$ -	\$ 1,643	\$ -	\$ 1,643
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<u>\$ (849,875)</u>	<u>\$ (849,875)</u>	<u>\$ (1,643)</u>	<u>\$ (657,395)</u>	<u>\$ 190,837</u>
FTEs	3.36	3.57	0.21	4.04	0.68

## **Section B – Supplemental Financial Information**

### **2015 Business Plan and Budget**

## Reserve Balance

Table B-1

<b>Working Capital Reserve Analysis 2014-2015</b>	
STATUTORY	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2013</b>	1,966,888
Less: Penalty sanctions being held to be used as offset to 2015 assessments <sup>1</sup>	<b>(153,000)</b>
Plus: 2014 ERO Funding (from LSEs or designees)	5,488,058
Plus: Projected 2014 Other funding sources	139,369
Plus: Penalty Sanctions Applied	343,000
Less: 2014 Projected expenses & capital expenditures	<b>(6,530,067)</b>
<b>Projected Working Capital Reserve Surplus/(Deficit), December 31, 2014</b>	<b>1,254,248</b>
<b>Desired Working Capital Reserve, December 31, 2015</b>	<sup>2</sup> 596,853
Less: Projected Working Capital Reserve, December 31, 2014	<b>(1,254,248)</b>
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>(657,395)</b>
2015 Assessment for Expenses and Capital Expenditures	7,162,233
Less: Penalty Sanctions <sup>1</sup>	<b>(153,000)</b>
Less: Other Funding Sources	<b>(114,000)</b>
Adjustment to achieve desired Working Capital Reserve	<b>(657,395)</b>
<b>2015 Assessment</b>	<b>6,237,838</b>

<sup>1</sup> Represents collections prior to June 30, 2014.

<sup>2</sup> On June 26, 2013, the FRCC Board of Directors set a working capital and operating working capital and operating reserve requirement of one (1) month of the total annual budget. The FRCC has a \$1.5 million line of credit.

### Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Table on page 13, of the 2015 FRCC Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

#### Penalty Sanctions

Penalty monies received prior to June 30, 2014 are to be used to offset assessments in the 2015 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, 2014 through June 30, 2015 will be used to offset assessments in the 2016 Budget.

All penalties received prior to June 30, 2014 are detailed below.

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; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. 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 Received On or Prior to June 30, 2014		
	Date Received	Amount Received
Penalty #1	10/25/2013	\$ 38,000
Penalty #2	11/26/2013	100,000
Penalty #3	12/27/2013	7,000
Penalty #4	1/22/2014	2,000
Penalty #5	1/22/2014	2,000
Penalty #5	3/25/2014	4,000
<b>Total Penalties Received</b>		<b>\$ 153,000</b>

## Supplemental Funding

Table B-3

Outside Funding Breakdown By Program	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget
<b>Reliability Standards Development</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Reliability Assessment and Performance Analysis</b>				
Services & Software Fees	\$ 24,000	\$ 24,000	\$ 24,000	\$ -
<b>Total</b>	\$ 24,000	\$ 24,000	\$ 24,000	\$ -
<b>Training, Education and Operator Certification</b>				
Workshops	\$ 90,000	\$ 115,369	\$ 90,000	\$ -
<b>Total</b>	\$ 90,000	\$ 115,369	\$ 90,000	\$ -
<b>Situation Awareness and Infrastructure Security</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative*</b>				
Interest	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Total Outside Funding</b>	\$ 114,000	\$ 139,369	\$ 114,000	\$ -

Assumes that no appreciable excess cash will be in the Bank Accounts and due to current low interest rates, no interest is being budgeted.

## Personnel Expenses

### Table B-4

Personnel Expenses	Budget 2014	Projection 2014	Budget 2015	Variance	
				2015 Budget v 2014 Budget	Variance %
<b>Salaries</b>					
<b>Total Salaries</b>	\$ 3,806,631	\$ 3,630,346	\$ 4,082,307	\$ 275,676	7.24%
<b>Total Payroll Taxes</b>	\$ 239,599	\$ 231,599	\$ 253,874	\$ 14,275	5.96%
<b>Benefits</b>					
Workers Compensation	\$ 10,241	\$ 10,006	\$ 11,179	\$ 938	9.16%
Medical, LTD, STD Insurances	483,409	418,850	445,548	(37,861)	-7.83%
Employment Fees	-	-	-	-	-
Education	100,319	88,994	100,676	357	0.36%
Employee Welfare & Contract Labor	18,936	55,671	22,080	3,144	16.60%
Relocation	44,350	35,000	-	(44,350)	-100.00%
<b>Total Benefits</b>	\$ 657,255	\$ 608,521	\$ 579,483	\$ (77,772)	-11.83%
<b>Retirement</b>					
Retirement Costs	\$ 602,881	\$ 594,403	\$ 666,669	\$ 63,788	10.58%
<b>Total Retirement</b>	\$ 602,881	\$ 594,403	\$ 666,669	\$ 63,788	10.58%
<b>Total Personnel Costs</b>	\$ 5,306,366	\$ 5,064,869	\$ 5,582,333	\$ 275,967	5.20%
<b>FTEs</b>	30.40	27.97	30.91	0.5	1.68%
<b>Cost per FTE</b>					
Salaries	\$ 125,218	\$ 129,794	\$ 132,071	6,853	5.47%
Payroll Taxes	7,882	8,280	8,213	332	4.21%
Benefits	21,620	21,756	18,747	(2,873)	-13.29%
Retirement	19,832	21,251	21,568	1,736	8.76%
<b>Total Cost per FTE</b>	\$ 174,552	\$ 181,082	\$ 180,600	\$ 6,048	3.46%

## Consultants and Contracts

### Table B-5

Contracts & Consultants and Software & Licenses	Budget 2014	Projection 2014	Budget 2015	Variance	
				2015 Budget v 2014 Budget	Variance %
<b>Contracts &amp; Consultants and Software &amp; Licenses</b>					
Reliability Standards Development	\$ 4,529	\$ 5,222	\$ 7,381	\$ 2,852	62.97%
Compliance Monitoring & Enforcement and Org Reg	119,235	225,494	214,984	95,749	80.30%
Reliability Assessment and Performance Analysis	192,989	130,637	122,547	(70,442)	-36.50%
Training, Education and Operator Certification	29,259	51,473	37,104	7,845	26.81%
Situation Awareness and Infrastructure Security	209	234	401	192	91.87%
General and Administrative	2,547	3,202	11,301	8,754	343.70%
<b>Total Contracts &amp; Consultants and Software &amp; Licenses</b>	\$ 348,768	\$ 416,262	\$ 393,718	\$ 44,950	12.89%

“The amount for Consultants & Contracts in the Compliance Monitoring and Enforcement Program includes \$16,000 in the 2014 budget, \$25,500 in the projected 2014 and \$3,500 in the 2015 budget estimated by SERC as the costs for SERC to perform compliance monitoring and enforcement responsibilities for the FRCC registered functions.”

**Office Rent****Table B-6**

<b>Office Rent</b>	<b>Budget 2014</b>	<b>Projection 2014</b>	<b>Budget 2015</b>	<b>Variance 2015 Budget v 2014 Budget</b>	<b>Variance %</b>
Office Rent	\$ 555,089	\$ 554,412	\$ 547,586	\$ (7,503)	-1.35%
<b>Total Office Rent</b>	<b>\$ 555,089</b>	<b>\$ 554,412</b>	<b>\$ 547,586</b>	<b>\$ (7,503)</b>	<b>-1.35%</b>

**Office Costs****Table B-7**

<b>Office Costs</b>	<b>Budget 2014</b>	<b>Projection 2014</b>	<b>Budget 2015</b>	<b>Variance 2015 Budget v 2014 Budget</b>	<b>Variance %</b>
Telephone	\$ 50,931	\$ 49,865	\$ 43,767	\$ (7,164)	-14.07%
Internet	2,618	2,566	4,020	\$ 1,402	53.55%
Office Supplies	14,172	19,313	17,719	\$ 3,547	25.03%
Computer Supplies	4,226	4,191	9,322	\$ 5,096	120.59%
Publications, Subscriptions & Dues	9,710	7,445	13,533	\$ 3,823	39.37%
Postage	1,558	1,528	1,523	\$ (35)	-2.25%
Equipment Maintenance	930	917	6,750	\$ 5,820	625.81%
Copying	-	-	-	\$ -	-
Printing	23,166	26,334	21,069	\$ (2,097)	-9.05%
Stationary Forms	-	-	-	\$ -	-
Commerical Insurance	11,032	10,815	14,366	\$ 3,334	30.22%
Miscellaneous	-	-	-	\$ -	-
<b>Total Office Costs</b>	<b>\$ 118,343</b>	<b>\$ 122,974</b>	<b>\$ 132,069</b>	<b>\$ 13,726</b>	<b>11.60%</b>

**Professional Services****Table B-8**

<b>Professional Services</b>	<b>Budget 2014</b>	<b>Projection 2014</b>	<b>Budget 2015</b>	<b>Variance 2015 Budget v 2014 Budget</b>	<b>Variance %</b>
Outside Legal	\$ 100,000	\$ 25,000	\$ 35,000	\$ (65,000)	-65.00%
Accounting & Auditing Fees	16,642	16,315	16,324	\$ (318)	-1.91%
<b>Total Services</b>	<b>\$ 116,642</b>	<b>\$ 41,315</b>	<b>\$ 51,324</b>	<b>\$ (65,318)</b>	<b>-56.00%</b>

## Other Non-Operating Expenses

Table B-9

Other Non-Operating Expenses	Budget 2014	Projection 2014	Budget 2015	Variance	
				2015 Budget v 2014 Budget	Variance %
Interest Expense	\$ -	\$ -		\$ -	-
Office Relocation	-	-		\$ -	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

## 2015, 2016 and 2017 Projections

Table B-10

Statement of Activities and Capital Expenditures										
Regional Entity										
	2014	2015	\$ Change	% Chg	2016	\$ Change	% Chg	2017	\$ Change	% Chg
	Budget	Budget	2015:2014	2015:2014	Projection	2016:2015	2016:2015	Projection	2017:2016	2017:2016
			Over(Under)	Over(Under)		Over(Under)	Over(Under)		Over(Under)	Over(Under)
<b>Funding</b>										
<b>ERO Funding</b>										
ERO Assessments	\$ 5,488,057	\$ 6,237,838	\$ 749,781	13.66%	\$ 7,271,064	\$ 1,033,226	16.56%	\$ 7,506,418	\$ 235,354	3.24%
Penalty Sanctions	343,000	153,000	(190,000)	0.00%	-	-	-100.00%	-	-	-
<b>Total ERO Funding</b>	<b>\$ 5,831,057</b>	<b>\$ 6,390,838</b>	<b>\$ 559,781</b>	<b>9.60%</b>	<b>\$ 7,271,064</b>	<b>\$ 1,033,226</b>	<b>13.77%</b>	<b>\$ 7,506,418</b>	<b>\$ 235,354</b>	<b>3.24%</b>
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	24,000	24,000	-	0.00%	24,000	-	0.00%	24,000	-	0.00%
Workshops	90,000	90,000	-	0.00%	90,000	-	0.00%	90,000	-	0.00%
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 5,945,057</b>	<b>\$ 6,504,838</b>	<b>\$ 559,781</b>	<b>9.42%</b>	<b>\$ 7,385,064</b>	<b>\$ 1,033,226</b>	<b>13.53%</b>	<b>\$ 7,620,418</b>	<b>\$ 235,354</b>	<b>3.19%</b>
<b>Expenses</b>										
<b>Personnel Expenses</b>										
Salaries	\$ 3,806,631	\$ 4,082,307	\$ 275,676	7.24%	\$ 4,204,776	\$ 122,469	3.00%	\$ 4,330,919	\$ 126,143	3.00%
Payroll Taxes	239,599	253,874	14,275	5.96%	261,490	7,616	3.00%	269,335	7,845	3.00%
Benefits	657,255	579,483	(77,772)	-11.83%	594,062	14,579	2.52%	609,082	15,020	2.53%
Retirement Costs	602,881	666,669	63,788	10.58%	686,264	19,595	2.94%	706,447	20,183	2.94%
<b>Total Personnel Expenses</b>	<b>\$ 5,306,366</b>	<b>\$ 5,582,333</b>	<b>\$ 275,967</b>	<b>5.20%</b>	<b>\$ 5,746,592</b>	<b>\$ 164,259</b>	<b>2.94%</b>	<b>\$ 5,915,783</b>	<b>\$ 169,191</b>	<b>2.94%</b>
<b>Meeting Expenses</b>										
Meetings	\$ 80,930	\$ 69,292	\$ (11,638)	-14.38%	\$ 69,588	\$ 296	0.43%	\$ 69,892	\$ 304	0.44%
Travel	167,209	191,753	24,544	14.68%	192,612	859	0.45%	193,497	885	0.46%
Conference Calls	18,771	9,482	(9,289)	-49.49%	9,564	82	0.86%	9,648	84	0.88%
<b>Total Meeting Expenses</b>	<b>\$ 266,910</b>	<b>\$ 270,527</b>	<b>\$ 3,617</b>	<b>1.36%</b>	<b>\$ 271,764</b>	<b>\$ 1,237</b>	<b>0.46%</b>	<b>\$ 273,037</b>	<b>\$ 1,273</b>	<b>0.47%</b>
<b>Operating Expenses</b>										
Consultants & Contracts	\$ 348,768	\$ 393,718	\$ 44,950	12.89%	\$ 422,443	\$ 28,725	7.30%	\$ 448,117	\$ 25,674	6.08%
Office Rent	555,089	547,586	(7,503)	-1.35%	559,532	11,946	2.18%	571,837	12,305	2.20%
Office Costs	118,343	132,069	13,726	11.60%	134,291	2,222	1.68%	136,578	2,287	1.70%
Professional Services	116,642	51,324	(65,318)	-56.00%	52,864	1,540	3.00%	54,450	1,586	3.00%
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	110,490	202,287	91,797	83.08%	202,897	610	0.30%	203,525	628	0.31%
<b>Total Operating Expenses</b>	<b>\$ 1,249,332</b>	<b>\$ 1,326,984</b>	<b>\$ 77,652</b>	<b>6.22%</b>	<b>\$ 1,372,027</b>	<b>\$ 45,043</b>	<b>3.39%</b>	<b>\$ 1,414,507</b>	<b>\$ 42,480</b>	<b>3.10%</b>
<b>Total Direct Expenses</b>	<b>\$ 6,822,608</b>	<b>\$ 7,179,844</b>	<b>\$ 357,236</b>	<b>5.24%</b>	<b>\$ 7,390,383</b>	<b>\$ 210,539</b>	<b>2.93%</b>	<b>\$ 7,603,327</b>	<b>\$ 212,944</b>	<b>2.88%</b>
<b>Indirect Expenses</b>	<b>\$ (1,643)</b>	<b>\$ 0</b>	<b>\$ 1,643</b>	<b>-</b>	<b>\$ 0</b>	<b>\$ 1,643</b>	<b>0.00%</b>	<b>\$ -</b>	<b>\$ 212,944</b>	<b>-100.00%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses</b>	<b>\$ 6,820,965</b>	<b>\$ 7,179,844</b>	<b>\$ 358,879</b>	<b>5.26%</b>	<b>\$ 7,390,383</b>	<b>\$ 212,182</b>	<b>2.93%</b>	<b>\$ 7,603,327</b>	<b>\$ 425,889</b>	<b>2.88%</b>
<b>Change in Assets</b>	<b>\$ (875,908)</b>	<b>\$ (675,006)</b>	<b>\$ 200,902</b>	<b>-22.94%</b>	<b>\$ (5,319)</b>	<b>\$ 821,044</b>	<b>-99.21%</b>	<b>\$ 17,091</b>	<b>\$ (190,534)</b>	<b>-421.32%</b>
<b>Fixed Assets</b>										
Depreciation	\$ (110,490)	\$ (202,287)	\$ (91,797)	83.08%	\$ (202,897)	\$ (610)	0.30%	\$ (203,525)	\$ (628)	0.31%
Total Fixed Asset Purchases	82,814	184,676	101,862	123.00%	197,578	12,902	6.99%	220,616	23,038	11.66%
<b>Change in Fixed Assets</b>	<b>\$ 27,676</b>	<b>\$ 17,611</b>	<b>\$ (10,065)</b>	<b>-36.37%</b>	<b>\$ 5,319</b>	<b>\$ (12,292)</b>	<b>-69.80%</b>	<b>\$ (17,091)</b>	<b>\$ (22,410)</b>	<b>-421.32%</b>
<b>TOTAL BUDGET</b>	<b>\$ 6,793,289</b>	<b>\$ 7,162,233</b>	<b>\$ 368,944</b>	<b>5.43%</b>	<b>\$ 7,385,064</b>	<b>\$ 224,474</b>	<b>3.11%</b>	<b>\$ 7,620,418</b>	<b>\$ 448,299</b>	<b>3.19%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (848,232)</b>	<b>\$ (657,395)</b>	<b>\$ 190,837</b>	<b>-22.50%</b>	<b>\$ -</b>	<b>\$ 808,752</b>	<b>-100.00%</b>	<b>\$ -</b>	<b>\$ (212,944)</b>	<b>-</b>
FTEs	30.40	30.91	0.51	1.68%	30.91	-	0.00%	30.91	-	0.00%

## **Section C – Non-Statutory Activities**

# **2015 Business Plan and Budget**

<b>Member Services Activities</b> (in whole dollars)			
	<b>2014 Budget</b>	<b>2015 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	16.8	18.4	1.5
Direct Expenses	7,454,381	8,422,053	967,672
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	1,614	(30,071)	(31,685)
<b>Total Funding Requirement</b>	<b>7,455,995</b>	<b>8,391,982</b>	<b>935,987</b>

### **Non-Statutory Functional Scope Background**

The Member Services (MS) division of the FRCC provides, coordinates and administers a variety of services relating to the reliable planning and operation of the BES within the FRCC Region. These services are carried out by the FRCC Member Services Planning Committee (PC) and the FRCC Member Services Operating Committee (OC), various subcommittees, task forces and working groups, as well as FRCC Staff.

### **Member Services Objectives**

- Ensure the reliability of the BES in the FRCC region.
- Coordination, planning, operation and maintenance of reliable bulk electricity supply in the FRCC region.

### **Membership and Governance**

The FRCC's Members in the Member Services Division include investor-owned utilities, cooperative utilities, municipal utilities, power marketers and independent power producers. Current membership is 23 FRCC Members in 2014 and is not expected to change in 2015.

The activities of FRCC are directed by its Board of Directors. The Board is comprised of senior level executives from the FRCC membership.

### **Planning Committee (PC) Functional Scope**

The PC promotes the reliability of the BES within the FRCC Region by assessing and encouraging generation and transmission adequacy. The PC assesses generation adequacy by performing a reliability assessment taking into account projected load and resources. The PC, through the FRCC Regional Transmission Planning Process, provides a vehicle for ensuring that transmission planning within the FRCC will provide for the development of a robust transmission network within the FRCC Region. The Regional Transmission Planning Process is a coordinated transmission planning process that evaluates all BES and non-BES transmission facilities. The major goal of this process is to ensure that the planning of transmission facilities

will meet the needs of all market participants in a coordinated, open and transparent transmission planning environment.

The FRCC will continue to develop, on an annual basis, a Regional Transmission Plan following the Regional Transmission Planning Process. The Regional Transmission Planning process will be revised to incorporate the planning principles from FERC Order 1000. The Regional Plan is based on the Ten Year Site Plans that are required to be submitted to the Florida Public Service Commission (FPSC) on April 1<sup>st</sup> of each year. The FRCC participates in an annual Ten Year Site Plan Workshop held by the FPSC where the results of resource and transmission adequacy assessments are presented.

The FRCC PC relies on the following subordinate groups to achieve its goals: Resource Working Group (RWG), Stability Working Group (SWG), and the Transmission Working Group (TWG).

The PC, supported by FRCC MS staff, has the primary responsibility of the Planning Authority (PA) function including implementation of all applicable PA NERC Reliability Standards.

### **Resource Working Group**

The RWG performs reliability assessments of FRCC resource adequacy for the future 10-year period for peninsular Florida based on individual utility information that was the basis of their respective EIA-411 and Ten Year Site Plan filings with the Florida Public Service Commission. These reliability assessments are based upon the FRCC resource adequacy criteria.

### **Stability Working Group**

The SWG is responsible for assessing the dynamic performance of the FRCC BES under various credible system conditions. In addition, the SWG performs the following assessments and studies: Coordination and performance of Special Protection Systems, the effectiveness of FRCC under-frequency load shedding program and coordination with other protection and control systems, Extreme Event Study and other assessments in support of the FRCC Regional Transmission Planning Process. The SWG annually develops FRCC dynamic models.

### **Transmission Working Group**

The TWG engages in active coordination of transmission planning within the FRCC Region under the direction of the FRCC Planning Committee in support of the FRCC Regional Transmission Planning Process. The TWG annually performs a FRCC Long Range Study, sensitivity studies as directed by the PC, evaluates Transmission Service Requests and evaluates Generator Interconnection Service Requests. In addition, the TWG annually develops a FRCC Transmission Map, FRCC power flow models and FRCC short circuit models.

### **Operating Committee (OC) Functional Scope**

The primary goal of the OC is to promote the reliability of the BES within the FRCC Region. The OC is responsible for the coordination, operations planning, operation and maintenance of the interconnected systems operating in the Region. The OC's primary reliability goals include effective implementation of the Regional Reliability Plan (*Reliability Process for the FRCC Bulk Electric System*), continuous improvement of operator awareness and communications and ensuring that adequate physical, operational and cyber security objectives are in place for the Region's shared communications network. The OC subordinate groups include the Operating

Reliability Subcommittee (ORS), Data Exchange Working Group (DEWG), Fuel Reliability Working Group (FRWG), Operations Planning Working Group (OPWG), Telecommunications Subcommittee (TS), System Protection and Control Subcommittee (SPCS) and the Critical Infrastructure Protection Subcommittee (CIPS). The OC ensures reliable operations are maintained through the implementation and oversight of the FRCC Reliability Coordinator (RC) functions as established in the Regional Reliability Plan.

The FRCC RC responsibilities include the real-time operating function and the next-day operations planning function. The RC tasks are performed by a designated agent of the FRCC with direction and oversight by FRCC committees and support staff. The designated agent performs real-time operations and next-day planning operations. FRCC staff supports Regional reliability by performing the roles of the Operations Planning Coordinator (OPC), and State Capacity Emergency Coordinator (SCEC) as defined in the *Reliability Process for the FRCC Bulk Electric System* document.

The FRCC RC function is accountable to the FRCC OC who has overall responsibility of the administration, development and implementation of operating procedures provided by the ORS for the NERC Operations & Planning (Non-CIP) Standards.

The FRCC continues to improve FRCC PA and RC compliance management programs under the Member Services Division based on the evolving regulatory requirements. The FRCC has improved its oversight of PA and RC functions by creating an independent Member Services Regulatory Department with a dedicated Regulatory Director who reports directly to the FRCC President and CEO and who has direct access to the FRCC Board of Directors. This position is responsible for the implementation, maintenance and oversight of the FRCC Internal Compliance Program (ICP) including all compliance activities for the FRCC registered entity functions and is the primary interface for all regulatory activities associated with the FRCC Member Services committees and is the FRCC liaison between external Compliance Enforcement Authorities.

### **Operating Reliability Subcommittee (ORS)**

The ORS provides overall administration for the development and implementation of operating procedures and other reliability matters including the oversight of the FRCC RC function for Operating and Planning (non-CIP) NERC Standards. The ORS reviews and assesses regional import and export limits, scheduled transmission outages, real-time system reliability, events analysis, information and data exchange and other reliability issues. The ORS provides formal oversight and implementation of the Reliability Process for the FRCC Bulk Electric System which establishes the reliability responsibilities of the various entities within the Region and specifically monitors the agent responsible for performing the RC functions.

### **Data Exchange Working Group (DEWG)**

The DEWG, subordinate to the ORS, supports the real-time data needs of the FRCC Reliability Coordinator and other operating entities. It is also responsible for developing methodologies to facilitate the exchange of real-time, modeling and other operational data to help ensure reliable electric power system operations. Accurate modeling of the FRCC BES is essential to maintaining situation awareness and ensuring reliability. Within the FRCC, operating entities provide system data via the FRCC Reliability Data Link (RDL). The FRCC RDL receives electric system reliability data from the operating entities on a real-time basis and allows the data to be made available.

### **Fuel Reliability Working Group (FRWG)**

The FRWG, also subordinate to the ORS, has been established to deal with matters relating to fuel and impacts to BES reliability. Specifically, the FRWG provides the administrative oversight of a Regional fuel reliability forum that studies the interdependencies of fuel availability and electric reliability and supports coordinated Regional responses to fuel issues and fuel emergencies.

### **Operations Planning Working Group (OPWG)**

The OPWG, as a part of the ORS, has been established to provide oversight, guidelines and procedures to the FRCC Operations Planning Coordinator (OPC) in accordance with the Reliability Process for the FRCC BES document. The OPWG focuses on BES reliability and developing processes and documentation that support regional reliability and adherence to the NERC Reliability Standards as they relate to the OPC function.

### **FRCC Telecommunications Subcommittee (TS)**

The TS provides oversight for the TS budget which is included in the OC budget. The primary purpose of the TS is to ensure that adequate and redundant communications facilities are made available to the operating entities within the FRCC, including the FRCC Reliability Coordinator. The TS administers the FRCC Hotline program, Satellite phone program, and also ensures that reliable and redundant communications are maintained by the Eastern Interconnect Data Sharing Network, Inc. (EIDSN). All TS programs are non-statutory and support the Reliability Coordinator functions; with the exception of the FRCC satellite phone (located at the FRCC office) which is a tool that can be used by the Regional Entity to perform situation awareness and thus is budgeted as statutory.

### **FRCC System Protection and Control Subcommittee (SPCS)**

The FRCC System Protection and Control Subcommittee (SPCS) has primary responsibility for the coordination of protection and control systems within the FRCC region, including regional disturbance monitoring equipment, review of protective mis-operations, protection related disturbance analysis and implementation of specific regional programs and procedures including the assessments of the FRCC Under-Frequency Load Shedding Program. The SPCS also reviews and coordinates system protection and control equipment installations, settings, protection philosophies and testing criteria within the region, when installations impact multiple entities. The SPCS serves as an important forum for sharing subject matter expert guidance and lessons learned / best practices for equipment issues and protection coordination.

### **FRCC Critical Infrastructure Protection Subcommittee (CIPS)**

The purpose of the FRCC CIPS is to enhance the physical and cyber security of the critical BES infrastructure in the FRCC Region, with an emphasis on protecting, preventing, limiting and recovering from malicious activities directed at the FRCC critical energy infrastructure. The CIPS provides guidance to the OC on matters of critical energy infrastructure security, including cyber and physical security. The CIPS provides advice to the OC including implementation of all applicable FRCC RC CIP-002 through CIP-009 Reliability Standards.

## Major 2015 Cost Impacts

The FRCC's proposed 2015 Members Services budgeted expenses and net fixed assets are \$8,391,982, which is a \$935,987 or 12.6% increase over the 2014 budgeted expenses. The cost impacts by function of this increase are:

### Planning Committee (PC)

The Member Services Planning Committee (PC) expenses for 2015 are made up of the PC Committee budget, as well as the administrative costs to provide support personnel for implementation of the FRCC Planning Authority (PA) functions and all other Member Services PC activities. In 2015, staff will spend additional time enhancing FRCC steady state planning studies and has budgeted \$150,000 for additional stability studies to prepare to meet the requirements of the new NERC Transmission Planning (TPL) Standard. In addition, staff is expected to add one FTE in 2015 to support the implementation of FERC Order 1000 as recommended by the PC.

The 2015 PC budget is developed based on the activities of the Resource Working Group (RWG), the Stability Working Group (SWG) and the Transmission Working Group (TWG). These budgets are primarily for the labor involved in coordination activities performed by member representatives, software and meeting costs.

### Operating Committee (OC)

The Member Services Operating Committee (OC) expenses for 2015 are made up of a 2015 OC budget as well as the administrative costs to provide support personnel for implementation of the FRCC Reliability Coordinator (RC) functions and other Member Services OC activities. In 2015, staff will spend additional time coordinating activities with member companies to ensure continued reliability and compliance with changing NERC Reliability Standards.

The 2015 OC budget is developed based primarily on the activities of the Operating Reliability Subcommittee (ORS), the Telecommunications Subcommittee (TS), the Fuel Reliability Working Group (FRWG) and the Critical Infrastructure Protection Subcommittee (CIPS). These budgets are related to, or in support of both the FRCC Reliability Coordinator (RC) and Member Services entity's reliability functions and includes consulting costs, contract costs, computer software purchases and expenses to support the associated activities. These budgets do not include FRCC staff salaries or associated personnel costs.

The administrative costs associated with the FRCC OC support personnel include FRCC staff that support implementation of the FRCC RC functions and staff that support overall OC activities. The staff includes dedicated employees as well as shared employees.

## Funding Sources and Requirements — Explanation of Increase (Decrease)

- **Personnel Expenses** – The increase in FTEs is attributed to an additional employee in the planning area to support new long range planning activities, the effect of a complete year for the 2014 addition to staff to support the Reliability Coordinator function that was budgeted to be filled in mid-2014 and the result of the implementation of a succession plan for a key accounting position.
- **Operating Expenses** – The increase in Operating Expenses is attributed to increases in consultant and contractor costs for the RC and PA functions.

## 2014 Member Services Budget and Projection and 2015 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital  
2014 Budget & Projection, and 2015 Budget

## NON-STATUTORY MEMBER SERVICES

	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	\$ 6,916,762	\$ 6,916,762	\$ -	8,240,106	1,323,344
Testing Fees	-	-	-	-	-
Services & Software	277,419	312,531	35,112	254,459	(22,960)
Workshops	-	-	-	20,000	20,000
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 7,194,181</b>	<b>\$ 7,229,293</b>	<b>\$ 35,112</b>	<b>\$ 8,514,565</b>	<b>\$ 1,320,384</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,108,824	\$ 2,134,834	\$ 26,010	\$ 2,423,514	\$ 314,690
Payroll Taxes	132,734	136,193	3,459	150,716	17,982
Benefits	350,795	320,232	(30,563)	351,746	951
Retirement Costs	328,267	343,386	15,119	387,762	59,495
<b>Total Personnel Expenses</b>	<b>\$ 2,920,620</b>	<b>\$ 2,934,645</b>	<b>\$ 14,025</b>	<b>\$ 3,313,738</b>	<b>\$ 393,118</b>
<b>Meeting Expenses</b>					
Meetings	\$ 37,515	\$ 39,955	\$ 2,440	\$ 26,582	\$ (10,933)
Travel	63,716	55,451	(8,265)	60,205	(3,511)
Conference Calls	27,108	30,959	3,851	45,286	18,178
<b>Total Meeting Expenses</b>	<b>\$ 128,339</b>	<b>\$ 126,365</b>	<b>\$ (1,974)</b>	<b>\$ 132,073</b>	<b>\$ 3,734</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 3,657,668	\$ 3,843,855	\$ 186,187	\$ 4,260,160	\$ 602,492
Office Rent	224,835	238,262	13,427	236,403	11,568
Office Costs	419,112	472,831	53,719	375,314	(43,798)
Professional Services	79,910	35,385	(44,525)	45,476	(34,434)
Miscellaneous	-	75,000	75,000	-	-
Depreciation	23,897	45,496	21,599	58,889	34,992
<b>Total Operating Expenses</b>	<b>\$ 4,405,422</b>	<b>\$ 4,710,829</b>	<b>\$ 305,407</b>	<b>\$ 4,976,242</b>	<b>\$ 570,820</b>
<b>Total Direct Expenses</b>	<b>\$ 7,454,381</b>	<b>\$ 7,771,839</b>	<b>\$ 317,458</b>	<b>\$ 8,422,053</b>	<b>\$ 967,672</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 7,454,381</b>	<b>\$ 7,771,839</b>	<b>\$ 317,458</b>	<b>\$ 8,422,053</b>	<b>\$ 967,672</b>
<b>Change in Assets</b>	<b>\$ (260,200)</b>	<b>\$ (542,546)</b>	<b>\$ (282,346)</b>	<b>\$ 92,512</b>	<b>\$ (352,712)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (23,897)	\$ (45,496)	\$ (21,599)	\$ (58,889)	\$ (34,992)
Total Fixed Asset Purchases	25,511	78,929	53,418	28,818	3,307
<b>Change in Fixed Assets</b>	<b>\$ (1,614)</b>	<b>\$ (33,433)</b>	<b>\$ (31,819)</b>	<b>\$ 30,071</b>	<b>\$ 31,685</b>
<b>TOTAL BUDGET</b>	<b>\$ 7,455,995</b>	<b>\$ 7,805,272</b>	<b>\$ 349,277</b>	<b>\$ 8,391,982</b>	<b>\$ 935,987</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (261,814)</b>	<b>\$ (575,979)</b>	<b>\$ (314,165)</b>	<b>\$ 122,583</b>	<b>\$ 384,397</b>
FTEs	16.84	15.73	(1.11)	18.35	1.51

## Personnel Analysis

Total FTE's by Program Area	Budget 2014	Projection 2014	Direct FTEs 2015 Budget	Shared FTEs <sup>1</sup> 2015 Budget	Total FTEs 2015 Budget	Change from 2014 Budget
<b>NON-STATUTORY</b>						
<b>Operational Programs</b>						
Operations Committee	10.48	9.94		10.27	10.27	-0.21
Planning Committee	3.27	3.52		4.57	4.57	1.30
<b>Total FTEs Operational Programs</b>	<b>13.75</b>	<b>13.46</b>	<b>0.00</b>	<b>14.84</b>	<b>14.84</b>	<b>1.09</b>
<b>Administrative Programs</b>						
General & Administrative	3.09	2.99		3.51	3.51	0.42
<b>Total FTEs Administrative Programs</b>	<b>3.09</b>	<b>2.99</b>	<b>0.00</b>	<b>3.51</b>	<b>3.51</b>	<b>0.42</b>
<b>Total FTEs</b>	<b>16.84</b>	<b>16.45</b>	<b>0.00</b>	<b>18.35</b>	<b>18.35</b>	<b>1.51</b>

<sup>1</sup>A shared FTE is defined by NERC as an employee who performs both Statutory and Non-Statutory functions.

**Member Services Reserve Analysis — 2014 – 2015**

<b>Working Capital Reserve Analysis 2014-2015</b>	
<b>NON-STATUTORY MEMBER SERVICES</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2013</b>	587,073
Change in Post Retirement Benefit Obligation - Noncash Item	565,655
2014 Funding (from members)	6,916,762
2014 Projected Other funding sources	312,531
<b>Total Cash Available 2014</b>	8,382,021
Less: '2014 Projected expenses & capital expenditures	(7,805,272)
<b>Projected Working Capital Reserve Surplus/(Deficit), December 31, 2014</b>	576,749
<b>Desired Working Capital Reserve, December 31, 2015</b>	<sup>1</sup> 699,332
Less: Projected Working Capital Reserve, December 31, 2014	(576,749)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	122,583
2015 Funding for Expenses and Capital Expenditures	8,391,982
Less: Other Funding Sources	(274,459)
Adjustment to achieve desired Working Capital Reserve	122,583
<b>2015 Funding (reserve adjustment)</b>	8,240,106

<sup>1</sup> On June 26, 2013, the FRCC Board of Directors set a working capital and operating working capital and operating reserve requirement of one (1) month of the total annual budget. The FRCC has a \$1.5 million line of credit.

**Section D – Additional Consolidated Financial Statements**  
**2015 Business Plan and Budget**

**Section D — 2015 Additional Consolidated Financial Information**

Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Functions in Delegation Agreement							Non-Statutory Functions		
		Statutory Total	Reliability Standards Development (Section 300)	Compliance Monitoring and Org Reg % Cert (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Non-Statutory Total	Operating Committee	Planning Committee
<b>Funding</b>											
<b>ERO Funding</b>											
ERO Assessments	\$ 6,237,838	\$ 6,237,838	\$ 413,407	\$ 5,099,302	\$ 1,133,412	\$ 226,344	\$ 22,769	\$ (657,395)	\$ -	\$ -	\$ -
Penalty Sanctions	153,000	153,000	9,737	112,572	24,997	5,182	512	-	-	-	
<b>Total ERO Funding</b>	<b>6,390,838</b>	<b>6,390,838</b>	<b>423,143</b>	<b>5,211,874</b>	<b>1,158,409</b>	<b>231,525</b>	<b>23,281</b>	<b>(657,395)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Membership Dues	\$ 8,240,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,240,106	\$ 6,792,087	\$ 1,448,019
Testing Fees	-	-	-	-	-	-	-	-	-	-	-
Services & Software	278,459	24,000	-	24,000	-	-	-	-	254,459	254,459	-
Workshops	110,000	90,000	-	-	-	90,000	-	-	20,000	20,000	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 15,019,403</b>	<b>\$ 6,504,838</b>	<b>\$ 423,143</b>	<b>\$ 5,211,874</b>	<b>\$ 1,182,409</b>	<b>\$ 321,525</b>	<b>\$ 23,281</b>	<b>\$ (657,395)</b>	<b>\$ 8,514,565</b>	<b>\$ 7,066,546</b>	<b>\$ 1,448,019</b>
<b>Expenses</b>											
<b>Personnel Expenses</b>											
Salaries	\$ 6,505,821	\$ 4,082,307	\$ 225,465	\$ 2,611,174	\$ 580,711	\$ 119,243	\$ 12,256	\$ 533,458	\$ 2,423,514	\$ 1,676,219	\$ 747,295
Payroll Taxes	404,590	253,874	14,021	162,386	36,114	7,416	762	33,175	150,716	104,243	46,473
Benefits	931,229	579,483	32,602	385,976	82,646	14,228	1,463	62,568	351,746	235,709	116,037
Retirement Costs	1,054,431	666,669	36,074	431,288	92,914	19,079	1,961	85,353	387,762	268,195	119,567
<b>Total Personnel Expenses</b>	<b>\$ 8,896,071</b>	<b>\$ 5,582,333</b>	<b>\$ 308,162</b>	<b>\$ 3,590,824</b>	<b>\$ 792,385</b>	<b>\$ 159,966</b>	<b>\$ 16,442</b>	<b>\$ 714,554</b>	<b>\$ 3,313,738</b>	<b>\$ 2,284,366</b>	<b>\$ 1,029,372</b>
<b>Meeting Expenses</b>											
Meetings	\$ 95,874	\$ 69,292	\$ 2,606	\$ 12,729	\$ 1,612	\$ 52,311	\$ 34	\$ -	\$ 26,582	\$ 18,286	\$ 8,296
Travel	251,958	191,753	17,469	122,194	47,375	4,616	99	-	60,205	53,700	6,505
Conference Calls	54,768	9,482	203	4,390	447	4,433	9	-	45,286	30,491	14,795
<b>Total Meeting Expenses</b>	<b>\$ 402,600</b>	<b>\$ 270,527</b>	<b>\$ 20,278</b>	<b>\$ 139,313</b>	<b>\$ 49,434</b>	<b>\$ 61,360</b>	<b>\$ 142</b>	<b>\$ -</b>	<b>\$ 132,073</b>	<b>\$ 102,477</b>	<b>\$ 29,596</b>
<b>Operating Expenses</b>											
Consultants & Contracts	\$ 4,653,878	\$ 393,718	\$ 7,381	\$ 214,984	\$ 122,547	\$ 37,104	\$ 401	\$ 11,301	\$ 4,260,160	\$ 4,036,905	\$ 223,255
Office Rent	783,989	547,586	21,993	404,082	56,646	11,632	1,196	52,037	236,403	163,508	72,895
Office Costs	507,383	132,069	7,681	80,150	14,617	22,613	2,237	4,771	375,314	351,537	23,777
Professional Services	96,800	51,324	3,261	37,762	8,398	1,725	178	-	45,476	31,435	14,041
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Depreciation	261,176	202,287	1,633	191,775	5,365	1,052	2,462	-	58,889	50,230	8,659
<b>Total Operating Expenses</b>	<b>\$ 6,303,226</b>	<b>\$ 1,326,984</b>	<b>\$ 41,949</b>	<b>\$ 928,753</b>	<b>\$ 207,573</b>	<b>\$ 74,126</b>	<b>\$ 6,474</b>	<b>\$ 68,109</b>	<b>\$ 4,976,242</b>	<b>\$ 4,633,615</b>	<b>\$ 342,627</b>
<b>Total Direct Expenses</b>	<b>\$ 15,601,897</b>	<b>\$ 7,179,844</b>	<b>\$ 370,389</b>	<b>\$ 4,658,890</b>	<b>\$ 1,049,392</b>	<b>\$ 295,452</b>	<b>\$ 23,058</b>	<b>\$ 782,663</b>	<b>\$ 8,422,053</b>	<b>\$ 7,020,458</b>	<b>\$ 1,401,595</b>
Indirect Expenses	-	-	49,808	575,856	127,871	26,506	2,621	(782,663)	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 15,601,897</b>	<b>\$ 7,179,844</b>	<b>\$ 420,197</b>	<b>\$ 5,234,746</b>	<b>\$ 1,177,263</b>	<b>\$ 321,958</b>	<b>\$ 25,679</b>	<b>\$ -</b>	<b>\$ 8,422,053</b>	<b>\$ 7,020,458</b>	<b>\$ 1,401,595</b>
<b>Change in Assets</b>	<b>\$ (582,494)</b>	<b>\$ (675,006)</b>	<b>\$ 2,946</b>	<b>\$ (22,872)</b>	<b>\$ 5,146</b>	<b>\$ (433)</b>	<b>\$ (2,398)</b>	<b>\$ (657,395)</b>	<b>\$ 92,512</b>	<b>\$ 46,088</b>	<b>\$ 46,424</b>
<b>Fixed Assets</b>											
Depreciation	\$ (261,176)	\$ (202,287)	\$ (1,633)	\$ (191,775)	\$ (5,365)	\$ (1,052)	\$ (2,462)	\$ -	\$ (58,889)	\$ (50,230)	\$ (8,659)
Total Fixed Asset Purchases	213,494	184,676	4579	168,903	10,511	619	64	-	28,818	11,545	17,273
<b>Change in Fixed Assets</b>	<b>\$ 47,682</b>	<b>\$ 17,611</b>	<b>\$ (2,946)</b>	<b>\$ 22,872</b>	<b>\$ (5,146)</b>	<b>\$ 433</b>	<b>\$ 2,398</b>	<b>\$ -</b>	<b>\$ 30,071</b>	<b>\$ 38,685</b>	<b>\$ (8,614)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (534,812)</b>	<b>\$ (657,395)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (657,395)</b>	<b>\$ 122,583</b>	<b>\$ 84,773</b>	<b>\$ 37,810</b>

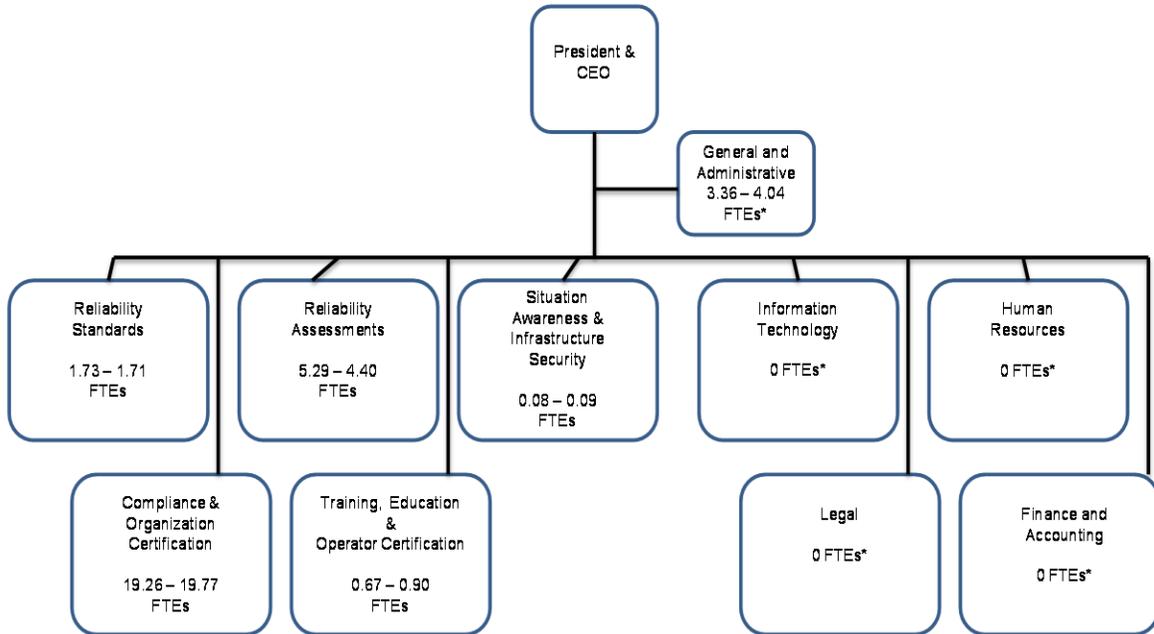
Statement of Financial Position

Statement of Financial Position				
2013 Audited, 2014 Projection, 2015 Budget and 2016 Projected				
STATUTORY and NON-STATUTORY				
	(Per Audit)	Projected	Budget	Projected
	12/31/2013	12/31/2014	12/31/2015	12/31/2016
<b>ASSETS</b>				
Cash	6,558,632	4,763,059	3,577,263	3,665,908
Accounts receivable	2,855,070	2,955,070	3,155,070	3,355,070
Other receivables	-	-	-	-
Prepaid expenses and other current assets	18,526	15,000	15,000	15,000
Other Assets	259,175	150,000	150,000	150,000
Property and equipment (net of depreciation)	418,454	300,000	300,000	300,000
Total Assets	<b>10,109,857</b>	<b>8,183,129</b>	<b>7,197,333</b>	<b>7,485,978</b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable and accrued expenses	2,556,119	2,540,000	1,800,000	1,900,000
Deferred income	3,111,955	3,657,736	3,846,312	3,957,406
Compliance Penalty Assessment	481,000	-	-	-
Accrued postretirement benefits obligation	1,406,822	1,477,163	1,551,021	1,628,572
Total Liabilities	<b>7,555,896</b>	<b>7,674,899</b>	<b>7,197,333</b>	<b>7,485,978</b>
Net Assets - unrestricted	2,553,961	508,230	-	-
Total Liabilities and Net Assets	<b>10,109,857</b>	<b>8,183,129</b>	<b>7,197,333</b>	<b>7,485,978</b>

**Statutory Organizational Chart**

**Florida Reliability Coordinating Council, Inc.  
Statutory Organization Chart**

**2014 Budgeted FTEs 30.40  
2015 Budgeted FTEs 30.91**



\*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative