



NPCC

Final Approved 2016

Business Plan & Budget

Presentation to NERC FAC
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2016 Budget Overview

- NPCC total budget and assessments increase of 2.0%
 - Regional Entity 2.0%, Criteria Services 2.4%
- Staffing Flat
 - Total of 39 FTEs (Regional Entity Division 36.86, Criteria Services Division 2.14)
 - Currently fully staffed
- ERO wide 2016 areas of focus
- Initial Document Management System implementation
- No change in Reserve requirements from last year
 - Termination of Defined Benefit Plan – potential draw on reserves in 2015



2015-2016 RE Budget Comparison

	2016	2015	Variance	% Variance	Explanation
Funding					
Assessments	14,349,196	14,068,878	280,318	2.0%	
Penalties	67,000	290,500	(223,500)	-76.9%	
Other Income	64,000	64,000	-	0.0%	
Total Funding	14,480,196	14,423,378	56,818		
Expenses					
Personnel Expenses	9,158,445	8,929,241	229,204	2.6%	3% average wage package increase; 0% vacancy rate
Meetings	394,000	365,000	29,000	7.9%	Increases in seminar and workshop participation
Travel	907,100	890,000	17,100	1.9%	
Conference Calls	47,000	45,000	2,000	4.4%	
Consultants and Contracts	2,223,500	2,342,000	(118,500)	-5.1%	Decrease primarily in compliance
Rent & Improvements	802,500	751,500	51,000	6.8%	Increase in landlord operating expenses and real estate taxes
Office Costs	639,500	578,700	60,800	10.5%	Software contracts; Equipment leases; Liability insurance
Professional Services	1,011,000	1,025,000	(14,000)	-1.4%	Decrease in legal fees
Miscellaneous	41,000	40,000	1,000	2.5%	
Depreciation	231,821	202,019	29,802	14.8%	
Indirect Expenses	(427,047)	(409,902)	(17,145)	4.2%	
Other Non-Operating Expenses	-	-	-		
Total Expenses	15,028,819	14,758,558	270,260	1.8%	
Increase(Decrease) in Fixed Assets	44,179	19,981	24,198		
Total Budget	15,072,998	14,778,539	294,458	2.0%	
Change in Working Capital	(592,801)	(355,161)	(237,640)		



2017-2018 RE Budget Projections

	2016 Budget	2017 Projection	\$ Change 16 v 17	% Change 16 v 17	2018 Projection	\$ Change 17 v 18	% Change 17 v 18
Personnel Expenses	\$ 9,158,445	\$ 9,474,142	\$ 315,697	3.4%	\$ 9,801,767	\$ 327,625	3.5%
Meeting Expenses	1,348,100	1,361,581	13,481	1.0%	1,375,197	13,616	1.0%
Operating Expenses	4,949,321	4,975,592	26,271	0.5%	5,002,309	26,717	0.5%
Total Direct Expenses	\$ 15,455,866	\$ 15,811,315	\$ 355,450	2.3%	\$ 16,179,273	\$ 367,957	2.3%
Indirect Expenses	\$ (427,047)	\$ (435,588)	\$ (8,541)	2.0%	\$ (444,300)	\$ (8,712)	2.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses	\$ 15,028,819	\$ 15,375,727	\$ 346,909	2.3%	\$ 15,734,973	\$ 359,246	2.3%
FTEs	36.86	36.86	0	0.0%	36.86	0.00	0.0%



Assessment of Resources

- Reprioritization from the 2015 Business Plan and Budget has been conducted and will continue through 2016.
- Staff and contractor resources assessed to be adequate against business plan.
- Funding, projected reserves, and credit line assessed to be adequate against potential contingencies.
- Full impact of any special reliability studies to address Clean Power Plan, to evaluate Essential Reliability Services or to analyze specific, significant Events are currently unknown.



Alignment of RE and ERO

- Fully aligned with ERO Enterprise Strategic Plan and Goals
 - Transformation to risk-based methods
 - Compliance monitoring and enforcement
 - Changing landscape for reliability
 - Changing international, interconnected BPS
 - Physical and cyber security
 - Reliability assessment and better practice elements
- CS Division continues to support international, interconnected BPS reliability through maintenance of and compliance monitoring with more-stringent, regionally-specific reliability criteria



Transformation to Risk-based Methods

- Risk-based compliance assurance and enforcement
 - Implementation of risk-based compliance monitoring
 - ICE (Internal Control Evaluations)
 - IRAs (Inherent Risk Assessment)
 - Scope and Periodicity focused on significant reliability risks
 - Self-logging and compliance exceptions

- Risk-based registration and certification
 - Register functions based on reliability risk
 - Certify registered entities performing operational functions



Efficiency and Controlling Costs

- Ongoing efforts to hold more meetings on-site and via conference call or webinar.
- Limiting number of staff attending off-site meetings.
- Risk-based methods are expected to yield greater efficiencies for Registered Entities as well as NPCC Staff.



Initial Implementation of Document Management System

- Benefits include:
 - Enhanced document access, sharing, collaboration
 - Supports document retention and destruction policy
 - Workflow and productivity improvements
 - Risk mitigation
 - Intended leveraging of ERO investment



Working Capital and Operating Reserves

- Operating Reserves requirement is unchanged since last year.
 - Range between 8.33% and 25.00% (90 days) provides more stability in annual funding assessments than a fixed target
- Working Capital requirement targets 8.33% (30 days) of the annual budget
- Potential 2015 utilization of reserves to fund lump sum/annuity distribution of pension liabilities



Termination of Defined Benefit Plan

- NPCC's filing to terminate defined benefit plan prior to year-end 2015 has been approved by the IRS
- Total plan termination liability is still being finalized
- Unfunded pension liabilities – currently estimated at \$1.5 million – would be funded from reserves



Questions?

NPCC, Inc.