

DOCKET NO. RR13-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2014 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 2

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

PROPOSED 2014 BUSINESS PLAN AND BUDGET

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Final 2014 Business Plan and Budget

August 14, 2013

Board Approved: August 15, 2013

RELIABILITY | ACCOUNTABILITY



Table of Contents

About NERC	4
Overview	4
Scope of Responsibilities	5
Delegated Authorities.....	5
Funding	6
Introduction and Executive Summary	7
Strategic Goals and Objectives	7
Major Ongoing Activities	10
2014 Key Business Planning Assumptions	13
Application of Section 215 Criteria to Major Activities	14
Overview of 2014 Funding Requirements	14
2014 Cost of Current Operations and Additional Resource Requirements	16
ES-ISAC Incremental Funding Needs.....	22
Projections for 2015–2016.....	27
Section A — 2014 Business Plan and Budget Program Area and Department Detail	29
Reliability Standards	29
Compliance Monitoring and Enforcement and Organization Registration and Certification	35
Compliance Operations Department.....	35
Compliance Enforcement Department.....	44
Reliability Assessment and Performance Analysis.....	50
Reliability Risk Management	62
Situation Awareness Department.....	62
Event Analysis Department.....	67
Critical Infrastructure Protection	72
Training, Education, and Operator Certification	81
Administrative Services.....	86
Technical Committees and Members’ Forum Program.....	86
General and Administrative	86
Legal and Regulatory.....	90
Information Technology.....	93
Human Resources	105

Finance and Accounting.....	109
Section B — Supplemental Financial Information	112
Reserve Balance	112
Table B-3	114
Table B-4	116
Table B-6	117
Table B-7	118
Table B-8	119
Table B-9	119
Table B-10	120
Section C — Non-Statutory Activity	121
Section D — Supplemental Financial Statements	122
Statement of Activities.....	123
Exhibit A – Common Assumptions	125
Exhibit B – Application of NERC Section 215 Criteria	133
Exhibit C – Contractor and Consulting Costs.....	154
Exhibit D – Capital Project Financing - Overview	157
Exhibit E - Working Capital and Operating Reserve Amounts	160

About NERC

Overview

The North American Electric Reliability Corporation (NERC) is a not-for-profit entity organized under the New Jersey Nonprofit Corporation Act. NERC’s mission is to improve and ensure the reliability of the Bulk-Power System (BPS) in North America. NERC’s area of responsibility spans the continental United States and Canada and the northern portion of Baja California, Mexico. Entities under NERC’s jurisdiction are the users, owners, and operators of the bulk power system—a system that serves the needs of over 334 million people, includes installed electricity production capacity of approximately 1,200 gigawatts, operates 211,000 miles of high-voltage transmission, and is comprised of assets worth more than one trillion dollars.

The Federal Energy Regulatory Commission (FERC or Commission) certified NERC as the Electric Reliability Organization (ERO) within the United States to establish and enforce reliability standards for the United States portion of the BPS, pursuant to section 215 of the Federal Power Act. NERC is subject to regulatory oversight by FERC.

In Canada, NERC presently has memoranda of understanding with provincial authorities in Ontario, New Brunswick, Nova Scotia, Québec, Saskatchewan, and Alberta, and with the National Energy Board of Canada. NERC standards are mandatory and enforceable in Ontario and New Brunswick as a matter of provincial law. NERC has an agreement with Manitoba Hydro that makes reliability standards mandatory for that entity, and Manitoba has adopted legislation setting out a framework for standards to become mandatory for users, owners, and operators in the province. In addition, NERC has been designated as the “electric reliability organization” under Alberta’s Transportation Regulation, and certain reliability standards have been approved in that jurisdiction; others are pending. NERC and the Northeast Power Coordinating Council (NPCC) have been recognized as standards-setting bodies by the Régie de l’énergie of Québec, and Québec has the framework in place for reliability standards to become mandatory. NERC standards are now mandatory in British Columbia and Nova Scotia.

Membership and Governance

An 11-member Board of Trustees (Board) governs NERC (10 independent directors plus the CEO serving as the management trustee). The Board has formed several committees to facilitate its oversight of the organization in the areas of finance and audit, governance and human resources, compliance, standards oversight and technology, and nominations. A risk management and internal controls subcommittee of the Finance and Audit Committee supports corporate risk management and internal audit functions.

Membership in NERC is open to any person or entity that has an interest in the reliability of the North American BPS. Membership in NERC is voluntary and affords participants the opportunity to engage in the governance of the organization through election to the Member Representatives Committee (MRC). Nearly six hundred entities and individuals are members.

The MRC comprises 28 voting representatives elected from the 12 membership sectors. The MRC elects the independent trustees and, along with the Board, votes on amendments to the

Bylaws. The MRC also provides policy advice and recommendations to the Board on behalf of stakeholders with respect to annual budgets, business plans, and other matters pertinent to the purpose and operation of the organization.

Scope of Responsibilities

As the ERO, NERC's primary responsibilities are leading the development, adoption, and improvement of mandatory reliability standards for the BPS in North America; monitoring, evaluating, and enforcing compliance with those reliability standards by the approximately 1,900 entities registered with NERC as BPS users, owners, and operators; and monitoring and assessing the reliability and adequacy of the BPS in North America. Collectively, the entities registered with NERC perform over 4,600 BPS reliability functions. NERC conducts near-term and long-term assessments of the reliability and future adequacy of the North American BPS; certifies BPS operators as having and maintaining the necessary knowledge and skills to perform their reliability responsibilities; and maintains situational awareness of events and conditions that may threaten the reliability of the BPS. NERC coordinates efforts to improve physical security and cybersecurity for the BPS of North America; conducts detailed analyses and investigations of system disturbances and unusual events to determine root causes, uncover lessons learned, and issue relevant findings as advisories, recommendations, and essential actions to the industry; and, based on lessons learned, identifies the potential need for new or modified reliability standards, improved compliance, or other initiatives.

Delegated Authorities

In executing a portion of its responsibilities, NERC delegates authority to eight regional reliability entities (Regional Entities) to perform certain functions through delegation agreements. FERC has approved delegation agreements between NERC and the eight Regional Entities (Florida Reliability Coordinating Council, Midwest Reliability Organization, Northeast Power Coordinating Council, Inc., ReliabilityFirst Corporation, SERC Reliability Corporation, Southwest Power Pool Regional Entity, Texas Reliability Entity, Inc., and the Western Electricity Coordinating Council). These agreements describe the authority delegated to the Regional Entities in the United States to propose and enforce reliability standards within their geographic footprints. NERC expects Regional Entities, whose territories extend into Canadian provinces and Mexico, to perform equivalent functions in those jurisdictions.

Statutory and Regulatory Background

NERC's authority as the ERO in the United States is based on Section 215 of the Federal Power Act as added by the Energy Policy Act of 2005¹ and the Commission's regulations and orders issued pursuant to Section 215. In Canada, NERC's authorities are established by the memoranda of understanding and regulations previously mentioned.

Funding

Section 215 of the Federal Power Act and FERC regulations also specify procedures for NERC's funding in the United States. NERC's annual business plan and budget is subject to FERC approval in the United States. Once approved, assessments are allocated to load-serving entities on a net energy for load (NEL) basis. Equivalent funding mechanisms are provided in Canada, subject to the specific laws and regulations of each province.

The funding requirements for each Regional Entity are addressed separately in each Regional Entity's business plan and budget, which must be reviewed and approved by NERC and FERC in the United States. Assessments for the Regional Entity budgets are included in the overall NERC assessments to load-serving entities.

¹This was codified in section 215 of the Federal Power Act, 16 United States C. 824o.

Introduction and Executive Summary

TOTAL RESOURCES (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs	189.53			
Non-statutory FTEs				
Total FTEs	189.53			
Statutory Expenses	\$ 55,605,313			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 55,605,313			
Statutory Inc (Dec) in Fixed Assets	\$ 784,784			
Non-Statutory Inc (Dec) in Fixed Assets	\$ -			
Total Inc (Dec) in Fixed Assets	\$ 784,784			
Statutory Working Capital Requirement	\$ (1,660,724)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (1,660,724)			
Proceeds from Financing Activities	\$ (993,990)			
Total Statutory Funding Requirement	\$ 53,735,382			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 53,735,382			
Statutory Funding Assessments	\$ 51,401,382	\$ 46,708,699	\$ 4,554,567	\$ 138,116
Non-Statutory Fees				
NEL	4,476,669,439	3,949,655,760	515,406,761	11,606,918
NEL%	100.00%	88.23%	11.51%	0.26%

Strategic Goals and Objectives

The 2014 business planning process commenced in the fourth quarter of 2012 with a collaborative review of the ERO's goals and objectives by NERC and Regional Entity senior executives. This was followed by a review of business planning assumptions, existing activities, and resources, in each case taking into consideration lessons learned, stakeholder feedback, and statutory and governmental requirements and directives. Efforts were made to identify the desired end state for each of the major goals over the next three-year planning period, significant gaps to achieving stated objectives, and activities that should be undertaken to close those gaps. NERC's Finance and Audit Committee and the Board also participated in strategic planning sessions to provide input in the development of the ERO's strategic goals, objectives, and business plan and budget.

The 2014–2016 planning initiative updated the [ERO Enterprise Strategic Plan](#) (Strategic Plan) and associated strategic goals and objectives in the areas of standards; compliance, registration

and certification; risks to reliability; and coordination and collaboration. A draft ERO Enterprise Strategic Plan was presented at the February 2013 meeting of the Board and posted for a 30-day public comment period. Written comments were received from a number of individuals and entities and posted on the company website. Input was also sought from the trade associations and an informal input group of MRC members, which was established by the MRC in August 2012 to help facilitate NERC's business planning and budgeting process. In response to these comments, management recommended certain modifications to the Strategic Plan. These modifications were reviewed and approved at the Board meeting on May 9, 2013. The following is a list of the specific goals and objectives set forth in the Strategic Plan.

Standards

Goal 1. Develop clear, reasonable, and technically sound mandatory reliability standards in a timely and efficient manner. These standards establish threshold requirements for ensuring the BPS is planned, operated, and maintained in a manner that minimizes risks of cascading failures, avoids damage to major equipment, or limits interruptions of bulk power supply.

Objectives include:

- a. Standards are timely, clear, and responsive to reliability and security risks.
- b. Standards are practical to implement and cost-effective.

Compliance, Registration, and Certification

Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective, and fair. The ERO retains and refines its ability to use enforcement when warranted and impose penalties and sanctions commensurate with risk.

Objectives include:

- a. The ERO registers entities commensurate with risk to the BPS and ensures all key reliability entities are certified to have essential capabilities.
- b. The ERO holds industry accountable for violations that create serious risk to the BPS; resulting actions are timely and transparent to industry.
- c. The ERO monitors registered entities and standards requirements commensurate with the risk and role of each type of registered entity.

Goal 3. Promote a culture of compliance that is driven by a culture of reliability excellence and addresses reliability risks across the industry. The ERO works with industry to identify standards, procedures, practices, and controls to address reliability risks.

Objectives include:

- a. Industry has effective procedures and programs to monitor, detect, correct, report, and prevent compliance, reliability, and security issues.

- b. The ERO uses efficient processes and proportional exercise of discretion to verify that compliance objectives are met by industry.

Risks to Reliability

Goal 4. Identify the most significant risks to reliability. The ERO identifies and prioritizes reliability risks, facilitates effective solutions and interventions, and monitors results.

Objectives include:

- a. Risks are identified and prioritized based on reliability impacts, cost and practicality assessments, projected resources, and emerging issues.
- b. Events and system performance are consistently analyzed for sequence, cause, and remediation to identify reliability risks and trends, and to inform standards, compliance, and other programs. Industry is well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions.

Goal 5. Be accountable for mitigating reliability risks. The ERO works with industry stakeholders and experts to ensure the mitigation of known risks to reliability.

Objectives include:

- a. The ERO is tracking industry accountability for critical reliability and security recommendations.
- b. Industry is aware of and is effectively addressing security vulnerabilities and threats. Industry security posture is being evaluated and continuously improved. During crisis situations, the ERO facilitates sharing of information among industry, Regions, and government.

Goal 6. Promote a culture of reliability excellence. The ERO facilitates a learning environment throughout the industry through event causal analysis, communication of lessons learned, tracking of recommendations, and implementation of best practices.

Objectives include:

- a. ERO is a leading resource to industry and policy makers for reliability information.
- b. Reliability models and data accurately represent system behavior and are shared among reliability entities.

Coordination and Collaboration

Goal 7. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost-effectiveness. ERO accomplishes this by working with the Regional Entities and registered entities to ensure effective coordination, collaboration, and process improvements. The ERO communicates expectations clearly and fosters collaboration to deliver important

results in advancing system reliability. The ERO engages the support and expertise of stakeholders, is an efficient steward of resources, and leverages information systems to create efficiencies and process controls.

Objectives include:

- a. The ERO acquires, engages, and retains highly qualified talent suited to the mission.
- b. The ERO's internal risks are understood and managed; ERO processes are effective, efficient, and continuously improved.

Major Ongoing Activities

The following is a list of the major ongoing and new activities by strategic goal area that will be undertaken in 2014, followed by a discussion of activities that address new research initiatives, key strategic initiatives, and associated resource requirements.²

Standards

- Continue addressing regulatory obligations for standards development and revisions as specified in regulatory directives.
- Complete standards revisions related to Paragraph 81, Phase 2 requirements.
- Meet targets in support of the three-year standards development plan.
- Integrate the plan from the 2013 independent expert review team into the standards development plan.
- Increase coordination with NERC's Compliance and Enforcement departments in integrating compliance considerations into standards development.
- Accelerate delivery of the number of standards that meet quality criteria and the results-based construct.
- Develop a BPS reliability risk profile to evaluate existing standards and continue the prioritized development of risk-based standards focused on key reliability outcomes.
- Facilitate industry transition to CIP Version 5 and minimize an unintended surge in violations.
- Develop methods to assess and manage cost-effectiveness (benefit) of new standards.
- Continue to support alignment between standards development and the Reliability Issues Steering Committee (RISC) priorities.

Compliance, Registration, and Certification

- Continue to improve enforcement processing efficiency, including steps to ensure the sustainability and expandability of the Find, Fix, Track, and Report process.
- Finalize and implement the RAI enforcement strategy and deliver 2014 milestones.

² See Section A for a discussion of other ongoing department activities, including activities currently underway in 2013.

- Focus on achieving better consistency in regional enforcement outcomes.
- Continue registered entity mapping activities to ensure that registry gaps, duplicative registration, and compliance monitoring are avoided.
- Continue to work to ensure registered entities understand their compliance obligations and how compliance will be assessed.
- Complete functional model review and registration needs assessment.
 - Develop common and consistent registration approach among Regions.
 - Develop recommendations to modify registration and certification process based on BPS risk.
- Complete Bulk Electric System (BES) Phase II exception process implementation.
- Reduce unnecessary compliance documentation while working to ensure registered entities are monitored in a cost-effective manner.
- Continuously assess the actively monitored list based on reliability trends, risks, and historical information to ensure that the compliance focus remains on the most critical reliability standards.
- Develop highly qualified and trained auditor, investigator, and enforcement staffs.
- Develop training resources for the ERO and industry, including materials related to the Reliability Assurance Initiative (RAI).
- Provide early and ongoing input into the standards development process.
- Provide ongoing oversight of Regional Entity compliance and enforcement activities.
- Develop metrics and incentives to improve trends in mitigation aging curve.
- Continue to identify the causes and trends of violations in enforcement cases.

Risk to Reliability

- Issue reliability assessment reports, guidelines, recommendations, and alerts as needed.
- Prepare long-term and seasonal reliability assessments.
- Conduct special assessments addressing key reliability issues.
- Prepare an annual state of reliability report that analyzes BPS performance trends and provides insight and guidance to address key reliability aspects.
- Continue to work to address high-impact, low-frequency (HILF) issues, including effects of geomagnetic disturbance on the BES and vulnerability assessments.
- Provide oversight, analysis, and review of Generating, Transmission, and Demand Response Availability Data Systems (GADS, TADS, and DADS), along with the Spare Equipment Database.
- Strengthen data collection and validation processes by designing, creating, testing, and implementing data systems and management for reliability assessment and risk analysis.

- Provide quarterly updates on trends and measures of BES reliability.
- Develop a risk registry and a systematic prioritization process with the RISC.
- Develop control strategies and plans to address the highest priority existing or emerging risks to BES reliability.
- Develop a risk register to support BPS risk profile measurement and assessment of standards.
- Conduct major event investigations, analysis, and reporting of major findings and recommendations that will improve reliability.
- Support the development and implementation of NERC and Regional Entity (ERO Enterprise) software applications, which support common functions and are critical to advancing the quality and usefulness of reliability assessments and event analysis data.
- Develop structured approaches to evaluate and improve system models, analysis, and assessments.
- Improve the functionality and usability of the Electricity Sector -Information Sharing and Analysis Center (ES-ISAC) portal for registered entities.
- Develop a cybersecurity maturity model tool kit for industry to conduct cybersecurity self-assessments.
- Deliver important information to registered entities regarding critical infrastructure protection security threats, vulnerabilities, and lessons learned from subject matter experts, senior industry, and governmental representatives.
- Through security best-practice discussion forums, educate industry about reliability concerns and risk mitigation associated with emerging physical and cybersecurity threats.
- Continue to collaborate with government agencies in the United States and Canada to develop more timely dissemination of classified information regarding threats to the BPS in a form that can be provided to and used by the industry.
- Conduct security incident analysis and work with industry experts to evaluate, track, and identify lessons learned and security metrics that enhance the electricity sector's security posture.
- Continue to work with the Regional Entities to obtain and review information from registered entities regarding qualifying events and disturbances in order to advance awareness of events above a threshold level and facilitate analysis of root causes, risks to reliability, wide-area assessments, mitigation, and timely dissemination of information regarding events.
- Continue to support the System Operator Certification and continuing education programs, as well as provide training to support knowledge and skills development in standards, compliance, event analysis, registration, and other key areas.

Coordination and Collaboration

- Continue to provide resources and support to the Board and Board committees, the MRC, Standards Committee, Compliance and Certification Committee, Planning Committee, Operating Committee, Critical Infrastructure Protection Committee, Electricity Sub-sector Coordinating Council (ESCC), Reliability Issues Steering Committee, and numerous ERO subcommittees and working groups.
- Continue to implement procedures, controls, processes, documentation, and systems to improve the efficiency of operations and control costs.
- Continue to work with Regional Entities to improve oversight and collaboration.
- Continue to enhance to ERO risk management tools and procedures.
- Develop a comprehensive technology roadmap for applications and infrastructure supporting ERO operations, including Regional Entity components.
- Continue to work collaboratively with the Regional Entities to advance the design and implementation of strategic ERO Enterprise IT applications and supporting infrastructure.
- Review and, where applicable, make recommendations for improvements to NERC and Regional Entity operating and working capital reserve policies and forecasting, including policies applicable to tracking and use of excess operating reserves.
- Evaluate and implement mechanisms to improve talent acquisition and employee retention.

2014 Key Business Planning Assumptions

As part of their annual business planning initiatives, NERC and the Regional Entities collaborate to form significant assumptions that should be considered when developing their respective business plans and budgets. For the 2014 business plans and budgets, these assumptions include, but are not limited to:

1. There will be continued industry participation to support key program areas, including but not limited to the standards and compliance process improvement initiatives.
2. External factors, including regulatory actions, may affect resource needs and allocation.
3. Critical infrastructure protection will continue to be a priority in the United States and Canada.
4. Compliance auditing will transition to be more reflective of a registered entity's reliability risk profile.
5. Significant investments will be required over the planning period to develop and implement program area and enterprise-wide applications to support common NERC and Regional Entity business needs and processes.

These assumptions also reflect the application of the Section 215 criteria discussed in the following section. A more complete list of the common assumptions is attached as **Exhibit A**.

Application of Section 215 Criteria to Major Activities

In its order approving NERC's 2013 business plan and budget, the Federal Energy Regulatory Commission (FERC) required NERC to establish criteria for determining whether its proposed activities are eligible for funding under Section 215. In an order dated April 19, 2013, FERC approved NERC's proposed criteria, with certain modifications.³ **Exhibit B** summarizes the major activities NERC proposes to undertake and the approved Section 215 criteria applicable to such activities.

As further described in Exhibit B, all of the major activities that NERC proposes to undertake in 2014 are within the Section 215 guidelines. In addition, as part of the business planning process, the Board requested policy input regarding the potential for funding support for the ESSC and the operation of the ES-ISAC outside of Section 215. Based on this feedback and the discussions at the May 2013 Board meeting, NERC is planning to continue Section 215 funding for the ES-ISAC in 2014. The NERC board of trustees is considering a proposal to move the ESSC outside of NERC. From a 2014 budget and funding standpoint, the cost of any company personnel and expenses to support the ESSC, as well as the costs of outside consulting support, will remain statutory.

Stakeholder feedback was also sought regarding the potential funding of the System Operator Certification and Continuing Education Program (SOCCED) activities outside of Section 215. The SOCCED programs are designed to ensure that personnel operating the BPS have the skills, training, and qualifications needed to operate the system reliably. NERC maintains the credentials required to work in system control centers across North America for over 6,000 system operators. The requirements of the SOCCED programs are encompassed in Sections 600 and 902 of the NERC Rules of Procedure, as well as in Article XII of the NERC Bylaws. NERC's system operator certification exam is designed to test specific knowledge of job skills and reliability standards. It also prepares operators to comply with requirements of reliability standards and appropriately operate the BPS during normal and emergency operations.

Certification exams are created by the Personnel Certification Governance Committee (PCGC), an industry group of operations experts, trainers, and supervisors. Under the PCGC oversight, the Examination Working Group periodically updates and publishes new exams. When an operator passes the certification exam, certification is maintained by completing NERC-approved continuing education courses and activities. The Personnel Subcommittee, composed of industry training experts, provides oversight of the Continuing Education program. SOCCED costs have been entirely or substantially funded through testing and certification fees, and a separate operating reserve has been established for the SOCCED program under NERC's Working Capital and Operating Reserve Policy. Based on the feedback received to date, the company is proposing to continue the current SOCCED funding approach in 2014.

Overview of 2014 Funding Requirements

NERC's 2014 Business Plan and Budget reflects NERC's ongoing efforts to better define program area requirements and allocate resources to make more meaningful and demonstrable contributions to improvements to the reliability of the bulk power systems in

³ *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013).

North America. Management has continued to enhance the quality and depth of information provided in the company's business plan and budget in order to improve transparency and stakeholder communications and understanding of the ERO's resources requirements.

The following sections of the 2014 Business Plan and Budget describe in detail the resources required in 2014 for NERC to continue to carry out its mission. The 2014 funding requirements reflect the costs to maintain current operations, including but not limited to: personnel costs based on projected 2013 year-end headcount, contracts for office space, software licensing, third-party data management, communication and other services to support current operations. Incremental funding requirements in 2014 are primarily driven by resources required to fund (1) geomagnetic disturbance (GMD) research; (2) consulting resources to support compliance and enforcement reform initiatives; (3) investments in technology and support services to improve cyber threat information sharing capabilities, preparedness, and mitigation strategies; and (4) investments in the development of software applications and infrastructure to facilitate improved business processes and efficiency and to reduce unnecessary costs on registered entities. The 2014 funding requirements for these items are partially offset by savings realized from a reduction in contractor and consulting costs tied to the completion, elimination, or reduction in the scope of various other program area initiatives.

Penalty funds received in 2013 and a reduction in NERC's working capital reserves will reduce NERC's 2014 assessments funding approximately \$1.5M (3.2%). After taking into account the application of NERC's policies regarding the allocation of United States penalty funds,⁴ the allocation of certain compliance and enforcement costs,⁵ and using 2012 net energy for load data, assessments will be approximately \$3.7M (8.5%) higher for U.S. entities, \$111.3k (2.5%) higher for Canadian entities, and \$13.4k (10.8%) higher for Mexican entities.

The 2014 proposed assessment increase represents a net increase of \$739k (1.5%) in assessments over the two-year period between 2013 and 2014.

NERC proposes to finance the cost of certain enterprise IT applications that are under development in 2013 and are slated to be developed in 2014, as well as finance the cost of certain hardware that supports internal and enterprise software applications. It is anticipated that the combination of NERC's strong credit and a favorable interest rate environment will allow these investments to be financed at attractive interest rates. This financing will place downward pressure on assessments in the near term and spread out the costs of each of these capital projects over three years. Additional details regarding this proposed financing are included in **Exhibit D**. The repayment of the projected principal and interest in connection with this financing has also been factored into the 2015 and 2016 budget projections discussed further below. Implementation of this approach is dependent on negotiation of acceptable, definitive terms and conditions of the financing agreements with lenders, NERC Board approval, and Commission approval of the projected principal repayment and interest schedule for the borrowings in NERC's budget and statutory assessments. Any variation in projected compared to actual principal and interest payment obligations will be tracked and reported as part of the

⁴ Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards, December 8, 2008

⁵ Expanded Policy on allocation of Certain Compliance and Enforcement Costs, July 29, 2008

company's quarterly budget to actual variance report provided to the NERC Finance and Audit Committee, Board, and FERC.

Management is proposing to maintain operating reserves for known contingencies and unforeseen contingencies at the same level as in the 2013 budget, including a \$1M budget for known contingency reserves and \$1M budget for unforeseen contingency reserves. Known contingency reserves include potential funding of vegetation research related to the FAC-003 reliability standard for vegetation management and development of a reliability assessment database that will be used to conduct reliability risk assessments and analysis for resource planning and allocation, as well as industry advisories and alerts. The FAC-003 vegetation research was originally planned to commence in 2014 but has been deferred to 2015, with the potential to accelerate funding into 2014 subject to the availability of reserves. Further information regarding these two initiatives may be found under the Reliability Assessment and Performance Analysis department section of this business plan and budget. Based on an analysis of working capital and operating reserve levels and taking into account the forecasted year-end reserve balances, a total of \$1.2M in excess operating reserves is proposed to be applied to reduce 2014 assessments, as shown on Table B-1 in Section B.

Management has also prepared preliminary budget projections for 2015 and 2016. Further information regarding the assumptions underlying these projections may be found on pages 26–27.

2014 Cost of Current Operations and Additional Resource Requirements

Management and the NERC Board take the efficiency and the cost of NERC's operations very seriously. The following steps that have been taken to control costs and increase the efficiency of operations are reflected in the development of this Business Plan and Budget:

1. Established a formal working capital and operating reserve policy and controls.
2. Implemented policies and controls regarding the expenditure of funds approved for specific statutory purposes on unbudgeted activities.
3. Increased the detail and granularity of variance reporting, both monthly for operational purposes and quarterly for review with the Finance and Audit Committee, as well as in quarterly public postings and annual FERC filings.
4. Retained an outside consulting firm to conduct a comprehensive review of employee compensation and benefits and implemented revised policies governing compensation and benefits.
5. Implemented an ongoing top-to-bottom review of the entire organization to determine the particular skills and competencies that are required to perform the necessary tasks of each position in the organization.
6. Significantly reduced the company portion of employee benefits costs by increasing employee contributions and deductibles .
7. Implemented average salary increases below peer group average.

8. Implemented a workforce management system to track employee time by major activity.
9. Developed more robust policies and controls governing employee travel expenses.
10. Strengthened resource capabilities for Regional Entity oversight.
11. Established a risk management and internal controls framework and hired experienced personnel to implement it.
12. Developed and obtained FERC approval of written criteria governing statutory activities and applied these criteria to departmental activities in connection with the development of the business plan and budget.
13. Reviewed departmental activities to ensure alignment with goals and objectives contained in the approved Strategic Plan.
14. Eliminated funding of non-core activities including the Interchange Distribution Calculator (IDC) and related tools, and the North American Synchrophasor Initiative (NASPI).
15. Improved coordination and decision making with the Regional Entities.

With due regard to the foregoing, the projected 2014 revenue requirements reflect the revenues necessary to support the major departmental activities discussed on pages 10–13, including but not limited to the cost of personnel, meetings, travel, office space, information technology, and other costs necessary to support the essential functioning and governance of the corporation as detailed in the financial statements and supporting schedules. The projected cost of ongoing operations in 2014 reflects (1) average salary increases below industry average, (2) a personnel attrition factor, (3) continuation of 2013 reductions in the employer portion of the costs of medical and retirement benefits, (4) market increases in health care costs, and (5) the elimination of funding of the IDC and contractors and consultants to support NASPI.

Forecasted 2014 personnel costs include 2013 budgeted full-time employees (FTEs) plus five new positions required to support current operations. These positions include: (1) an engineer in the Reliability Assessment and Performance Analysis department to support risk management initiatives and associated technical analysis, (2) a shared administrative support position for the legal and enforcement departments (which are both based in the Washington, D.C. office and currently have limited administrative support), (3) a database analyst to assist in the management of the numerous databases necessary for ERO operations, (4) a webmaster to support the day-to-day maintenance of NERC's website and associated applications, which are used extensively to support both internal and external knowledge management and communications and (5) one additional employee to strengthen the operation of the ES-ISAC. NERC's 2014 cost of ongoing operations also includes the cost associated with support provided to the ESCC. NERC is utilizing a recently implemented workforce management system to track time associated with providing ESCC support. In the future, the company will have the ability to allocate costs to specific activities, such as ESCC support. Additional revenue requirements to further improve ES-ISAC operations and associated registered entity benefits are discussed in the next section.

NERC is projecting approximately \$53.5M in total operating expenses and capital expenditures to support current ongoing operations, which is approximately \$800.6k (1.5%) less than 2013.

NERC management has also budgeted resources required in 2014 to enable the company to (1) conduct GMD research in connection with recent FERC orders, (2) support key strategic initiatives, and (3) improve and expand ES-ISAC capabilities and performance. The following table sets forth the 2014 budget impact of these incremental resource requirements, followed by a more detailed discussion of these incremental resource needs.

2013 Budget		2014 Commitments - Inc(Dec)	Incremental Resources	Total 2014 Budget
\$ 31,298,405	Total Personnel Expense	\$ 2,761,249	\$ -	\$ 34,059,654
\$ 4,098,310	Total Meeting Expense	\$ (308,785)	\$ -	\$ 3,789,525
\$ 8,816,254	Contracts and Consultants	\$ (3,381,731)	\$ 1,394,450	\$ 6,828,973
\$ 8,251,187	Operating Expenses (excl depreciation)	\$ 198,968	\$ -	\$ 8,450,154
\$ 50,000	Non-Operating Expenses	-	94,000	\$ 144,000
\$ 1,772,100	Capital Expenditures	\$ (70,300)	\$ 1,415,990	\$ 3,117,790
\$ 54,286,256	Total Budget	\$ (800,600)	\$ 2,904,440	\$ 56,390,096

Additional Research Related to Regulatory Matters

Recent regulatory requirements regarding vegetation clearances and vegetation management on public lands, as well as the potential impacts of geomagnetic disturbances (GMD), may impact resource requirements for 2014. These items are described below with estimated 2014 funding requirements.

1. Vegetation Research

The recent FERC order approving the FAC-003 reliability standard for vegetation management included an obligation to validate the technical foundation supporting the inclusion within the Gallet Equation of factors for the Minimum Vegetation Clearance Distance (MVCD). Significant industry support for the application of the Gallet Equation was a key factor in achieving approval for this standard. An estimated cost of \$500k for this research is supported by a draft statement of work prepared by EPRI that involves an approximately nine-to-fifteen-month period of effort and associated activity. Contractor support will be required to conduct the necessary research that provides the technical foundation supporting the use of the MVCD in the application of the vegetation management standard. Due to budget constraints NERC will be exploring potential sources of third party funding for a portion of the cost of this research, as well as deferring a portion of its funding beyond 2014, phasing its total planned multi-year funding commitment of \$500k over several years and relying on operating reserves for partial funding of this initiative in 2014. Use of operating reserves for funding in 2014 will reduce NERC's total planned multi-year funding commitment of \$500k.

The research plan is intended to provide empirical technical support for the application of the Gallet equation and the associated factors related to the MVCD. These empirical tests will involve actual flash-over distances between conductors and vegetation grown specifically for this purpose at the EPRI test facility in Lenox, Massachusetts. The research will evaluate flash distances in a carefully calibrated environment and thereby validate through data the actual application of the MVCD factors in the currently approved FAC-003 standard.

2. Vegetation Management on Public Lands

In the recent FERC order approving the FAC-003 reliability standard for vegetation management, the Commission directed NERC to ascertain the issues surrounding access for vegetation and related maintenance for transmission assets crossing public lands. FERC is concerned that issues arising from federal- and state-governed lands (e.g., Bureau of Land Management areas, national and state forests, etc.) restrict access to transmission assets crossing such lands and may potentially lead to a reliability risk for outages or delayed restoration. Consulting resources are required to develop a plan to gather technically valid information that would identify the nature and extent of such issues on public lands. The research plan as currently envisioned would be led by NERC and financially supported by existing industry groups, such as the EEI Vegetation Management Task Force. NERC does not anticipate having to provide direct financial support in 2014 for this research.

3. Reliability Effects of GMD

The continuing efforts of the HILF work to expand the technical foundation for understanding the potential impact of GMD will involve continuation of the GMD Task Force work and research through the Electric Power Research Institute (EPRI) in 2014. The current 2013 funding level of \$250,000 is expected to be required in 2014, targeting overall completion by the end of the year. The current work centers around providing a suite of technically valid tools and operational measures and transformer modeling, along with coordinating work efforts at the National Oceanic and Atmospheric Administration and space weather entities to understand the potential ranges of geomagnetically induced currents from coronal mass ejections on the sun. The results will permit individual entities to conduct associated vulnerability assessments. Once the EPRI and industry efforts are completed, the task force can finalize the tool development and associated baseline information. The objective for 2014 is to complete associated research efforts and conduct an overall assessment of the vulnerability assembled in a report that provides an indication of the how these factors potentially affect reliability of the BPS in North America.

Additional Resources to Support Compliance and Enforcement Reform (Reliability Assurance) Initiatives

During 2013 and consistent with the goals and objectives set forth in the Strategic Plan, NERC established a Reliability Assurance Initiative (RAI) as part of its stated objectives of ensuring BPS reliability, improving the efficiency and effectiveness of NERC and Regional Entity compliance

and enforcement operations, and reducing unnecessary costs to registered entities by focusing compliance oversight and enforcement resources on significant risks to reliability. Implementing the RAI program is a multiyear effort that involves compliance and enforcement process changes, development of new tools and training materials, and a variety of related efforts. These initiatives are specifically aimed at moving the ERO toward a culture of reliability through improved compliance monitoring and enforcement mechanisms. Moreover, these initiatives will also eliminate known problems with the current “zero-tolerance” processes that place unnecessary administrative burdens on registered entities and consume far too many NERC and Regional Entity resources.

The major RAI activities for 2013 include: (1) identifying and implementing process improvements to the self-reporting process; (2) implementing FFT enhancements; (3) developing an auditor handbook and checklist for use by compliance auditors; and, (4) initiating small prototype and pilot programs focused on developing entity risk assessments and developing processes for evaluating and testing internal controls. As further discussed under the Enforcement Department section of the 2014 Business Plan and Budget, the first two activities—self-reporting and FFT enhancements—seek to better align NERC and the Regional Entity enforcement processing activities with the level of risk the particular activity poses to the reliability of the BPS. These activities promote efficiencies for both the ERO Enterprise and registered entities by eliminating undue regulatory burdens, streamlining documentation and filing requirements, and substantially improving the processing of alleged violations and their companion mitigation plans. An audit handbook, which is being developed in 2013, will be utilized across the entire ERO by all compliance auditors and will support the audit processes outlined in the audit checklist. The audit handbook will address concerns voiced by registered entities, particularly those with operations in more than one Region, that differing audit practices exist in various Regions and among various audit teams within those Regions. Registered entities will benefit from the handbook because it will promote consistency in regional compliance audit practices, eliminating guesswork for entities in pre-audit preparations. Lastly, the prototypes and pilot programs will focus on how to best develop registered entity reliability risk assessment profiles and perform reviews and tests of internal controls. These pilots are an excellent means by which the newly developed tools and procedures can be tested and modified based upon actual results from the field, firsthand experiences, and lessons learned.

Three major activities that will build upon the framework and improvements implemented as a result of the ongoing 2013 RAI activities are planned for 2014: (1) developing a training program to support implementation of the common audit procedures developed in 2013; (2) assessment of the existing compliance, reporting, analysis tracking system (CRATS) and other compliance tools to support RAI activities; and (3) developing prototypes and pilot programs to support the development of registered entity reliability risk assessments and compliance monitoring scoping projects. These activities are necessary to implement the strategic reforms to the compliance monitoring and enforcement programs. The bulk of these activities will be resourced from NERC and Regional Entity staffs. However, as detailed below, certain activities require funding for an outside consultant with specialized industry expertise. Where appropriate, the plan will leverage volunteers from industry. For instance, a number of prototypes and pilot programs will include testing operational aspects of the RAI activities with

volunteer registered entities. This mix of resources will allow NERC to produce the RAI deliverables in a timely way, at an effective cost, and in a manner that ensures ERO Enterprise personnel will be equipped to execute the new processes and procedures in future years. NERC has budgeted \$400k for outside consulting resources in 2014 to support these initiatives, which are further described in Section A of the Business Plan and Budget, under Compliance Operations.

Additional Resources to Support Enterprise Software Applications and Infrastructure

During 2013, considerable emphasis has been placed on consolidating applications determined to have similar business processes and functions across NERC and the Regional Entities. NERC and the Regional Entity Management Group deemed the bulk electric system exceptions process and event information data analysis to be ERO Enterprise in nature. Therefore, NERC and the Regional Entities undertook a concerted effort to gather business and functional requirements to build enterprise-wide applications supporting these processes that would culminate in an application package that would become operational in a dedicated data center facility. NERC and the Regional Entities will use these applications to perform required business functions, thereby reducing multiple disparate applications and databases into single, agreed-upon business applications.

The 2014 budget includes proposed incremental funding to support continuing multiyear undertaking to consolidate and manage ERO Enterprise applications into a reliable, centrally managed, dedicated hosting facility. This will require leveraging unique vendor capabilities to provide infrastructure services, security, back-up, and recovery that would otherwise require NERC and the Regional Entities to run, secure, and manage separate instances of the applications and databases, along with requirements to create connectivity between the multiple systems. Each enterprise application will be designed to offload the burden of multiple registrations by registered entities, reduce manual efforts by NERC and Regional Entity staff to manually process volumes of data, and significantly increase business intelligence and analytical capabilities.

During 2013, NERC and the Regional Entities developed a common software application to process BES exception requests, and are in the process of developing an application to facilitate the management, analysis and dissemination of information regarding events affecting BPS reliability. Another example is planned design and implementation of an enterprise application (the “RADS” application⁶) to replace the legacy reliability assessment database, which currently requires hundreds of NERC and Regional Entity man-hours to process millions of data elements to populate up to 27 individual spreadsheets that are manually processed in connection with preparation of the summer and winter seasonal assessments. The replacement RADS application will allow regional staffs to input data into forms that would automatically populate a central database for almost immediate creation of the data required for seasonal assessments, reducing manual workload and potential for error. The resulting efficiency gains will be used to redirect resources in support key reliability improvement initiatives.

⁶ The RADS application is presently budgeted for development in 2015 but may be accelerated into 2014, subject to the availability of funding from reductions in the cost of the development of a replacement Alerts applications, operating reserves and/or the capital financing program, which are further, discussed in Section A under the Situation Awareness and Information Technology departments, respectively.

This multiyear effort will also focus on a new centralized compliance application to replace the multiple applications used by NERC and the Regional Entities, as previously mentioned in connection with the Reliability Assurance Initiative. A centralized compliance application will provide multiple tangible benefits including a secure, logically and physically segregated central database for management and reporting, and it would also reduce the number of system touch points required to synchronize and manage the integrity of multiple databases. A new compliance application will create efficiencies and continue to foster process improvements by establishing a common tool to be used by multiple compliance and enforcement staffs.

Each enterprise application will be designed through a collaborative approach with the Regional Entities and in such a manner as to facilitate business intelligence and analytic capability with the appropriate level of security. In addition to providing a more cohesive view of data across applications and databases by NERC and the Regional Entity staffs, the environment will incorporate design features that would allow the Regional Entities, along with the general public, access to reporting and analytics. It will be designed to facilitate dashboards and reporting either with anonymous access, or, with enhanced feature functionality, upon proper vetting and approval.

The enterprise applications will be hosted and centrally managed from a dedicated state-of-the-art data center facility. The facility would incorporate all elements of infrastructure support to include system administration and help desk functions, security, monitoring and back-up, and recovery capability. A central hosted facility will achieve a single point of accountability, reduce security exposure by leveraging best-in-class security practices and technology, and standardize tools and technologies used amongst NERC and the Regional Entities.

The ERO Enterprise application and infrastructure plan and budget was developed as a multi-year strategic initiative. Projected costs over the 2014–2016 planning period are set forth in the detailed IT department description under the General and Administrative Program Area in Section A of the Business Plan and Budget. Management anticipates financing the development of these capital assets and spreading the cost out over several years to mitigate the impact on assessments and cash flow. Further details regarding the financing program are included in Exhibit D.

ES-ISAC Incremental Funding Needs

The resources currently devoted to supporting the ES-ISAC consist primarily of personnel and contractors who gather, analyze, and provide information regarding cyber threats to industry through a secure communications portal and the costs to operate and maintain that portal. By having access to information regarding threats (including threats faced by other sectors such as the financial and communications industries) and the ability to analyze the potential impact of these threats on the electric sector and rapidly share this information with industry, the security of the electricity sector is improved.

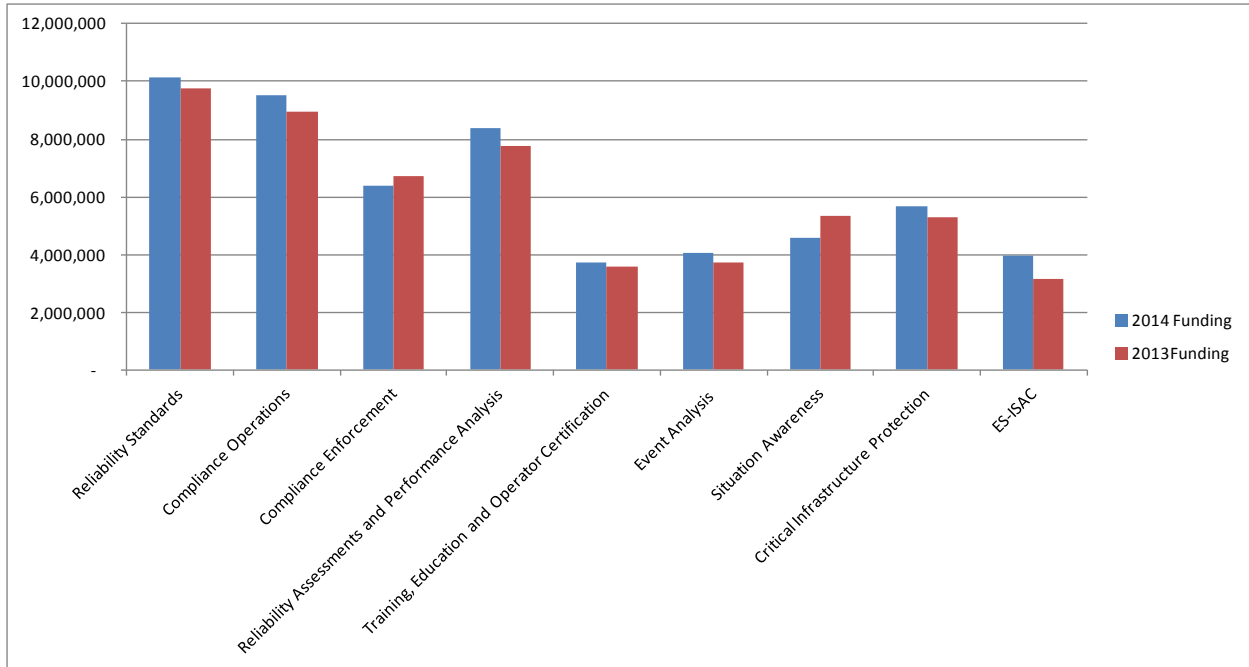
To keep pace with the growth and risk of cyber attacks and the associated need for timely and effective information sharing with industry and other sectors in order to mitigate potential significant BPS reliability risk, NERC's 2014 budget includes a significant increase in the tools and technologies devoted to supporting ES-ISAC. This additional resource support is in three

areas: (1) tools and technologies for improving the usability and functionality of the information-sharing portal to better allow the electric sector to receive and provide information to the ES-ISAC and to better allow the ES-ISAC to share information with other sector ISACs; (2) the preparation of a cyber risk preparedness toolkit to allow industry to conduct self-assessments of cyber risk preparedness; and (3) adding one staff position to increase analytical capabilities, portal monitoring, and information sharing and shift staffing on the National Cybersecurity and Communications Integration Center (NCCIC) floor. The additional cost in 2014 associated with improving the portal and information-sharing capabilities consists primarily of software licensing fees. The preparation of the cyber risk preparedness toolkit will reduce the projected ongoing costs for NERC to conduct individual cyber risk preparedness assessments for industry in the absence of industry having a tool to conduct these assessments.

The federal government has been piloting a new form of highly secure information sharing network and associated technology that can be utilized to identify, track, and deploy fixes to emerging cyber security threats. This project, a combination of what is known as the “Cyber Federated Model” (CFM) and “Cyber Risk Information Sharing Program” (CRISP), is at a point where the tools are ready to be commercialized. Federal funding provided to incubate this technology up to the point of commercialization is expected to be reduced or eliminated in 2014 and replaced by private sector sources of funding. NERC has not included any specific funding to support the commercialization of this portal and associated technology in 2014.

The following table sets forth a 2013–2014 total budget (operating expenses plus fixed assets minus depreciation) comparison by department, followed by a bar chart comparison of funding by department.

Total Budget	Budget 2013	Budget 2014	Change	
			2014 Budget v 2013 Budget	% Change
Reliability Standards	9,775,088	10,167,369	392,281	4.0%
Compliance Operations	8,928,994	9,496,446	567,452	6.4%
Compliance Enforcement	6,725,004	6,395,091	(329,913)	-4.9%
Reliability Assessments and Performance Analysis	7,762,436	8,350,598	588,162	7.6%
Training, Education and Operator Certification	3,571,766	3,737,472	165,706	4.6%
Reliability Risk Management				
Event Analysis	3,738,430	4,048,371	309,941	8.3%
Situation Awareness	5,324,311	4,583,264	(741,047)	-13.9%
Critical Infrastructure Department				
Critical Infrastructure Protection	5,299,502	5,668,027	368,525	7.0%
ES-ISAC	3,160,725	3,943,457	782,731	24.8%
Total Budget	54,286,256	56,390,096	2,103,840	3.9%



The following chart presents a year-over-year comparison of FTEs by department and reflects 2013 personnel additions and interdepartmental transfers, attrition assumptions, and proposed 2014 personnel additions. It is followed by a statement of activities comparing the 2013 and proposed 2014 budget.

Total FTE's by Program Area	Budget 2013	Budget 2014*	Change from 2013 Budget
STATUTORY			
Operational Programs			
Reliability Standards	26.50	25.92	(0.58)
Compliance Operations	24.00	23.04	(0.96)
Compliance Enforcement	21.00	18.24	(2.76)
Reliability Assessments and Performance Analysis	18.75	18.99	0.24
Training, Education and Operator Certification	8.00	8.16	0.16
Event Analysis	9.50	9.60	0.10
Situation Awareness	6.50	6.24	(0.26)
Critical Infrastructure Protection	12.50	11.98	(0.52)
ES-ISAC	6.75	8.22	1.47
Total FTEs Operational Programs	133.50	130.39	(3.11)
Administrative Programs			
General & Administrative	8.00	10.56	2.56
Legal and Regulatory	14.00	15.15	1.15
Information Technology	16.75	18.07	1.32
Human Resources	3.00	2.88	(0.12)
Finance and Accounting	11.00	12.48	1.48
Total FTEs Administrative Programs	52.75	59.14	6.39
Total FTEs	186.25	189.53	3.28

*Reflects 2013 additions and transfers between departments, anticipated timing of 2014 hires, and assumes 4% attrition in all programs

The complete NERC organizational chart is attached as **Appendix 1**.

Statement of Activities and Fixed Assets Expenditures					
2013 Budget & Projection, and 2014 Budget					
STATUTORY					
	2013	2013	Variance 2013 Projection v 2013 Budget	2014	Variance 2014 Budget v 2013 Budget
	Budget	Projection	Over(Under)	Budget	Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 47,604,156	\$ 47,604,156	\$ (0)	\$ 51,401,382	\$ 3,797,226
Penalty Sanctions	2,512,500	2,512,500	-	290,000	(2,222,500)
Total NERC Funding	\$ 50,116,656	\$ 50,116,656	\$ (0)	\$ 51,691,382	\$ 1,574,726
Membership Dues	-	-	-	-	-
Testing Fees	1,680,000	1,680,000	-	1,620,000	(60,000)
Services & Software	-	57,000	57,000	50,000	50,000
Workshops	436,000	372,950	(63,050)	354,000	(82,000)
Interest	20,000	20,000	-	20,000	-
Miscellaneous	-	224	224	-	-
Total Funding (A)	\$ 52,252,656	\$ 52,246,830	\$ (5,826)	\$ 53,735,382	\$ 1,482,726
Expenses					
Personnel Expenses					
Salaries	\$ 24,056,165	\$ 24,965,038	\$ 908,873	\$ 26,218,572	\$ 2,162,407
Payroll Taxes	1,459,710	1,473,809	14,099	1,570,954	111,244
Benefits	3,079,941	2,917,558	(162,383)	3,385,917	305,976
Retirement Costs	2,702,588	2,264,996	(437,592)	2,884,211	181,623
Total Personnel Expenses	\$ 31,298,403	\$ 31,621,401	\$ 322,997	\$ 34,059,654	\$ 2,761,250
Meeting Expenses					
Meetings	\$ 1,042,000	\$ 1,158,289	\$ 116,289	\$ 1,052,150	\$ 10,150
Travel	2,738,500	2,419,525	(318,975)	2,419,525	(318,975)
Conference Calls	317,810	323,850	6,040	317,851	41
Total Meeting Expenses	\$ 4,098,310	\$ 3,901,664	\$ (196,646)	\$ 3,789,525	\$ (308,785)
Operating Expenses					
Consultants & Contracts	\$ 8,816,254	\$ 8,140,646	\$ (675,608)	\$ 6,828,973	\$ (1,987,281)
Office Rent	2,756,840	2,695,217	(61,623)	2,617,300	(139,540)
Office Costs	3,181,515	3,488,179	306,664	3,506,074	324,559
Professional Services	2,291,331	2,369,743	78,412	2,290,280	(1,051)
Miscellaneous	21,500	19,250	(2,250)	36,500	15,000
Depreciation	1,579,801	1,859,008	279,207	2,333,006	753,205
Total Operating Expenses	\$ 18,647,241	\$ 18,572,043	\$ (75,198)	\$ 17,612,133	\$ (1,035,108)
Total Direct Expenses	\$ 54,043,954	\$ 54,095,108	\$ 51,153	\$ 55,461,313	\$ 1,417,358
Indirect Expenses	\$ -	\$ 0	\$ 0	\$ 0	\$ 0
Other Non-Operating Expenses	\$ 50,000	\$ 128,060	\$ 78,060	\$ 144,000	\$ 94,000
Total Expenses (B)	\$ 54,093,954	\$ 54,223,168	\$ 129,213	\$ 55,605,313	\$ 1,511,358
Change in Assets	\$ (1,841,298)	\$ (1,976,338)	\$ (135,039)	\$ (1,869,930)	\$ (28,631)
Fixed Assets					
Depreciation	\$ (1,579,801)	\$ (1,859,008)	(279,207)	\$ (2,333,006)	\$ (753,205)
Computer & Software CapEx	1,556,100	2,242,083	685,983	2,904,790	1,348,690
Furniture & Fixtures CapEx	-	340,788	340,788	-	-
Equipment CapEx	216,000	527,031	311,031	213,000	(3,000)
Leasehold Improvements	-	77,803	77,803	-	-
Allocation of Fixed Assets	\$ -	\$ 0	\$ 0	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	192,299	1,328,696	1,136,397	784,784	592,485
TOTAL BUDGET (=B + C)	\$ 54,286,253	\$ 55,551,864	\$ 1,265,610	\$ 56,390,096	\$ 2,103,842
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)¹	\$ (2,033,597)	\$ (3,305,034)	\$ (1,271,437)	\$ (2,654,714)	\$ 132,089
FTEs	186.25	179.04	(7.21)	189.53	3.3

¹The 2014 budgeted change in working capital reflects both a reduction in excess working capital and operating reserves and the assumptions related to capital financing. Refer to Table B-1 on page 115 for a complete analysis of the Working Capital and Operating Reserve balance.

Projections for 2015–2016

Management has developed preliminary operating and fixed asset (capital) budget projections for 2015 and 2016. The following significant assumptions were included in these projections:

- No increase in FTEs above 2014 budgeted levels.
- An overall personnel expense increase of 3%, which is inclusive of salary increases, benefit and retirement costs.
- An increase of less than 5% in overall contractor and consulting expenses.
- Cost of ongoing IT operations and development of Enterprise IT applications as set forth in the IT section of the 2014 business plan and budget.
- No funding for additional ES-ISAC tools or incremental resource needs, pending further review and input from the ESCC.
- Principal and interest payments in connection with borrowing under the capital financing program to fund IT Enterprise software application development and IT hardware, as further described in the IT section and Exhibit D of the 2014 business plan and budget.

Based on these assumptions, management is projecting a 2.6% and 3.4% year-over-year increase in operating expenses for 2015 and 2016, respectively. Fixed Asset (Capital) Expenses are projected to increase by 78% in 2015 and decrease 33% in 2016. The combined effect of the projected increase in operating and capital expenses results in a projected average increase in assessments of 8.9% and 4.1% for 2015 and 2016, respectively. The projected higher percentage increase in assessments in 2015 is primarily due to (1) the projected IT expenditures, including the debt service associated with the amortization of the cost of IT Enterprise application development and hardware, (2) a loss of penalty fund offsets since penalty funds are not projected or taken into account in the forecast, and (3) elimination of the return of excess operating reserves which applied to reduce assessments in 2014. Management will be reviewing these projections in an effort to further refine and where possible reduce or defer costs in order to mitigate the impact on assessments. The future availability of penalty funds and any excess operating reserves, to the extent generated in 2014, will also be taken into account. In addition, the projected assessments for 2015 and 2016 will be further updated to reflect the actual interest rate and amortization schedule of the capital additions, which are authorized to be financed under the approved 2014, 2015, and 2016 budgets.

**Statement of Activities, Fixed Assets Expenditures and Change in Working Capital
2014 Budget & Projected 2015 and 2016 Budgets**

	2014 Budget	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	2016 Projection	\$ Change 16 v 15	% Change 16 v 15
Funding							
ERO Funding							
NERC Assessments	\$ 51,401,382	\$ 55,993,807	\$ 4,592,424	8.93%	\$ 58,371,961	\$ 2,378,155	4.1%
Penalty Sanctions	290,000	-	(290,000)	-100.00%	-	-	
Total NERC Funding	\$ 51,691,382	\$ 55,993,807	\$ 4,302,424	8.3%	\$ 58,371,961	\$ 2,378,155	4.1%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	1,620,000	1,620,000	-	0.00%	1,620,000	-	0.0%
Services & Software	50,000	50,000	-	0.00%	50,000	-	0.0%
Workshops	354,000	309,000	(45,000)	-12.71%	309,000	-	0.0%
Interest	20,000	20,000	-	0.00%	20,000	-	0.0%
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 53,735,382	\$ 57,992,807	\$ 4,257,424	7.9%	\$ 60,370,961	\$ 2,378,155	4.1%
Expenses							
Personnel Expenses							
Salaries	\$ 26,218,572	\$ 26,874,036	\$ 655,464	2.5%	\$ 27,545,887	\$ 671,851	2.5%
Payroll Taxes	1,570,954	1,610,228	39,274	2.5%	1,650,484	40,256	2.5%
Benefits	3,385,917	3,641,810	255,893	7.6%	3,923,292	281,482	7.7%
Retirement Costs	2,884,211	2,956,316	72,105	2.5%	3,030,224	73,908	2.5%
Total Personnel Expenses	\$ 34,059,654	\$ 35,082,391	\$ 1,022,737	3.0%	\$ 36,149,887	\$ 1,067,496	3.0%
Meeting Expenses							
Meetings	\$ 1,052,150	\$ 1,052,150	\$ -	0.0%	\$ 1,052,150	-	0.0%
Travel	2,419,525	2,419,525	-	0.0%	2,419,525	-	0.0%
Conference Calls	317,851	317,851	-	0.0%	317,851	-	0.0%
Total Meeting Expenses	\$ 3,789,525	\$ 3,789,525	\$ -	0.0%	\$ 3,789,525	\$ -	0.0%
Operating Expenses							
Consultants & Contracts	\$ 6,828,973	\$ 7,143,540	314,567	4.6%	\$ 7,336,172	192,632	2.7%
Office Rent	2,617,300	2,632,300	15,000	0.6%	2,657,300	25,000	0.9%
Office Costs	3,506,074	3,752,979	246,905	7.0%	3,752,979	0	0.0%
Professional Services	2,290,280	2,290,280	-	0.0%	2,290,280	-	0.0%
Miscellaneous	36,500	36,500	-	0.0%	36,500	-	0.0%
Depreciation	2,333,006	2,114,705	(218,301)	-9.4%	2,750,705	636,000	30.1%
Total Operating Expenses	\$ 17,612,133	\$ 17,970,305	\$ 358,171	2.0%	\$ 18,823,937	\$ 853,632	4.8%
Total Direct Expenses	\$ 55,461,313	\$ 56,842,221	\$ 1,380,908	2.5%	\$ 58,763,349	\$ 1,921,128	3.4%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ 144,000	\$ 236,000	\$ 92,000	63.9%	247,000	11,000	4.7%
Total Expenses (B)	\$ 55,605,313	\$ 57,078,221	\$ 1,472,908	2.6%	\$ 59,010,349	1,932,128	3.4%
Change in Assets	\$ (1,869,930)	\$ 914,586	\$ 2,784,516	-148.9%	\$ 1,360,613	\$ 446,027	48.8%
Fixed Assets							
Depreciation	\$ (2,333,006)	\$ (2,114,705)	\$ 218,301	-9.4%	\$ (2,750,705)	\$ (636,000)	30.1%
Computer & Software CapEx	2,904,790	5,017,500	2,112,710	72.7%	3,167,500	(1,850,000)	-36.9%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	213,000	535,000	322,000	151.2%	535,000	-	0.0%
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ 784,784	\$ 3,437,795	\$ 2,653,011	338.1%	\$ 951,795	\$ (2,486,000)	0.0%
TOTAL BUDGET (=B + C)	\$ 56,390,096	\$ 60,516,015	\$ 4,125,919	7.3%	\$ 59,962,144	\$ (553,872)	-0.9%
FTEs	189.53	189.53	-	-	189.53	-	-

Section A — 2014 Business Plan and Budget Program Area and Department Detail

Reliability Standards

Reliability Standards Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	26.50	25.92	(0.58)
Direct Expenses	\$ 5,134,738	\$ 5,150,854	\$ 16,116
Indirect Expenses	\$ 4,581,241	\$ 4,872,999	\$ 291,758
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 59,109	\$ 143,517	\$ 84,408
TOTAL BUDGET	\$ 9,775,088	\$ 10,167,369	\$ 392,280

Background and Scope

The Reliability Standards Program carries out the ERO's statutory responsibility to develop, adopt, obtain approval of, and modify as and when appropriate, mandatory reliability standards (both continent-wide standards and regional reliability standards) for the reliable planning, operation and critical infrastructure protection of the North American BPS.

NERC's ANSI-accredited standards development process was reaccredited in 2013 and found to be open, balanced, and transparent. As part of the standard development process, industry technical experts scope, draft, and review the new or revised NERC Reliability Standards for approval by the industry ballot body, adoption by the Board, and filing with regulatory authorities in the United States and Canada.

The major activities undertaken by NERC's standards department include:

- 1. Delivering high-quality, continent-wide reliability standards:** NERC standards developers and other standards staff provide project management and leadership for informal standard development activities, facilitate drafting team activities, support drafting, assist the drafting teams in maintaining adherence to the development process as outlined in the Standard Processes Manual, and ensure that the quality of documents produced are appropriate for approval by industry and the Board.
- 2. Facilitating continent-wide industry engagement:** NERC manages the work of over 200 industry contributors who serve on the Standards Committee and subgroups, as well as informal development, standards drafting, interpretation, and other project teams for the development of NERC standards through the standards development program.
- 3. Conducting balloting, disseminating information, and supporting regulatory filings:** Through NERC's commenting and ANSI-accredited balloting process, industry consensus

is built by engaging thousands of industry volunteers within hundreds of registered entities throughout North America who review, comment on, and approve the standards products created by the standard drafting teams. The department also supports the filing of standards with regulatory authorities and provides support in connection with regulatory proceedings.

The standards program also provides a mechanism for the eight Regional Entities to process regional standards when reliability gaps are detected at the regional level. The NERC Standards staff supports regional standards development processes by providing technical advice, final quality review of regional standards, presentation to the Board, and preparation of regional standards materials for submission to the applicable regulatory authorities in the United States and Canada for adoption.

Key Standards Production Efforts Underway in 2013

Several years ago NERC's standards department began laying the foundation to transition from the existing set of NERC standards to a clear, concise, and stable body of world-class, high-quality standards that ensure the reliability of the BPS. In 2013, the standards department is taking additional steps to address regulatory directives and conduct quality reviews of existing standards. These actions are vital to ensuring standards are focused on significant reliability risks and reducing regulatory uncertainty. The three major work streams include:

- **Existing Projects/Emerging Issues** – Ensuring projects that support either high-risk reliability issues or emerging reliability issues are initiated or remain on schedule.
- **Five Year Reviews** – Initiating the review of standards that were due for assessment and have not been revised in recent development projects.
- **Directives** – Addressing FERC directives.

In conjunction with these work streams, two major initiatives were created to ensure standards address reliability risks and to eliminate standards or requirements that do not significantly benefit reliability and create unnecessary compliance burdens on industry:

- **Paragraph 81 Initiative:** On March 15, 2012, the Commission issued an order on NERC's Find, Fix, Track and Report (FFT) program. In the order, NERC was invited to make a proposal to the Commission identifying specific standards or requirements that need to be revised or retired because of the lack of any meaningful benefit to BPS reliability.
- **Results-Based Standards Initiative:** Ensuring that standards are focused on required actions or results (the "what") and not necessarily on the methods by which to accomplish those actions or results (the "how").

These two initiatives were applied to each standard or group of standards within the three major work streams to ensure that requirements with little or no benefit to reliability are eliminated and all new or revised standards are results-based. It is expected that these initiatives will lead to a concise set of standards that have the necessary combination of risk-, performance-, and capability-based requirements to ensure BPS reliability.

Based on the recommendation of the Member Representatives Committee's Standards Process Improvement Group, in 2013 NERC also began piloting methods to measure cost-effectiveness of standards under development. The goal of this work is to ensure that the standards development process produces standards that cost-effectively address reliability gaps.

Finally, a key departmental objective is to transform the existing set of standards to a world-class, results-based and stable body of standards that are truly focused on supporting BPS reliability. To set the foundation for this transformation, NERC formed a standards independent expert review panel to evaluate NERC's standards and associated requirements. This panel will rate each standard requirement's content and quality. Their report will include recommendations to retire or improve requirements and will form the basis for a roadmap to support the standards development plan and standards transformation.

2014 Goals and Deliverables

In 2014, the Standards department resources will be focused on the following three areas:

- 1. Transforming NERC's standards to high-quality, world-class, results-based standards:** NERC will complete its foundational work by addressing remaining regulatory obligations specified in regulatory directives and outstanding Paragraph 81 Phase 2 requirements candidates. Based on the work from the standards independent expert review panel, the 2014–2016 Reliability Standards Development Plan will launch a standard transformation to world-class, results-based standards in steady state. This transformation is expected to take approximately three years.
- 2. Develop a BPS reliability risk profile:** In coordination with the Reliability Issues Steering Committee and the ERO's technical committees, the Standards department will develop an overall North American-wide reliability risk profile for the BPS. Existing standards will then be evaluated to identify any high-risk reliability gaps. Risk-based standard development will be further refined and prioritized to address high-risk reliability gaps.
- 3. Develop methods to assess and manage cost-effectiveness (benefit) of new standards:** Additional pilots to assess the cost-effectiveness of standards will be undertaken in order to lay the groundwork for an adoption of approaches to better inform the standards development process regarding the cost-effectiveness of alternative approaches to meeting reliability objectives.

Resource Requirements

Personnel

As in prior years, industry engagement is vital to successful standards development. In 2014, industry subject matter expert engagement requirements will remain steady from 2013, as the remaining projects from 2013 finalize in the first quarter of 2014. The transformation of NERC standards to steady state will require additional industry engagement throughout 2014.

NERC Standards management is also continuously considering ways to improve the efficiency of standard development activities. In 2013, NERC gained regulatory approval of revisions to its Standard Processes Manual, which adopted changes consistent with ANSI requirements for standards development and provides the potential to shorten standards development time frames. Further, in late 2012, the NERC Standards department evaluated the 2012 organization

and determined changes were required to refocus resources on the production of standards, rather than the executing and monitoring process. In October, the department was realigned into three teams of standards developers and one team focused on information management.

No additional personnel are planned to be added to the Standards department in 2014. The 0.58 reduction in FTEs is due to the assumption of 4% attrition in all departments. However, an increase in departmental travel expense is expected, given the number of standards initiatives expected to be underway.

Contractors and Consultants

No contractor and consulting support is budgeted in 2014, representing a \$150k reduction from the 2013 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
RELIABILITY STANDARDS					
	2013	2013	Variance		Variance
	Budget	Projection	2013 Projection	2014	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)	Budget	Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 9,156,330	\$ 9,156,330	\$ -	\$ 10,000,443	\$ 844,113
Penalty Sanctions	510,788	510,788		58,951	(451,837)
Total NERC Funding	\$ 9,667,118	\$ 9,667,118	\$ -	\$ 10,059,394	\$ 392,276
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	104,000	104,000	-	104,000	-
Interest	3,970	4,224	254	3,976	6
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 9,775,088	\$ 9,775,342	\$ 254	\$ 10,167,369	\$ 392,281
Expenses					
Personnel Expenses					
Salaries	\$ 3,335,519	\$ 3,273,607	\$ (61,912)	\$ 3,308,688	\$ (26,831)
Payroll Taxes	213,052	206,812	(6,240)	210,130	(2,922)
Benefits	350,484	357,589	7,105	454,850	104,366
Retirement Costs	362,334	340,835	(21,499)	377,588	15,254
Total Personnel Expenses	\$ 4,261,388	\$ 4,178,843	\$ (82,546)	\$ 4,351,256	\$ 89,867
Meeting Expenses					
Meetings	\$ 164,000	\$ 224,000	\$ 60,000	\$ 185,000	\$ 21,000
Travel	372,500	400,000	27,500	400,000	27,500
Conference Calls	108,500	123,748	15,248	123,748	15,248
Total Meeting Expenses	\$ 645,000	\$ 747,748	\$ 102,748	\$ 708,748	\$ 63,748
Operating Expenses					
Consultants & Contracts	\$ 150,000	\$ 380,367	\$ 230,367	\$ -	\$ (150,000)
Office Rent	-	-	-	-	-
Office Costs	77,850	84,314	6,464	90,350	12,500
Professional Services	-	-	-	-	-
Miscellaneous	500	700	200	500	-
Depreciation	-	2,883	2,883	-	-
Total Operating Expenses	\$ 228,350	\$ 468,264	\$ 239,914	\$ 90,850	\$ (137,500)
Total Direct Expenses	\$ 5,134,738	\$ 5,394,855	\$ 260,116	\$ 5,150,854	\$ 16,115
Indirect Expenses	\$ 4,581,241	\$ 5,070,006	\$ 488,765	\$ 4,872,999	\$ 291,758
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 9,715,979	\$ 10,464,861	\$ 748,881	\$ 10,023,853	\$ 307,873
Change in Assets	\$ 59,109	\$ (689,520)	\$ (748,628)	\$ 143,517	\$ 84,409
Fixed Assets					
Depreciation	\$ -	\$ (2,883)	\$ (2,883)	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 59,109	43,250	(15,859)	143,517	84,408
Inc(Dec) in Fixed Assets (C)	59,109	40,366	(18,743)	143,517	84,408
TOTAL BUDGET (=B + C)	\$ 9,775,088	\$ 10,505,228	\$ 730,139	\$ 10,167,369	\$ 392,280
FTEs	26.50	26.25	(0.25)	25.92	(0.58)

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – Salaries and payroll tax expenses are projected to be lower in 2014 due to an estimated 4% attrition rate. Benefits are projected to be higher due to; (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses. Retirement expense is projected to be higher in 2014 due to having all positions filled on January 1, 2014, compared to 2013, which included reductions in budgeted retirement expense related to eligibility due to the timing of hiring.
- **Meetings, Travel and Conferencing Expenses** – Increases in meetings and travel expenses are due to the number of standards initiatives expected in 2014. The projected increase in conferencing expense is based upon 2013 trends.
- **Consultants and Contracts** – There are no requirements for support from outside consultants for the Standards program in 2014.
- **Office Costs** – The increase is due to higher cellular and air card expenses.

Compliance Monitoring and Enforcement and Organization Registration and Certification

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program's purpose is to monitor, enforce, and ensure registered entity compliance with the ERO's mandatory standards. This program area includes oversight of the registration and certification of BPS users, owners, and operators and is broken down into two departments for operational and financial reporting purposes: (1) the Compliance Operations department, and (2) the Enforcement department.

Compliance Operations Department

Compliance Operations (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	24.00	23.04	(0.96)
Direct Expenses	\$ 4,787,043	\$ 5,037,321	\$ 250,279
Indirect Expenses	\$ 4,149,048	\$ 4,331,554	\$ 182,506
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (7,098)	\$ 127,570	\$ 134,668
TOTAL BUDGET	\$ 8,928,994	\$ 9,496,446	\$ 567,454

Background and Scope

NERC's Compliance Operations department works collaboratively with the eight Regional Entities to ensure consistent and effective implementation of the Compliance Monitoring and Enforcement Program (CMEP).

The Compliance Operations department is responsible for the following major activities and functions:

- Consistent implementation of the risk-based compliance monitoring program, including registration and certification, for reliability improvements;
- ERO education programs that support industry compliance and the integration of risk assessment and internal controls;
- Development of minimum baseline monitoring requirements;
- Oversight of the Regional Entities' delegated compliance functions, including:
 - CMEP planning, implementation, and reporting,
 - Compliance operations and coordination, and
 - Auditor training;
- Development and maintenance of Reliability Standard Audit Worksheets (RSAWs); and

- Support for the Compliance and Certification Committee (CCC).

2014 Goals and Deliverables

Reliability Assurance Initiative

During 2013, consistent with the goals and objectives set forth in the Strategic Plan, NERC established a Reliability Assurance Initiative (RAI) as part of its stated objectives of ensuring BPS reliability, improving the efficiency and effectiveness of NERC and Regional Entity compliance and enforcement operations, and reducing unnecessary costs to registered entities by focusing compliance oversight and enforcement resources on significant risks to reliability. Implementing the RAI program is a multiyear effort that involves compliance and enforcement process changes, development of new tools and training materials, and a variety of related efforts. These initiatives are specifically aimed at moving the ERO toward a culture of reliability through improved compliance monitoring and enforcement mechanisms. Moreover, these initiatives will also eliminate known problems with the current “zero-tolerance” processes that place unnecessary administrative burdens on registered entities and consume far too many NERC and Regional Entity resources.

The major RAI activities for 2013 include: (1) identifying and implementing process improvements to the self-reporting process; (2) implementing FFT enhancements; (3) developing an auditor handbook and checklist for use by compliance auditors; and (4) initiating small prototype and pilot programs focused on developing entity risk assessments and developing processes for evaluating and testing internal controls. As further discussed under the Enforcement Department section of the 2014 Business Plan and Budget, the first two activities—self-reporting and FFT enhancements—seek to better align NERC and the Regional Entity enforcement processing activities with the level of risk the particular activity poses to the reliability of the BPS. These activities promote efficiencies for both the ERO Enterprise and registered entities by eliminating undue regulatory burdens, streamlining documentation and filing requirements, and substantially improving the processing of alleged violations and their companion mitigation plans.

An audit handbook, which is being developed in 2013, will be utilized across the entire ERO by all compliance auditors and will support the audit processes outlined in the audit checklist. The audit handbook will address concerns voiced by registered entities (particularly those with operations in more than one region) that differing audit practices exist in various regions and among various audit teams within those regions. Registered entities will benefit from the handbook because it will promote consistency in regional compliance audit practices, eliminating guesswork for entities in pre-audit preparations. Lastly, the prototypes and pilot programs will focus on how to best develop registered entity reliability risk assessment profiles and perform reviews and tests of internal controls. These pilots are an excellent means by which the newly developed tools and procedures can be tested and modified based upon actual results from the field, firsthand experiences, and lessons learned.

Three major activities are planned for 2014 that will build upon the framework and improvements implemented as a result of the ongoing RAI activities in 2013. These activities

include: (1) developing a training program to support implementation of the common audit procedures developed in 2013; (2) assessing the existing compliance, reporting, analysis tracking system (CRATS) and other compliance tools to support RAI activities; and (3) developing prototypes and pilot programs to support the development of registered entity reliability risk assessments and compliance monitoring scoping projects. These activities are necessary to implement the strategic reforms to the compliance monitoring and enforcement program. The bulk of these activities will be resourced with staff from NERC and the Regional Entities. However, as detailed below, certain activities require funding for an outside consultant with specialized industry expertise or experience. Where appropriate, the plan will leverage volunteers from industry. For instance, a number of prototypes and pilot programs will include testing operational aspects of the RAI activities with volunteer registered entities. This mix of resources will allow NERC to deliver the RAI deliverables in a timely way, at an effective cost, and in a manner that ensures ERO Enterprise personnel will be equipped to execute the new processes and procedures in future years. The details regarding the 2014 initiatives and contractor and consulting resources are described below.

(1) Developing a training program to support implementation of common audit procedures

The Compliance Operations department responsibilities include supporting the development of highly qualified and trained compliance operations and auditing staffs at both NERC and the Regional Entities by ensuring the proper qualifications of personnel for auditing and other essential compliance roles and providing proper training. A training program is also necessary to support the implementation of compliance monitoring and enforcement activities related to RAI. NERC will work directly with the Regional Entities to develop proper implementation and integration of the tools and processes developed during 2013, specifically the RAI Standardized Compliance Auditor Handbook and Checklist, and also incorporate lessons learned from the pilots. This training is essential for ensuring that all Regions are consistently applying the procedures and methodologies identified in the audit handbook. Additionally, the training program will address any other auditor needs associated with RAI improvements to the Compliance Monitoring and Enforcement Program (CMEP), including redesigned compliance communication tools. Another key component of the training program will focus on implementing changes related to enforcement processing, specifically changes to the self-reporting process and enhancements to the FFT process. This program will be developed in collaboration with the Regions and coordinated by NERC. External resources are needed to assist in developing these materials in time so they can be delivered throughout 2014. The 2014 budget for external consulting support for these training-related activities is \$150k, with another \$150k projected in 2015.

This training will provide a significant benefit to registered entities, because it will promote consistency of approach in the audit practices utilized by the regional audit teams. Regional Entity audit staffs will be trained on the proper practices for use by their auditor teams, which will promote audit consistency in both approach and performance, and thereby benefit registered entities. The training will address topics such as the proper timing for document requests, the types of documentation requested, the quality and level of detail necessary for various types of acceptable evidence, and the ability of the entity to present alternative forms

of evidence to exhibit compliance. Setting clear expectations for registered entities regarding audit practices and procedures should also allow registered entities to increase the efficiency and effectiveness of their pre-audit preparation.

(2) Assessing existing compliance tools that support compliance and enforcement operations

One key RAI activity for 2014 is the assessment and development of the ERO's Compliance Reporting and Tracking System (CRATS) and other available information systems and tools that are necessary to support the implementation and management of risk-based compliance monitoring and enforcement activities across NERC and the Regional Entities. The current CRATS software application is used to manage compliance and enforcement information through a combination of: (1) SharePoint for physical document retention, (2) a violation-tracking database with a translator, and (3) two different database applications. As described below, the capabilities of the current system will not support the compliance and enforcement process improvements that are contemplated under the Strategic Plan and instead will be designed and implemented through the RAI. The improvements in the self-reporting process and FFT enhancements will result in changes in compliance and enforcement data, retention requirements, and analysis, which will require changes to the supporting information systems and database management capabilities within CRATS.

Resources are needed to assess and make enhancements to the CRATS program or develop a replacement application. Outside consulting resources will be required to support this work. The major undertakings requiring consulting support in 2014 will include:

- A comprehensive assessment of the CRATS application and other compliance and enforcement platforms currently in use by the Regional Entities.
- Identification of the data and analytic requirements needed to support the risk assessment and processing requirements associated with RAI.
- Identification of how and the extent to which CRATS and any Regional Entity applications can be utilized and incorporated into the newly developed enforcement processing activities, including contemplated changes in self-reporting and FFT enhancements. These tools must ensure data integrity and accuracy to allow for effective oversight, as well as be flexible enough to accommodate possible segregation of matters not pursued through enforcement and streamlined reporting requirements.
- Recommendations regarding the development of an ERO-wide compliance information management and reporting system, including identification of the best platform to support this system.

Consultants in 2014 will focus on defining the business requirements for the tools needed to enable the RAI-related changes. These requirements and recommendations will be used to guide future ERO Enterprise applications development, which is anticipated beginning in 2015. \$250k has been budgeted for these external consulting resource needs in 2014.

(3) Assessing reliability risks and scoping compliance monitoring

In 2014, NERC and the Regional Entities will develop new prototype audit processes based on lessons learned from the 2013 pilots. This work will include an analysis of the results of the 2013 pilots, refining assessments of risk in the determination of audit scoping, and designing a second wave of pilots to test these updated procedures. Lessons learned from the 2013 pilot programs will be shared with registered entities so they can be incorporated into their respective risk assessments. Additionally, during 2014 an industry team working with NERC and the Regional Entities will develop guidance documents on internal controls for use by registered entities. As part of the development of these guidance documents, the team will prepare scoping materials regarding how a registered entity's internal controls could be assessed and tested to provide a reasonable assurance of compliance with applicable standards. This information will then be utilized to develop and document a methodology that can be provided to the registered entities for use in developing their internal control programs.

The core concept of risk-based compliance monitoring is to provide guidance to Regional Entities regarding how to appropriately scope compliance monitoring activities and methods (frequency and scope of standards to be monitored) based on each entity's potential impact to the BPS. Through continued refinement of the risk-based compliance monitoring program, NERC seeks to ensure that registered entities are monitored in a cost-effective manner. Registered entities will also benefit from these activities since the development of this methodology will take into account differences in registered entity size and the differing levels of risk posed to the bulk power system and will provide the appropriate scoping of audits. The emphasis on internal controls will also benefit registered entities by influencing the type of compliance approach used and the amount of monitoring deemed necessary to establish a reasonable assurance of compliance. Enhanced compliance monitoring approaches and properly scoped audits translate into reduced resources expended and other compliance-related savings for registered entities.

NERC's 2014 budget does not include funding for outside consultants to support the development of these scoping materials in 2014; instead, NERC believes this work will be undertaken by internal resources with industry support.

Registration Efficiencies

Throughout 2014, the Compliance Operations department, in coordination with the Regional Entities, will continue registered entity mapping activities to ensure the registry criteria is accurate and that gaps in and duplication of registration and compliance monitoring do not occur. NERC takes its obligation seriously to ensure that all entities that should be registered are accounted for.

Part of this effort includes enabling the registration process to be flexible and cost-effective. This is one way to increase the likelihood that applicable entities of all sizes and resource levels are able to become registered. Having appropriate registration is critical to compliance monitoring activities and enforcement activities. Elimination of duplicative or concurrent registration equates to better use of resources at both the registered entity level in the

implementation of compliance programs, and at the Regional level in regard to overall compliance monitoring efforts.

Ensure Industry Understanding of Compliance Requirements, Reduce Unnecessary Compliance Documentation, and Support Standards Development

The Compliance Operations department will continue efforts to ensure that all registered entities understand their compliance obligations and how compliance will be assessed. Compliance department staff will continue its work in reducing the variety of compliance documents currently produced and revising the RSAW tool to be more effective and less burdensome. An RSAW must provide sufficient information to assist auditors in assessing compliance; as well, an entity should be able to utilize an RSAW as a tool to measure its compliance and prepare for an audit.

Compliance staff will provide compliance and enforcement information, statistics, and perspectives to standard drafting teams to foster the development of standards that provide an increased reliability benefit and clarify compliance risks. Compliance department staff will continue its collaboration with industry and Standards department staff early in the standards development process by providing draft RSAW guidance, including information on how compliance with draft standards will be determined, as well as their views regarding the auditability and enforceability of the draft standards. This will better ensure that an RSAW serves as a tool in the auditing process and is not used or viewed as a tool to expand or modify standards requirements. After the Board approves a reliability standard and before the standard's effective date, NERC will conduct compliance trials to provide auditors and industry clear expectations of compliance.

NERC's goal is for registered entities to have effective compliance programs and internal controls. As discussed in connection with the RAI, greater consideration of internal controls in the compliance monitoring program is a proactive and forward-looking method of supporting reliability. NERC, the Regional Entities, and industry collaborated to improve the risk-based compliance monitoring program. The result is an Entity Impact Evaluation template that will support a consistent, risk-based approach to how registered entities can be assessed and how compliance monitoring activities may be scoped. As this component of the risk-based compliance monitoring program matures, NERC will rely on industry volunteers for participation in its development.

Regional Entity Audit Oversight

Compliance Operations department staff will oversee Regional Entity audits and conduct Key Reliability Standard Spot Checks.

Resource Requirements

Personnel

The Compliance Operations department is not proposing the addition of staff in 2014. The 0.96 reduction in FTEs is due to the assumption of 4% attrition in all departments.

Contractors and Consultants

NERC has budgeted a total of \$400k in contractor and consulting support for the RAI in 2014. This includes \$150k for outside consulting support for the development of auditor training materials and \$250k for outside consulting support to assist in the assessment of the existing software application supporting compliance, registration, and enforcement operations. It also includes assistance on defining the business requirements to update or replace the existing application, with development and funding of the replacement application to be undertaken in 2015.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
COMPLIANCE OPERATIONS, INVESTIGATIONS and ORGANIZATION REGISTRATION and CERTIFICATION					
	2013	2013	Variance		Variance
	Budget	Projection	2013 Projection	2014	2014 Budget
			v 2013 Budget	Budget	v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 8,422,798	\$ 8,422,798	\$ (0)	\$ 9,400,511	\$ 977,713
Penalty Sanctions	462,601	\$ 462,601		52,401	(410,200)
Total NERC Funding	\$ 8,885,399	\$ 8,885,399	\$ (0)	\$ 9,452,912	\$ 567,513
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	40,000	20,000	(20,000)	40,000	-
Interest	3,596	3,760	164	3,534	(62)
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 8,928,994	\$ 8,909,159	\$ (19,836)	\$ 9,496,446	\$ 567,451
Expenses					
Personnel Expenses					
Salaries	\$ 3,202,041	\$ 3,307,335	\$ 105,294	\$ 3,192,809	\$ (9,232)
Payroll Taxes	202,103	209,693	7,590	202,068	(35)
Benefits	325,579	386,563	60,984	404,311	78,732
Retirement Costs	368,031	327,522	(40,509)	364,901	(3,130)
Total Personnel Expenses	\$ 4,097,754	\$ 4,231,113	\$ 133,359	\$ 4,164,089	\$ 66,335
Meeting Expenses					
Meetings	\$ 80,000	\$ 60,000	\$ (20,000)	\$ 70,000	\$ (10,000)
Travel	440,500	312,657	(127,843)	312,657	(127,843)
Conference Calls	34,235	16,574	(17,661)	16,574	(17,661)
Total Meeting Expenses	\$ 554,735	\$ 389,232	\$ (165,503)	\$ 399,232	\$ (155,503)
Operating Expenses					
Consultants & Contracts	\$ -	\$ 60,000	\$ 60,000	\$ 400,000	\$ 400,000
Office Rent	-	-	-	-	-
Office Costs	73,424	71,713	(1,711)	73,500	76
Professional Services	-	7,600	7,600	-	-
Miscellaneous	500	100	(400)	500	-
Depreciation	60,630	64,869	4,239	-	(60,630)
Total Operating Expenses	\$ 134,554	\$ 204,282	\$ 69,728	\$ 474,000	\$ 339,446
Total Direct Expenses	\$ 4,787,043	\$ 4,824,626	\$ 37,583	\$ 5,037,321	\$ 250,278
Indirect Expenses	\$ 4,149,048	\$ 4,513,754	\$ 364,706	\$ 4,331,554	\$ 182,506
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 8,936,092	\$ 9,338,381	\$ 402,290	\$ 9,368,875	\$ 432,784
Change in Assets	\$ (7,098)	\$ (429,222)	\$ (422,126)	\$ 127,570	\$ 134,666
Fixed Assets					
Depreciation	(60,630)	(64,869)	(4,239)	-	60,630
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ 53,532	\$ 38,505	(15,027)	127,570	74,038
Inc(Dec) in Fixed Assets (C)	\$ (7,098)	\$ (26,364)	\$ (19,266)	\$ 127,570	\$ 134,668
TOTAL BUDGET (=B + C)	\$ 8,928,994	\$ 9,312,016	\$ 383,023	\$ 9,496,446	\$ 567,453
FTEs	24.00	23.37	(0.63)	23.04	(0.96)

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – Salaries, payroll tax and retirement expenses are projected to be lower in 2014 due to an estimated 4% attrition rate. Benefits are projected to be higher due to: (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses.
- **Meetings, Travel and Conferencing Expenses** – Meetings, travel and conferencing expenses are expected to be lower in 2014 based upon trending of actual expenses in 2013 and the reduction in FTEs.
- **Consultants and Contracts** – The increase is related to the reliability assurance initiative, the development of a training program and the assessment of enhancements to the CRATS program or the development of a replacement application as described above.

Compliance Enforcement Department

Compliance Enforcement (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	21.00	18.24	(2.76)
Direct Expenses	\$ 3,047,746	\$ 2,864,951	\$ (182,794)
Indirect Expenses	\$ 3,630,417	\$ 3,429,147	\$ (201,270)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 46,841	\$ 100,993	\$ 54,152
TOTAL BUDGET	\$ 6,725,004	\$ 6,395,091	\$ (329,912)

Background and Scope

The Compliance Enforcement department is responsible for overseeing enforcement processes, the application of penalties or sanctions, and activities to mitigate and prevent recurrence of remediated issues or confirmed violations of ERO standards.

A priority for this department is to ensure noncompliance is timely mitigated while at the same time focusing both NERC and Regional Entity enforcement resources on the matters that have the greatest impact on BPS reliability.

NERC's Compliance Enforcement department performs its responsibilities through:

- Monitoring Regional Entities' enforcement processes to ensure due process, to identify best practices and process efficiency opportunities, and to promote consistency among Regional Entities' business practices;
- Collecting and analyzing compliance enforcement and violation data and trends to assist with the identification of emerging risks and to help inform the development of enforcement policy and processes;
- Filing notices of penalty and other submittals associated with violations discovered through Regional Entity compliance, enforcement, and monitoring activities;
- Processing and filing notices of penalty and other submittals associated with violations discovered through NERC-led investigations and audits; and
- Docketing possible violations coming into the NERC enforcement program.

2014 Goals and Deliverables

Relationship to the Reliability Assurance Initiative (RAI) and expansion of the Find, Fix, Track and Report (FFT) program

As previously stated, RAI was launched to identify and implement changes that enhance the effectiveness of the ERO enterprise's compliance monitoring and enforcement and reduce unnecessary burdens and costs on registered entities. Activities associated with the expansion

of the FFT program are being conducted within the umbrella of the RAI program as priority projects.

Throughout the remainder of 2013 and into 2014, NERC's Enforcement department will continue to focus efforts on ensuring the sustainability and expandability of the FFT process. In addition to ongoing efforts aimed at addressing the consistency in application of CMEP program and documentation requirements, NERC and the Regional Entities will also work to implement the incremental enhancements proposed to FERC in NERC's March 15, 2013 FFT filing upon receipt of the necessary approvals.

Through FFT, NERC and the Regional Entities are also working on identifying opportunities for efficiencies in the processing of minimal risk issues found at audits. This project is being developed under the RAI umbrella but has its own timelines and milestones and is independent of other aspects of the RAI program. NERC expects to conduct one or more pilots in the fourth quarter of 2013 and will continue to test additional process improvements during 2014.

Another priority project under the RAI umbrella is the identification of improvements to the self-report process. Among other things, this project is considering changes to how the information associated with minimal risk issues flows from the registered entity to the Regional Entity to NERC. NERC expects to implement pilots to test process improvements beginning in the fourth quarter of 2013 and continuing during 2014.

Finally, the RAI program includes a project to develop guidelines for exercising greater discretion in identifying when noncompliance requires formal enforcement action. The assessment phase of this project is expected to go through the end of 2013 and continue in 2014.

Violation Trend Analysis

The Enforcement department continues to analyze the violations and processing information to identify trends and emerging risks and to gain insight into the effectiveness of NERC and the Regional Entities' processes and programs. The analysis is utilized in the development of enforcement policy and processes. In addition, the analysis is used to provide feedback to other departments, such as Standards. NERC's Enforcement department works in close collaboration with other NERC departments to leverage analytics as a risk management and resource allocation tool.

Reduction of Outstanding Caseload and Increased Processing Efficiencies

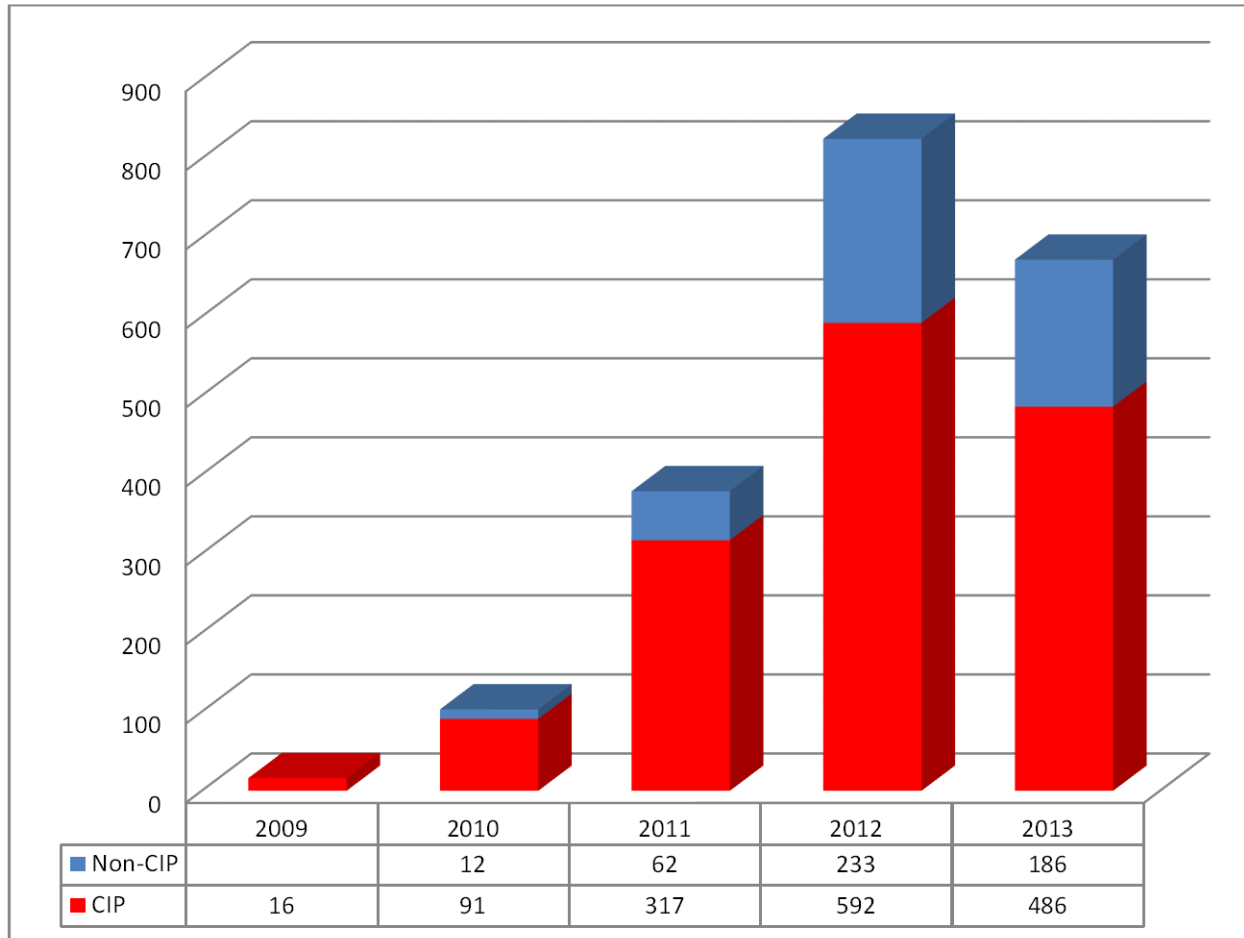
Throughout 2014, NERC's Enforcement department will continue to identify processing efficiencies to guide enhancements in enforcement activities and remain focused on issues that reduce BPS reliability risk.

Timely processing of violations will be another area of focus, particularly those that pose greater BPS risk and can provide lessons learned to industry. Early dissemination of violation information to registered entities will enable them to learn from prior events and violations so they may take preventative actions to eliminate similar risks.

As of June 30, 2013, NERC’s Enforcement department reduced the number of active violations discovered prior to January 1, 2012 (those that are not held by appeal, a regulator, or a court), by 50% from the number at January 1, 2012.

**Violations in ERO Inventory
As of June 30, 2013**

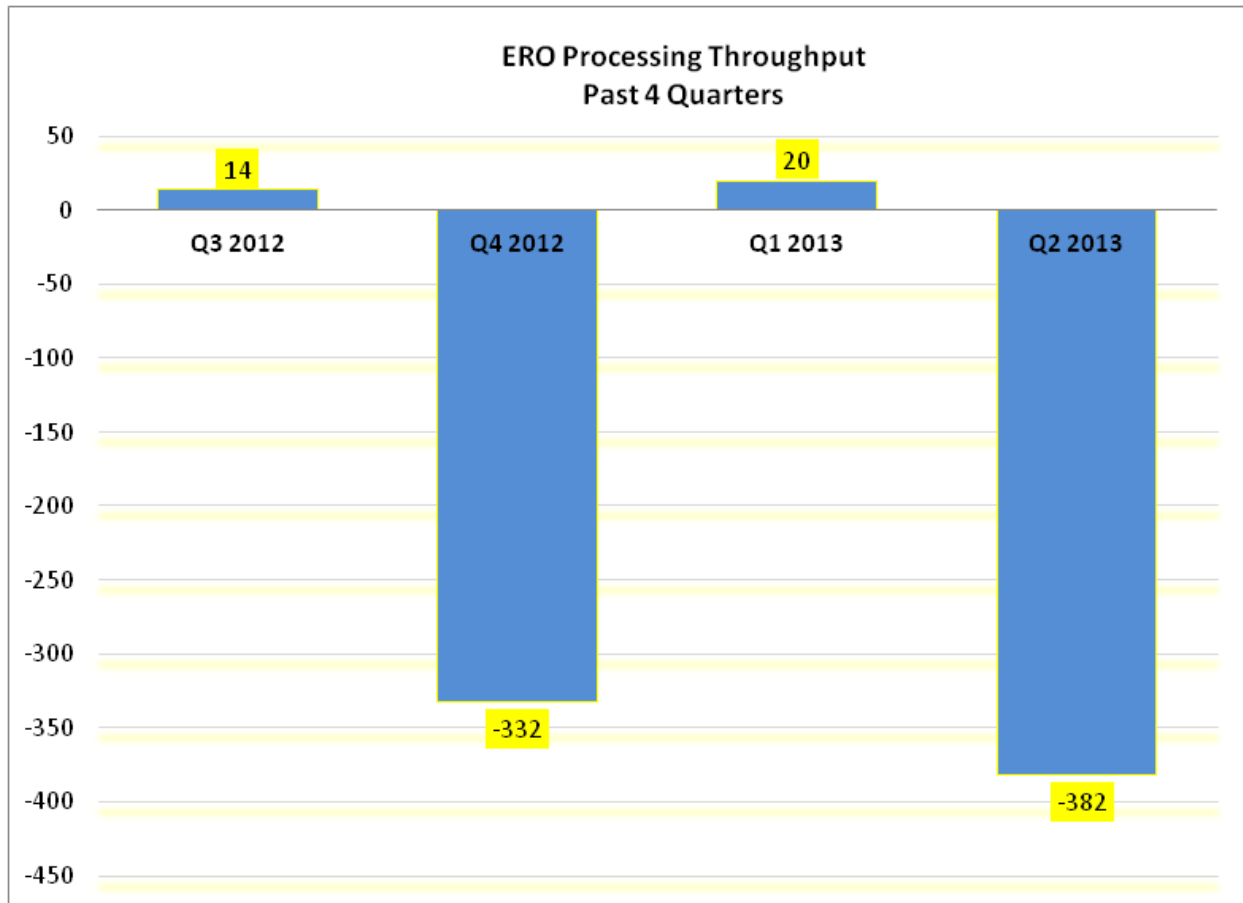
This excludes violations that are held by appeal, a regulator, or a court.



The Enforcement department continues to work with the Regional Entities to significantly reduce this prior caseload by closing the possible violations and providing information on prior violations to registered entities throughout the remainder of 2013 and in 2014.

The following chart shows the processing rates for the past four consecutive quarters. It includes both filed and dismissed violations and shows the number of incoming violations (fewer violations filed or dismissed) that required processing during the given quarter.

Violation Processing Within 12 Months



Resource Requirements

Personnel

No additional Enforcement personnel are being proposed in 2014. The 2.76 reduction in FTEs is due to the assumption of 4% attrition in all departments and due to the transfer of 2.0 FTEs to other departments in 2013.

Contractor Expenses

The cost for outside consulting assistance to conduct an assessment of the software application supporting the department's compliance reporting, analysis, and tracking needs has been budgeted under the Compliance Operations department.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
COMPLIANCE ENFORCEMENT					
	2013	2013	Variance		Variance
	Budget	Projection	2013 Projection	2014	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)	Budget	Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 6,317,083	\$ 6,317,083	\$ (0)	\$ 6,350,810	\$ 33,727
Penalty Sanctions	404,776	\$ 404,775		41,484	(363,292)
Total NERC Funding	\$ 6,721,858	\$ 6,721,858	\$ (0)	\$ 6,392,293	\$ (329,566)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	3,146	2,711	(435)	2,798	(348)
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 6,725,004	\$ 6,724,569	\$ (435)	\$ 6,395,091	\$ (329,914)
Expenses					
Personnel Expenses					
Salaries	\$ 2,152,370	\$ 1,909,732	\$ (242,638)	\$ 2,043,427	\$ (108,943)
Payroll Taxes	140,794	121,393	(19,401)	132,855	(7,939)
Benefits	274,883	224,621	(50,262)	320,080	45,197
Retirement Costs	247,200	202,884	(44,316)	234,210	(12,990)
Total Personnel Expenses	\$ 2,815,246	\$ 2,458,630	\$ (356,617)	\$ 2,730,572	\$ (84,675)
Meeting Expenses					
Meetings	\$ 5,000	\$ 5,000	\$ -	\$ 2,500	\$ (2,500)
Travel	186,000	85,298	(100,702)	85,298	(100,702)
Conference Calls	-	5,081	5,081	5,081	5,081
Total Meeting Expenses	\$ 191,000	\$ 95,379	\$ (95,621)	\$ 92,879	\$ (98,121)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	41,000	34,774	(6,226)	41,000	-
Professional Services	-	480	480	-	-
Miscellaneous	500	100	(400)	500	-
Depreciation	-	2,724	2,724	-	-
Total Operating Expenses	\$ 41,500	\$ 38,078	\$ (3,422)	\$ 41,500	\$ -
Total Direct Expenses	\$ 3,047,746	\$ 2,592,087	\$ (455,660)	\$ 2,864,951	\$ (182,796)
Indirect Expenses	\$ 3,630,417	\$ 3,254,461	\$ (375,956)	\$ 3,429,147	\$ (201,270)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 6,678,163	\$ 5,846,548	\$ (831,616)	\$ 6,294,098	\$ (384,066)
Change in Assets	\$ 46,841	\$ 878,021	\$ 831,181	\$ 100,993	\$ 54,152
Fixed Assets					
Depreciation	-	(2,724)	(2,724)	-	-
Computer & Software CapEx	-	2,199	2,199	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ 46,841	\$ 27,762	(19,079)	100,993	54,152
Inc(Dec) in Fixed Assets (C)	\$ 46,841	\$ 27,237	\$ (19,604)	\$ 100,993	\$ 54,152
TOTAL BUDGET (=B + C)	\$ 6,725,004	\$ 5,873,785	\$ (851,220)	\$ 6,395,091	\$ (329,914)
FTEs	21.00	16.85	(4.15)	18.24	(2.76)

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – Salaries, payroll tax and retirement expenses are projected to be lower in 2014 due to the reduction in the number of FTEs and due to an estimated 4% attrition rate. Benefits are projected to be higher due to: (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses.
- **Travel** – Travel expenses are expected to be lower in 2014 based upon trending of actual expenses in 2013 and the reduction in FTEs.

Reliability Assessment and Performance Analysis

Reliability Assessments and Performance Analysis (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	18.75	18.99	0.24
Direct Expenses	\$ 4,516,620	\$ 4,903,304	\$ 386,684
Indirect Expenses	\$ 3,241,444	\$ 3,570,148	\$ 328,704
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 4,372	\$ (122,854)	\$ (127,226)
TOTAL BUDGET	\$ 7,762,436	\$ 8,350,598	\$ 588,161

Background and Scope

NERC's Reliability Assessments and Performance Analysis (RAPA) program and department carries out the ERO's statutory responsibility to conduct assessments of the reliability and adequacy of the BPS in North America. RAPA also identifies reliability performance issues and areas of concern (including equipment performance and reliability issues) for consideration in the development of new mandatory reliability standards, the modification of existing standards as part of the Reliability Standards Development Program, or other initiatives that enhance overall reliability.

A comprehensive understanding of the complexity of the changing BPS is key to developing effective approaches for achieving reliability. RAPA develops a solid technical framework and understanding of the reliability risks facing the industry and utilizes those insights to communicate guidance and information to entities across North America to enhance reliability. RAPA does this through its own engineering and analysis efforts, as well as through marshaling stakeholder resources with subject matter expertise.

Key Focus Areas

RAPA focuses its efforts in four key areas:

(1) Reliability Assessment

Reliability assessments provide a technical platform for important policy discussions on challenges facing the interconnected North American BPS. Each year, NERC is responsible for independently assessing and reporting on the overall reliability, adequacy, and associated risks that could impact the upcoming summer and winter seasons and the long-term, 10-year period. As emerging risks and potential impacts to reliability are identified, RAPA conducts special reliability assessments and identifies remedial actions that may be warranted. RAPA's assessments are founded on solid engineering through collaborative and consensus-based approach.

By identifying and quantifying emerging reliability issues, NERC is able to provide risk-informed recommendations and support a learning environment for industry to pursue improved reliability performance. These recommendations, along with the associated technical analysis, provide the basis for actionable enhancements to resource and transmission planning methods, planning and operating guidelines, and NERC Reliability Standards.

Key assessments include:

- Long-Term Reliability Assessment
- Summer and Winter Reliability Assessments
- Special and Scenario Reliability Assessments

Additionally, RAPA coordinates forecast reliability data between planning areas, the eight Regional Entities, and governmental organizations through the Electricity Supply and Demand Database.

(2) Performance Analysis

The Performance Analysis group identifies and tracks key reliability risk indicators to benchmark reliability performance and measure reliability improvements. With this information, the group provides the framework for insights and guidance about emerging trends and associated actions that may be warranted. This includes assessing available event analysis results, incident severity measures, and compliance performance results; developing guidelines for acceptable metrics, and maintaining a performance metrics dashboard on the NERC website.

The key trends, findings, and recommendations from risk performance analysis serve as technical input to the ERO's reliability standards and project prioritization, compliance process improvements, event analyses, reliability assessment, and critical infrastructure protection efforts. This analysis of BPS performance not only provides an industry reference for historical BPS reliability, but it also offers analytical insights across the enterprise that lead toward industry action and enable the discovery and prioritization

of specific actionable risk control steps. These analyses and results are summarized in the annual *State of Reliability Report*, which provides guidance and recommendations that will lead to enhanced bulk system reliability.

(3) Reliability Risk Analysis and Control

A comprehensive understanding of complex interdependencies and their wide-ranging impacts affecting the reliability of the BPS requires deliberate and methodical risk analysis and control strategies. A robust approach that effectively identifies emerging reliability risks and seeks to address them is essential for ensuring NERC's effectiveness and enhancing the reliability of the BPS.

RAPA works with industry leaders to create a reliability strategy that is relevant, timely, and effective at addressing the most important reliability risks. This effort includes understanding key information identified through analysis and assessment efforts; extracting and prioritizing the associated reliability risks from that information; sharing and integrating those risk analysis insights across the ERO enterprise; and translating that knowledge into actionable guidance and recommendations for NERC management, the Board, and industry entities.

This offers stakeholders an open and transparent approach for the development of NERC's reliability strategy, ultimately ensuring the ERO is accountable to industry, regulators, and the public at large.

(4) Reliability Initiatives and System Analysis

A deep understanding of the technical performance behavior of the North American grid provides a sound technical foundation for identifying those crucial aspects of grid performance that are important to sustaining overall reliability. This understanding is achieved through a comprehensive evaluation and testing of BPS behavior through forensic analysis of system disturbances and analytic simulations. Methodically comparing actual system behavior to the results of analytical power-flow and dynamics simulations provides the essential confidence and credibility to guide recommendations and insights that enhance system performance and reliability. These insights establish the framework and foundation for predictive results that lead to effective operating strategies and recommendations that serve to maintain reliability.

Based on NERC and industry priorities, and to meet business-planning goals, several issues and initiatives will not be pursued in 2014. Probabilistic analysis of reserve margins for NERC's Long-Term Reliability Assessment will be completed every two years rather than annually (none in 2013); the smart grid follow-on work plan will be addressed sometime after 2014; and wind generator availability information (GADS) will be re-programmed to the 2014–2015 timeframe. In 2014, RAPA will refine the composition of NERC's annual *State of Reliability Report* to reflect Post-Seasonal Reliability Review, insights from analysis of transmission, generator and demand response data systems (TADS, GADS, and DADS), and integration of event analysis and misoperations.

Further, RAPA will continue to work closely with other organizations, including, but not limited to, the Electric Power Research Institute (EPRI), Institute of Electrical and Electronic Engineers (IEEE), the North American Transmission Forum (NATF), the North American Generation Forum (NAGF), and Canadian Electricity Association (CEA). RAPA collaborates with these groups on a number of fronts, including geomagnetic disturbance (GMD), vegetation management, TADS, GADS, and variable generation integration. RAPA will continue working with the Interstate Natural Gas Association of America (INGAA) and the Natural Gas Supply Associations (NGSA) regarding studies pertaining to the interdependency of gas and electric systems.

Bulk Electric System (BES) Implementation

During 2013, the RAPA department has been closely involved in the development of a revised definition of the BES. RAPA has also been working closely with the Regional Entities to develop a software application to manage the implementation of the BES definition and exception process, by which a registered entity submits self-determined notifications or requests for exception of certain assets and systems from the BES. The associated business processes and guidance supporting the implementation are important elements aligned with the development of the BES tool that utilize an enterprise project management organization (PMO) approach to ensure effective implementation. The BES tool and its functionality for Regions, registered entities, and NERC has been structured to conform to provisions of the Order 773 and 773-A directives and requirements.

2014 Goals and Deliverables

- Issue reliability assessment reports, guidelines, recommendations, and alerts as needed.
 - One 10-year Long-Term Reliability Assessment.
 - Two seasonal assessments: Summer and Winter.
 - Reliability assessment report on geomagnetic disturbance (GMD) BES effects and vulnerability assessment.
 - One additional special focused assessment addressing key aspects of reliability issues, such as:
 - Variable generation penetration reliability impacts
 - Planning assumptions related to major one-in-a-hundred-year storms
 - Reliability risks associated with a diverse and changing resource mix
 - One annual State of Reliability Report.
 - Oversight of Generating, Transmission, and Demand Response Availability Data Systems (GADS, TADS, and DADS), along with reliability metrics, misoperations, and the Spare Equipment Database.
 - Strengthen data collection and validation processes by designing, creating, testing, and implementing data checking systems for reliability assessment, system analysis, and risk analysis.
 - Provide periodic updates on trends and measures of BPS reliability.

- Develop a risk registry and a systematic prioritization process consistent with the Reliability Issues Steering Committee (RISC) framework and support BPS risk profile measurement and assessment of standards.
- Develop risk control strategies and plans across the organization to address the highest priority existing or emerging risks to BPS reliability, and explicitly measure the results.
- Support NERC Reliability Standard development and response to FERC directives by providing technical and system analysis expertise.
- Support the technical foundation development for reliability standards to address deficiencies or needs revealed by reliability assessments and performance analysis.
- Provide support and leadership to the Planning Committee, and Standing Committees' subcommittees, working groups, and task forces serving the Standing Committees.
- Develop a structured approach to evaluate and improve system models, model validation, system analysis, and assessments.
- Assist in the development of approaches to registration and maintenance of the actively monitored list based on reliability trends, risks, and historical information to ensure that the compliance focus remains on the most critical entities and associated reliability standards.
- Conduct major event investigations, analysis, and reporting of major findings and recommendations that will improve reliability.
- Build and sustain an enterprise reliability assessment and performance analysis team that encompasses risk-informed approaches and structured methodology to identify and address reliability risks.
- Implement effective oversight and tracking of various technical aspects of reliability, including frequency response performance, application of TPL footnote b adoption, and root cause applications to assessment and analyses.

Resource Requirements

Personnel

The 2014 budget includes the addition of an engineer in RAPA to support risk management initiatives and technical analysis. The 0.24 increase in FTEs reflects the timing of hiring and the assumption of 4% attrition in all departments

Contractor Expenses

The total contractor and consultant expenses for the department are projected at \$638.1k, representing an approximate \$46.9k decrease over the 2013 budget. The 2014 contractor and consulting resources are described below and are grouped into four categories: (1) Research and Initiative Implementation, Tracking, and Reporting, (2) Special and Long-Term Assessments and State of Reliability Analysis, (3) Licensing and Support of Existing Databases, and (4) Application Development. Exhibit B shows the specific amount of 2014 contractor and consulting funding in a complete list for all NERC departments, compared to 2013 budgeted amounts.

(1) Research and Initiative Implementation, Tracking, and Reporting

2014 resource requirements include those in connection with recent regulatory developments regarding vegetation clearances and vegetation management on public lands, as well as the potential impacts of geomagnetic disturbances (GMD). Each of these items is described further below.

a. Vegetation Research:

The recent FERC order approving the FAC-003 reliability standard for vegetation management included an obligation to validate the technical foundation supporting the inclusion within the Gallet Equation of factors for the Minimum Vegetation Clearance Distance (MVCD). Significant industry support for the application of the Gallet Equation was a key factor in achieving approval for this standard. An estimated cost of \$500k for this research is supported by a draft statement of work prepared by EPRI that involves an approximately nine-to-fifteen-month period of effort and associated activity. Contractor support will be required to conduct the necessary research that provides the technical foundation supporting the use of the MVCD in the application of the vegetation management standard. Due to budget constraints NERC will be exploring potential sources of third party funding for a portion of the cost of this research, as well as deferring a portion of its funding beyond 2014, phasing its total planned multi-year funding commitment of \$500k over several years and relying on operating reserves for partial funding of this initiative in 2014. Use of operating reserves for funding in 2014 will reduce NERC's total planned multi-year funding commitment of \$500k.

The research plan is intended to provide empirical technical support for the application of the Gallet equation and the associated factors related to the MVCD. These empirical tests will involve actual flash-over distances between conductors and vegetation grown specifically for this purpose at the EPRI test facility in Lenox, Massachusetts. The research will evaluate flash distances in a carefully calibrated environment and thereby validate through data the actual application of the MVCD factors in the currently approved FAC-003 standard.

b. Vegetation Management on Public Lands:

In the recent FERC order approving the FAC-003 reliability standard for vegetation management, the Commission directed NERC to ascertain the issues surrounding access for vegetation and related maintenance for transmission assets crossing public lands. FERC is concerned that issues arising from federal- and state-governed lands (e.g., Bureau of Land Management areas, national and state forests, etc.) restrict access to transmission assets crossing such lands and may potentially lead to a reliability risk for outages or delayed restoration. Consulting resources are required to develop a plan to gather technically valid information that would identify the nature and extent of such issues on public lands. The research plan as currently envisioned would be led by NERC and financially supported by existing industry groups, such as the EEI Vegetation Management Task Force. NERC does not anticipate having to provide direct financial support in 2014 for this research.

c. Reliability Effects of GMD Vulnerability Assessment:

The continuing efforts of the high-impact, low-frequency (HILF) work to expand the technical foundation for understanding the potential impact of GMD will involve continuation of the GMD Task Force work and research through EPRI in 2014. The current 2013 funding level of \$250k is expected to be required in 2014, and overall completion is targeted for the end of the year. The current work centers around providing a suite of technically valid tools and operational measures and transformer modeling, along with coordinating work efforts at the National Oceanic and Atmospheric Administration and space weather entities to understand the potential ranges of geomagnetically induced currents from coronal mass ejections on the sun. The results will permit individual entities to conduct associated vulnerability assessments. Once the EPRI and industry efforts are completed, the task force can then finalize the tool development and associated baseline information. The objective for 2014 is to complete associated research efforts, conduct an overall assessment of the vulnerability, and assemble a report that indicates how these factors potentially affect reliability of the BPS in North America.

(2) Special and Long-Term Assessments and State of Reliability Analysis

a. Scenario Consultant—Addressing Standing and Emerging Issues:

NERC will continue to develop ad hoc special and scenario assessments, which are developed through RISC and Board initiatives and which are informed by the emerging issues process currently established in the LTRA.⁷ Scenario assessments provide detailed quantitative and qualitative analyses that stress the reference planning case of the North American BPS. Scenario analysis can indicate the relative sensitivity of the reference case to changes in pre-specified conditions and may provide insight into regional reliability risks. Based on input from RISC, as well as insights from assessments and analyses, industry is generally supportive of further analysis regarding BPS reliability. Scenario assessments may also be prompted by input from policy and legislative initiatives that NERC would undertake to provide the solid technical framework and foundation for policy decisions and guidance.

(3) Licensing and support of existing databases

The 2014 RAPA contractor and consulting budget also includes the costs to license and maintain the metrics collection, analysis, and display tools, as well as the generator availability data system, transmission availability data system, demand side management assessment database, and spare equipment database.

⁷ Special Assessments are ad hoc assessments focused on specific industry issues (emerging or standing). For these assessments, detailed quantitative and qualitative analysis, beyond what is included in the annual long-term and seasonal reliability assessments, is examined. These reports are generally published separately from the annual long-term and seasonal reliability assessments.

Scenario Assessments are ad hoc assessments focused on specific, hypothetical industry conditions. For these assessments, detailed quantitative and qualitative analyses are performed that stress the Reference Case. Scenario assessments will be included as part of the annual long-term and seasonal reliability assessments to provide a sensitivity of potential outcomes.

a. Metrics Data Collection, Analysis, and Display Tools – Enhancements and Maintenance:

This application collects, records, and retrieves reliability metric information that quantifies characteristics of adequate levels of reliability. The metric trends and performance analyses serve as technical input to reliability standards and project prioritization, compliance process improvement, event analysis, reliability assessment, and critical infrastructure protection. The dashboard displays dynamic performance trends and risk-based index curves on the NERC public website. Charts are interactive, and viewers can search specific supporting information through multilevel drilldown features with simple and direct access.

b. GADS/TADS/DADS/SED:

▪ Generation Availability Data System (GADS) – Enhancements and Maintenance:

This tool collects, records, and retrieves operating information on power plant availability, including event, performance, and design data. The information is used to support equipment reliability and availability analyses, as well as risk-informed decision making, including the reliability and adequacy of the BPS and the potential need for development of new or modified reliability standards.

▪ Transmission Availability Data System (TADS) – Enhancements and Maintenance:

This tool collects, records, and retrieves information used to measure transmission availability and performance. This data is important for assessing the reliability and adequacy of the BPS and can also provide information that indicates trends and insights into the need for developing reliability standards or other risk control strategies. The data reporting tool collects information about the transmission lines and transformers operating above 200 kV, including outage details and cause codes.

▪ Demand Response Availability Data System (DADS) – Enhancements and Maintenance:

This tool collects demand response enrollment and event information to measure its performance, including its contribution to improved reliability. This provides industry a consistent basis for projecting contributions of dispatchable and non-dispatchable demand response to support resource projections and operational reliability. The data is also important for assessing the reliability and adequacy of the BPS and can provide information that indicates the need to develop new or modified reliability standards.

▪ Spare Equipment Database (SED) – Enhancements and Maintenance:

This tool collects and tracks spare long-lead time transformer information used to strengthen industry resiliency in order to withstand a significant event that damages large amounts of long-lead-time equipment. The database provides industry a vital tool of communication and coordination for tracking spare equipment. This ability will be extremely helpful in the aftermath of a HILF event, such as coordinated attack or extreme weather.

(4) Software application development

a. Replacement for pc-GAR:

Many years ago, NERC developed pc-GAR, a legacy software application, to provide industry and vendors restricted access to limited GADS information for benchmarking and other reliability improvement initiatives. NERC developed it when the provision of generator data was voluntary. In exchange for providing this data, companies received a restricted license for access to certain summary data from the system. Some generator major equipment vendors have also requested and been granted restricted licenses for access to this data in order to benchmark and improve their equipment.

Historically, NERC charged nominal license fees to help defray a portion of the costs of operating, maintaining, and administering this complex legacy software. In response to its 2013 business plan and budget (in which NERC expressed the intent to discontinue the licensing of this software and data availability), NERC received comments from industry expressing a strong desire for continuing access so that they could continue to undertake the reliability assessment and improvement activities generally described above. NERC management considered transferring the licensing of the software to a third party but felt that it was important to retain control of the licensing in order to ensure the protection of confidential information. NERC expects to commence development of a replacement software application in 2013 and therefore no specific funding is included in the 2014 business plan and budget for this activity. However, given that this work has not yet been completed the possibility exists that funding from reserves may be required in 2014, subject to the availability of reserves and other funding priorities.

b. Reliability Assessment Data System (RADS):

NERC's seasonal and long-term reliability assessments provide an independent view of the reliability of the North American BPS while identifying trends, emerging issues, and potential concerns. Assessments also provide seasonal resource adequacy and operating reliability, as well as an overview of projected electricity demand growth. The Regional Entities provide data and other information requested by NERC in support of the preparation of the annual long-term and seasonal assessments. The data from these efforts is then used to coordinate forecast reliability data between planning areas, the eight Regional Entities, and governmental organizations. NERC is bound by a memorandum of understanding with the Energy Information Administration to submit this data on behalf of the industry in an effort to eliminate duplicative reporting.

NERC has been collecting reliability assessment information from the Regional Entities using up to 27 Microsoft Excel spreadsheets. The purpose of the RADS applications is to facilitate the collection of regional demand, capacity, and transmission data to quantify and analyze the reliability of the BPS in a standard, consistent, transparent method. RADS will substantially improve the accuracy and completeness of this data, while enabling it to be leveraged by all users of NERC

data—including registered entities.⁸ More importantly, RADS will benefit registered entities by creating a more efficient data collection process for those who submit data to NERC. Increased efficiency and accuracy, driven by the validation features of the system, will allow for extension of existing deadlines, which in turn gives registered entities additional time to provide data to their respective Regional Entities.

While the intent of Phase I of the project is to facilitate this data collection effort at the Assessment Area level,⁹ future phases of the project are intended to capture data from registered entities in one location. Currently, registered entities must submit data to the Regional Entities in a variety of formats. The Regional Entities must then provide data to NERC through a different mechanism. The end state of RADS incorporates a fully integrated model that utilizes a common system for the entire ERO.

RADS will provide enhanced analytics that facilitate cross-system intelligence. For example, data provided within the GADS and TADS information systems can be used to fulfill some of the data requirements needed for assessments. Additionally, because of the forward-looking nature of the data provided within RADS, the projections can be used to provide information applicable to registration. These are only some of the examples of how RADS can provide risk-informed information to support other functions of the ERO.

The commencement of the development of RADS is currently slated for 2015. NERC is also planning to finance the development of the RADS application as part of the capital financing program described in Exhibit D. The company may advance the initiation of the development of RADS into 2014, subject to availability of funding from operating reserves to cover 2014 financing costs and the receipt of necessary corporate authorizations and review by the Standards Oversight and Technology Committee.

⁸ The use of NERC reliability assessment data across the industry is extensive. The Electricity Supply and Demand Database (ES&D)—which is a product of the reliability assessment process—is downloaded over 300 times each year by various organizations, including Registered Entities, governmental organizations, government labs, academic institutions, and other researchers.

⁹ Assessment Areas are defined as the Registered Planning Coordinator Entities or groups of Registered Planning Coordinator Entities.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2013	2013	Variance	2014	Variance
	Budget	Projection	v 2013 Budget	Budget	v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,358,220	\$ 7,358,220	\$ -	\$ 8,214,496	\$ 856,276
Penalty Sanctions	361,407	361,407		43,190	(318,217)
Total NERC Funding	\$ 7,719,627	\$ 7,719,627	\$ -	\$ 8,257,686	\$ 538,059
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	50,000	50,000	50,000	50,000
Workshops	40,000	40,000	-	40,000	-
Interest	2,809	2,780	(29)	2,913	104
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 7,762,436	\$ 7,812,407	\$ 49,971	\$ 8,350,598	\$ 588,162
Expenses					
Personnel Expenses					
Salaries	\$ 2,429,590	\$ 2,366,832	\$ (62,758)	\$ 2,604,058	\$ 174,468
Payroll Taxes	150,215	140,690	(9,525)	159,156	8,941
Benefits	262,762	254,223	(8,539)	333,241	70,479
Retirement Costs	269,736	220,455	(49,281)	294,179	24,443
Total Personnel Expenses	\$ 3,112,303	\$ 2,982,200	\$ (130,103)	\$ 3,390,634	\$ 278,331
Meeting Expenses					
Meetings	\$ 78,000	\$ 78,000	\$ -	\$ 90,000	\$ 12,000
Travel	410,000	385,000	(25,000)	385,000	(25,000)
Conference Calls	31,950	31,950	-	31,950	-
Total Meeting Expenses	\$ 519,950	\$ 494,950	\$ (25,000)	\$ 506,950	\$ (13,000)
Operating Expenses					
Consultants & Contracts	\$ 685,000	\$ 735,764	\$ 50,764	\$ 638,085	\$ (46,915)
Office Rent	-	-	-	-	-
Office Costs	161,416	126,210	(35,206)	139,135	(22,281)
Professional Services	-	468	468	-	-
Miscellaneous	500	500	-	500	-
Depreciation	37,450	160,057	122,607	228,000	190,550
Total Operating Expenses	\$ 884,366	\$ 1,022,999	\$ 138,633	\$ 1,005,720	\$ 121,354
Total Direct Expenses	\$ 4,516,620	\$ 4,500,149	\$ (16,470)	\$ 4,903,304	\$ 386,685
Indirect Expenses	\$ 3,241,444	\$ 3,337,513	\$ 96,069	\$ 3,570,148	\$ 328,704
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 7,758,064	\$ 7,837,662	\$ 79,599	\$ 8,473,452	\$ 715,389
Change in Assets	\$ 4,372	\$ (25,254)	\$ (29,627)	\$ (122,854)	\$ (127,227)
Fixed Assets					
Depreciation	(37,450)	(160,057)	(122,607)	(228,000)	(190,550)
Computer & Software CapEx	-	780,326	780,326	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 41,822	\$ 28,471	\$ (13,351)	105,146	\$ 63,324
Inc(Dec) in Fixed Assets (C)	\$ 4,372	\$ 648,740	\$ 644,368	\$ (122,854)	\$ (127,226)
TOTAL BUDGET (=B + C)	\$ 7,762,436	\$ 8,486,402	\$ 723,967	\$ 8,350,598	\$ 588,163
FTEs	18.75	17.28	(1.47)	18.99	0.24

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – All personnel related expenses are projected to increase in 2014 due to the increase in the number of FTEs and due to higher average salary expense per FTE in this program. Salaries, payroll tax and retirement expenses were offset by the 4% attrition rate, which was applied to all departments. Benefits are projected to increase at a higher rate than other personnel expenses due to; (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses.
- **Travel** – Travel expenses are expected to be lower in 2014 based upon trending of actual expenses in 2013 and the reduction in FTEs.
- **Office Costs** – The reduction in office costs is based upon trending of actual expenses in 2013.

Reliability Risk Management

NERC's Reliability Risk Management (RRM) group carries out the ERO's statutory responsibility to perform assessments (including real-time or near-real-time assessments) of the reliability and adequacy of the BPS, including identifying potential issues of concern relating to system, equipment, entity, and human performance that may indicate the possible need to develop new or modified reliability standards. RRM has four primary functions and two departments: the Situation Awareness Department and the Event Analysis Department. The four primary functions include: (1) BPS awareness; (2) event analysis and determination of root and contributing causes; (3) assessment of human performance challenges that affect BPS reliability and identification of improvement opportunities; and (4) support of the NERC Operating Committee. The functions and resources of this group are directly focused on proactive awareness of BPS conditions and all events over a threshold of impact. RRM analyzes events, addresses the most significant risks to BPS reliability, and ensures that industry is well informed of system events, emerging trends, risk analysis, and lessons learned. Through performing these functions, RRM may also identify areas in which new or enhanced compliance monitoring and enforcement initiatives are warranted, pursuant to the ERO's statutory responsibility to monitor, enforce and achieve compliance with mandatory reliability standards.

Situation Awareness Department

Situation Awareness (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	6.50	6.24	(0.26)
Direct Expenses	\$ 4,193,507	\$ 2,891,092	\$ (1,302,415)
Indirect Expenses	\$ 1,123,701	\$ 1,173,129	\$ 49,428
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	7,103	519,043	511,940
TOTAL BUDGET	\$ 5,324,311	\$ 4,583,264	\$ (741,047)

Background and Scope

The Situation Awareness department works with registered entities to monitor present conditions on the high-voltage transmission lines, associated substations, and large generators using various software tools and applications. NERC communicates and coordinates with Regional and registered entities to notify them of various types of disturbances (hurricanes, tornados, earthquakes, solar flares from the sun, etc.) that could negatively impact their ability to deliver power to homes and businesses. Additionally, when significant BPS disturbances occur, NERC facilitates the coordination of communication between registered entities and applicable governmental authorities.

In 2013, the Interchange Distribution Calculator and several related reliability tools that had been funded and managed by NERC were successfully transitioned to industry sponsorship.

Based on the successful commercialization, deployment, and transition to private sector support of synchrophasor technology, NERC will end its direct funding and sponsorship of the North American Synchrophasor Initiative at the end of 2013. As a result of these successful transitions, together with the transition from development to operation and maintenance of the SAFNR software application used for Situation Awareness monitoring, NERC's budget and funding requirements to support Situation Awareness will be reduced by over \$1.2 million in 2014 compared to 2013.

The 2014 Situation Awareness budget will continue to include funding for the ongoing maintenance and support of several tools used to support ERO operations. The specific 2014 budget for each of these tools is set forth in Exhibit C, together with a comparison to 2013 budgeted amounts. These tools are described below.

- **Automated Reliability Reports** — This tool produces daily and monthly summaries of historical load generation resource adequacy and control performance for the three interconnections. This tool is used to monitor frequency response and perform trending analysis. This tool relies on data supplied to the Resource Adequacy Tool. The funding included in the 2014 budget is based on 2013 actual expenditures, which were not budgeted as a separate line item in 2013.
- **Resource Adequacy (ACE Frequency) Tool** — This software application provides continuous monitoring of key resource adequacy performance metrics, including pre-established thresholds and limits defined in standards. It alerts Reliability Coordinators and resource subcommittees to conditions potentially resulting in critical inadequacies, such as major tie error, inaccurate load forecast, and inadequate frequency response.
- **Inadvertent Interchange** — This tool facilitates the entering of monthly scheduling data and submittal of monthly inadvertent performance standards reports to NERC. It also assists in the monitoring and resolution of reliability issues originated by inadvertent interchange imbalances.
- **AIE Monitoring Tool** — This is an automatic data collection tool for post-analysis of frequency excursions. It is used in major system disturbances as part of the frequency response analysis.
- **Frequency Monitoring and Analysis Tool** — This tool detects frequency events and captures key frequency response information for each interconnection.
- **Intelligent Alarms Tool** — This tool detects short-term and long-term frequency deviations using data transmitted to NERC by the Balancing Authorities. When coupled with the FNet¹⁰ and Frequency Monitoring and Analysis tools, this tool allows immediate differentiation of the cause of a frequency deviation—a generator trip or a scheduling error.
- **Secure Alerts System** — This software application notifies industry of critical or impending reliability and security threats to assist entities in taking preemptive or

¹⁰ **FNet** — Operated by the [Power Information Technology Laboratory](#) at the [University of Tennessee](#), FNET is a low-cost, quickly deployable GPS-synchronized wide-area frequency measurement network. High dynamic accuracy Frequency Disturbance Recorders (FDRs) are used to measure the frequency, phase angle, and voltage of the power system at ordinary 120 V outlets. The measurement data are continuously transmitted via the internet to the FNET servers hosted at the University of Tennessee and [Virginia Tech](#).

precautionary measures. The existing alerts tool is cumbersome to use, is not integrated with other NERC reliability information systems, and has a number of other limitations that reduce its usefulness as a tool to rapidly disseminate important reliability information to industry. In 2013, NERC issued a request for proposals and selected a vendor to develop a replacement software application. The 2014 fixed asset budget includes the projected costs to complete the development of this replacement. The projected annual maintenance costs for this replacement are included in the 2014 contract and consultant budget.

- **NERCnet (Frame Relay Contract)** – The Interconnection Security Network (ISN), or NERCnet, was established to facilitate the exchange of power system operational data between Reliability Coordinators, Transmission Operators, and Balancing Authorities for the purpose of power system security analysis. This network is a collection of nodes that communicate over a secure network to exchange data related to real-time power system-related data operations. NERC initiated a project in 2013 to conduct an orderly transition of the NERCnet network to a telecommunications management and service provider that will assume operational responsibility for the network, including invoicing and support. At that time, NERC will become a user of the service but no longer have operational responsibility for the network. NERC budgeted an estimated \$400k in cost for its use of the replacement network in 2014, which represents an increase of \$100k over the 2013 budget.

2014 Goals and Deliverables

The department will continue to work with the Regional Entities to obtain and review information from registered entities regarding qualifying events and disturbances, as outlined in the ERO Event Analysis Process. These reports are reviewed to verify the accuracy of information, as well as to ensure they include the information necessary for categorizing and cause coding events.

The department's 2014 goals and deliverables include:

- Ensure that the ERO is aware of all BPS events above a threshold of impact.
- Ensure the sharing of information and data to facilitate wide area situational awareness.
- Reduce the need for NERC Situation Awareness staff engagement with RCs and Regional Entities when events occur or when reliability threats are identified.
- During crisis situations, facilitate the exchange of information among industry, Regions, and government.
- Keep the industry informed of emerging reliability threats and risks to the BPS, including any expected actions.
- Enhance tracking of notification of expected actions in response to emerging actions to promote greater industry accountability.
- Issue timely updates regarding progress toward resolving issues identified in Recommendations and Essential Actions.

Resource Requirements

Personnel

No additional personnel are projected for the Situation Awareness Department in 2014. The reduction of 0.26 FTEs is due to the assumption of 4% attrition in all departments.

Contractor Expenses

The overall funding of approximately \$1,289,000 for contractors and consultants to support the Situation Awareness department in 2014 is approximately \$1,454,000 below 2013 budget levels. The detailed 2014 contractor and consulting budget for the Situation Awareness department is set forth in Exhibit C, together with a comparison to 2013 budgeted amounts.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
SITUATION AWARENESS					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection	Budget	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 5,093,049	\$ 6,974,096	\$ 1,881,047	\$ 4,493,115	\$ (599,934)
Penalty Sanctions	125,288	125,288	0	14,192	(111,096)
Total NERC Funding	\$ 5,218,337	\$ 7,099,384	\$ 1,881,047	\$ 4,507,307	\$ (711,030)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	7,000	7,000	-	-
Workshops	105,000	75,850	(29,150)	75,000	(30,000)
Interest	974	3,902	2,928	957	(17)
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 5,324,311	\$ 7,186,136	\$ 1,861,825	\$ 4,583,264	\$ (741,047)
Expenses					
Personnel Expenses					
Salaries	\$ 856,927	\$ 710,617	\$ (146,310)	\$ 915,216	\$ 58,289
Payroll Taxes	56,925	47,650	(9,275)	60,207	3,282
Benefits	87,659	93,117	5,458	109,501	21,842
Retirement Costs	98,496	50,901	(47,595)	104,293	5,797
Total Personnel Expenses	\$ 1,100,007	\$ 902,285	\$ (197,722)	\$ 1,189,217	\$ 89,210
Meeting Expenses					
Meetings	\$ 198,000	\$ 110,331	\$ (87,669)	\$ 171,000	\$ (27,000)
Travel	72,500	28,020	(44,480)	28,020	(44,480)
Conference Calls	24,175	5,000	(19,175)	4,000	(20,175)
Total Meeting Expenses	\$ 294,675	\$ 143,351	\$ (151,324)	\$ 203,020	\$ (91,655)
Operating Expenses					
Consultants & Contracts	\$ 2,743,180	\$ 2,644,605	\$ (98,575)	\$ 1,289,108	\$ (1,454,072)
Office Rent	-	-	-	-	-
Office Costs	47,750	43,088	(4,662)	47,750	-
Professional Services	-	180	180	-	-
Miscellaneous	500	500	-	500	-
Depreciation	7,395	4,465	(2,930)	161,498	154,103
Total Operating Expenses	\$ 2,798,825	\$ 2,692,838	\$ (105,987)	\$ 1,498,856	\$ (1,299,970)
Total Direct Expenses	\$ 4,193,507	\$ 3,738,474	\$ (455,033)	\$ 2,891,092	\$ (1,302,415)
Indirect Expenses	\$ 1,123,701	\$ 1,002,413	\$ (121,288)	\$ 1,173,129	\$ 49,428
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 5,317,208	\$ 4,740,887	\$ (576,321)	\$ 4,064,222	\$ (1,252,986)
Change in Assets	\$ 7,103	\$ 2,445,249	\$ 2,438,146	\$ 519,043	\$ 511,940
Fixed Assets					
Depreciation	(7,395)	(4,465)	2,930	(161,498)	(154,103)
Computer & Software CapEx	-	-	-	645,990	645,990
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 14,498	\$ 8,551	(5,947)	34,550	20,052
Inc(Dec) in Fixed Assets (C)	\$ 7,103	\$ 4,086	\$ (3,017)	\$ 519,043	\$ 511,940
TOTAL BUDGET (=B + C)	\$ 5,324,311	\$ 4,744,973	\$ (579,338)	\$ 4,583,264	\$ (741,047)
FTEs	6.50	5.19	(1.31)	6.24	(0.26)

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – All personnel related expenses are projected to increase in 2014 due to higher average salary expense per FTE in this program. Salaries, payroll tax and retirement expenses were offset by the 4% attrition rate, which was applied to all departments. Benefits are projected to increase at a higher rate than other personnel expenses due to: (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses.
- **Meetings, Travel and Conferencing** – These expenses are expected to be lower in 2014 based upon trending of actual expenses in 2013.
- **Consultants and Contracts** – The reduction in consultant and contract expense is due to: (i) the transitioning of the IDC and synchrophasor contracts to industry sponsorship as described above; (ii) reduced cost of the current secure alerts application; and (iii) reduced cost of SAFNR.
- **Fixed Assets** – The \$646.0k increase is related to the replacement of the secure alerts software application described above.

Event Analysis Department

Event Analysis (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	9.50	9.60	0.10
Direct Expenses	\$ 2,074,908	\$ 2,384,069	\$ 309,162
Indirect Expenses	\$ 1,642,332	\$ 1,804,814	\$ 162,482
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 21,190	\$ (140,512)	\$ (161,702)
TOTAL BUDGET	\$ 3,738,430	\$ 4,048,371	\$ 309,941

Background and Scope

The Event Analysis Department is critical to supporting the ERO's reliability goals through its work to evaluate BPS events. Event Analysis undertakes appropriate levels of analysis to determine the causes of the events, promptly assure tracking of corrective actions to prevent recurrence, and provide lessons learned to the industry. This department manages all NERC activities with respect to event analysis, assuring consistent, timely, and coordinated results. The group ensures that reporting and analysis are consistent to allow wide area assessment of trends and risks; all reportable events are analyzed for sequence of events, root cause, risk to reliability, and mitigation; and the industry is well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions. The event investigation group is responsible for reviewing formal complaints and conducting non-public compliance investigations, as well as assisting in the review of registered entity compliance assessments to

verify that compliance gaps are assessed in all reportable events. The event investigation group supports NERC's statutory responsibility of developing reliability standards and assessing the reliability and adequacy of the BPS, as well as monitoring and enforcing compliance with mandatory reliability standards.

Resources within this group also focus on identifying human error risks and those precursory factors that allow human error to impact system reliability. The group educates industry regarding those risks, precursors, and mitigation methods. These resources also support compliance and standards training initiatives, as well as trending and analysis to identify emerging reliability risks to the BPS. These efforts are conducted in collaboration with industry human performance projects, including the Western Electricity Coordinating Council's (WECC's) Human Performance Working Group, the North American Transmission Forum's (NATF's) Human Performance Group, and the Electric Power Research Institute.

Development of Events Information Data System

The Event Analysis and RAPA departments are currently working closely with the Regional Entities to develop a new software application called the Events Information Data System (EIDS). The purpose of EIDS is to create an ERO-wide, robust tool to collect, analyze, and report detailed information regarding events that impact the reliability of the BPS in North America. The EIDS tool will provide registered entities a single entry point for data to meet several requirements, thus reducing redundant processes, reporting, and data reconciliation. The EIDS tool will also create a platform by which registered entity users can submit and track event reports in one place and receive status and feedback updates directly from the ERO. Further, to support the ERO in performance assessment and risk cluster identifications, it is vital that this tool connect with other ERO reliability data sources (e.g., TADS, GADS, and reliability metrics) for determining accurate and complete risk trends and improving consistency and efficiency of data checking and validation. Future enhancements among these applications will encompass connectivity with other data sources (e.g., TADS and GADS) and metrics development. This platform will also provide a venue for actively sharing these reliability trends. Funding for the initial development of the EIDS application was included in the 2013 budget. The insights and analyses that emerge from the application of the EIDS system—particularly once integrated and aligned with the other NERC database systems such as TADS and GADS—should provide a foundation for gaining a better understanding of the risk-informed trends, recommendations, and guidance necessary to align reliability objectives and priorities as contemplated by the RISC. See Exhibit D for a further discussion of the Enterprise IT financing program and projected amortization schedule and financing of EIDS development costs.

2014 Goals and Deliverables

- Work with the Regional Entities to obtain and review information from registered entities regarding qualifying events and disturbances in order to advance awareness of events above a threshold level; facilitate analysis of root causes, risks to reliability, wide area assessments, and mitigation; and disseminate information regarding events in a timely manner.
- Ensure that all reportable events are analyzed for sequence of events, root cause, risk to reliability, and mitigation.

- Refine risk-based methodologies to support more effective and efficient identification of reliability risks, including the use of more sophisticated cause codes for analysis.
- Ensure consistency in reporting and analysis to support wide area assessments of significant reliability trends and risks.
- Issue reliability recommendations and alerts as needed.
- Track industry accountability for critical reliability recommendations.
- Ensure that industry is well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions.
- Conduct major event investigations, analysis, and reporting of major findings and recommendations that will improve reliability.
- Advance the quality and usefulness of reliability assessments and event analysis data.

Resource Requirements

Personnel

No additional personnel are planned to be added to the Event Analysis department in 2014. The 0.10 additional FTE is due to the transfer of 0.5 FTEs from another department in 2013, offset by the assumption of 4% attrition in all departments.

Contractor Expenses

No consulting and contractor support is required for Event Analysis in 2014.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
EVENT ANALYSIS					
	2013	2013	Variance		Variance
	Budget	Projection	2013 Projection	2014	2014 Budget
			v 2013 Budget	Budget	v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 3,501,894	\$ 3,501,893	\$ (1)	\$ 3,975,065	\$ 473,171
Penalty Sanctions	183,113	\$ 183,113		21,834	(161,279)
Total NERC Funding	\$ 3,685,006	\$ 3,685,006	\$ (1)	\$ 3,996,898	\$ 311,891
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	52,000	38,100	(13,900)	50,000	(2,000)
Interest	1,423	1,522	99	1,473	50
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 3,738,430	\$ 3,724,628	\$ (13,802)	\$ 4,048,371	\$ 309,941
Expenses					
Personnel Expenses					
Salaries	\$ 1,340,677	\$ 1,389,096	\$ 48,419	\$ 1,470,290	\$ 129,613
Payroll Taxes	82,107	84,717	2,610	91,480	9,373
Benefits	125,335	130,341	5,006	168,463	43,128
Retirement Costs	153,189	143,538	(9,651)	167,286	14,097
Total Personnel Expenses	\$ 1,701,309	\$ 1,747,692	\$ 46,384	\$ 1,897,519	\$ 196,211
Meeting Expenses					
Meetings	\$ 62,000	\$ 99,559	\$ 37,559	\$ 67,000	\$ 5,000
Travel	155,000	155,000	-	155,000	-
Conference Calls	-	32,864	32,864	31,864	31,864
Total Meeting Expenses	\$ 217,000	\$ 287,423	\$ 70,423	\$ 253,864	\$ 36,864
Operating Expenses					
Consultants & Contracts	\$ 120,000	\$ 48,000	\$ (72,000)	\$ -	\$ (120,000)
Office Rent	-	-	-	-	-
Office Costs	36,100	34,613	(1,487)	38,519	2,419
Professional Services	-	432	432	-	-
Miscellaneous	500	100	(400)	500	-
Depreciation	-	704	704	193,667	193,667
Total Operating Expenses	\$ 156,600	\$ 83,849	\$ (72,751)	\$ 232,686	\$ 76,086
Total Direct Expenses	\$ 2,074,908	\$ 2,118,964	\$ 44,056	\$ 2,384,069	\$ 309,161
Indirect Expenses	\$ 1,642,332	\$ 1,827,134	\$ 184,802	\$ 1,804,814	\$ 162,482
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 3,717,240	\$ 3,946,098	\$ 228,858	\$ 4,188,883	\$ 471,643
Change in Assets	\$ 21,190	\$ (221,470)	\$ (242,660)	\$ (140,512)	\$ (161,702)
Fixed Assets					
Depreciation	-	(704)	(704)	(193,667)	(193,667)
Computer & Software CapEx	-	581,000	581,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 21,190	\$ 15,586	(5,604)	53,154	31,964
Inc(Dec) in Fixed Assets (C)	\$ 21,190	\$ 595,882	\$ 574,692	\$ (140,512)	\$ (161,702)
TOTAL BUDGET (=B + C)	\$ 3,738,430	\$ 4,541,980	\$ 803,550	\$ 4,048,371	\$ 309,941
FTEs	9.50	9.46	(0.04)	9.60	0.10

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – All personnel related expenses are projected to increase in 2014 due to a slight increase in FTEs and due to higher average salary expense per FTE in this program. Salaries, payroll tax and retirement expenses were offset by the 4% attrition rate, which was applied to all departments. Benefits are projected to increase at a higher rate than other personnel expenses due to: (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses.
- **Conferencing Expenses** – Conferencing expenses for this department were not separately tracked prior to 2013. The 2014 budget is generally based upon trending of actual expenses in 2013.
- **Consultants and Contracts** – Support from outside consultants and contractors is not required in 2014.

Critical Infrastructure Protection

Critical Infrastructure Department (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	12.50	12.48	(0.02)
Direct Expenses	\$ 3,110,661	\$ 3,257,012	\$ 146,351
Indirect Expenses	\$ 2,145,903	\$ 2,299,170	\$ 153,267
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 42,937	\$ 111,846	\$ 68,909
TOTAL BUDGET	\$ 5,299,501	\$ 5,668,027	\$ 368,526

Background and Scope

NERC's Critical Infrastructure Protection resources support the development and administration of critical infrastructure standards, CMEP oversight, critical infrastructure and cyber information sharing, incident analysis, risk assessment, and coordination between industry and governmental entities. These resources also provide staff-level support for several industry-led activities and organizations,¹¹ including the following:

- Critical Infrastructure Protection Committee, an industry-led committee comprised of industry experts in the areas of cybersecurity, physical security, and operational security; and
- Electricity Sub-sector Coordinating Council (ESCC), which works closely with the federal government to identify and discuss critical infrastructure protection concepts, processes, and resources, as well as facilitate information sharing regarding cyber vulnerabilities and threats.

2014 Goals and Deliverables

2014 goals and deliverables include:

- Support CIP standards development and implementation through outreach presentations, webinars, and other training opportunities.
- Support the compliance and enforcement process improvement initiatives (e.g., RAI), including but not limited to improvements in audit consistency, risk-based audit approaches and auditor training.
- Through the operation of the ES-ISAC, provide rapid dissemination of cyber threat, vulnerability information, and mitigation strategies to industry, including the dissemination of information derived from classified sources.

¹¹ Critical Infrastructure Protection Resources also participate in other industry-led groups, such as the Cross-Sector Cyber Security Working Group, the Industrial Control Systems Joint Working Group, and the Partnership for Infrastructure Security.

- Conduct security incident analyses and work with industry experts to evaluate, track, and identify lessons learned and security metrics that enhance the sector’s security posture.
- Conduct Cyber Risk Preparedness Assessments (CRPA) and sufficiency reviews and develop CRPA tools for industry to conduct self-assessments.
- Contribute technical expertise to establish a NERC enterprise-wide cause-coding effort designed to inform sector risk-based analytics.

ESCC Support

The ESCC was established to provide the federal government a forum for coordinating with the electricity sector on critical infrastructure protection matters. Since May 2010, the ESCC has been composed of executive-level members who broadly represent industry stakeholders to provide strategic and policy-level guidance on critical infrastructure security and reliability resilience. NERC supports the ESCC by providing executive involvement, expert input and advice, coordination with stakeholders, and secretariat support. The vast majority of this support is provided by utilizing internal resources. Outside contractor support has historically been utilized to supplement internal resources. In 2014, \$190k has been budgeted for this external consulting support, which is an increase of \$60k over the 2013 budget.

Resource Requirements

Personnel

No additional personnel are planned to be added to the Critical Infrastructure department in 2014. The 0.02 reduction in FTEs is the assumption of 4% attrition in all departments. ES-ISAC personnel additions are discussed in the next section.

Contractors- contractor expense for ESSC support is projected to increase by \$60k over 2013, as discussed above.

Electricity Sector Information Sharing and Analysis Center (ES-ISAC)

ES-ISAC (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	6.75	7.72	0.97
Direct Expenses	\$ 1,978,746	\$ 2,444,997	\$ 466,251
Indirect Expenses	\$ 1,181,979	\$ 1,498,460	\$ 316,481
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
TOTAL BUDGET	\$ 3,160,725	\$ 3,943,457	\$ 782,732

The ES-ISAC was formed in 1998 when the U.S. Secretary of Energy requested that NERC serve as the ISAC¹² for the electricity sub-sector.¹³ ES-ISAC's primary function is the rapid and secure sharing of information with the electric industry and governmental entities regarding real and potential cyber-related threats to the electricity sector, as well as methods and tools to avoid or mitigate the potential impact from these threats.

The ES-ISAC gathers information from the disparate electricity industry participants about security-related events, disturbances, and off-normal occurrences within the electricity sub-sector and shares that information with its partners in the government. In turn, the government provides information regarding risks, threats, and warnings to the ES-ISAC, which then disseminates that information throughout the electricity sub-sector.

In general, the ES-ISAC supports two functions, information sharing and analytics, which are vitally important to all other critical infrastructures and key resource sectors that have active ISACs. The ES-ISAC is a founding member of the National Council of ISACs and participates in daily coordination with its members to ensure effective collaboration and communication. This close coordination is essential to addressing critical infrastructure protection and resilience within each sector, as well as the important interdependencies that exist among sectors.

The ES-ISAC develops alerts and notifications for distribution to registered entities. The ES-ISAC also utilizes its secure, private information-sharing portal to receive voluntary reports from industry members. This portal is designed with the unique ability to receive unattributed reports in order to increase information reporting.

The ES-ISAC also maintains a seat on the operations floor of the National Cybersecurity and Communications Integration Center (NCCIC) within the Department of Homeland Security (DHS). This operations center is the hub for real-time, classified threat and vulnerability work, and the ES-ISAC serves a central private sector role in this operation. The NCCIC operations floor is where ES-ISAC personnel holding the appropriate security clearances analyze the threat and vulnerability component provided by the intelligence community and make initial determinations of potential BPS impacts. The ES-ISAC maintains other information-sharing relationships throughout the U.S. and Canadian governments, including DOE, Canadian Secret Intelligence Service, and the U.S. Department of Defense. The ES-ISAC also coordinates information sharing with similar agencies in Australia, New Zealand, and the United Kingdom.

The resources currently devoted to supporting the ES-ISAC are contained and budgeted in a separate department. These resources consist primarily of personnel and contractors who gather, analyze, and provide information regarding cyber threats to industry through a secure communications portal and the costs to operate and maintain that portal. Having access to information regarding threats (including threats faced by other sectors, such as the financial and communications industries) and the ability to analyze the potential impact of these threats

¹² The Information Security Analysis Center (ISAC) construct was conceived and operates under US Government authorities derived from Presidential Decision Directive 63, which was signed in 1998. The ISACs focus specifically on information sharing, analytics and sector activities directly related to the protection of critical infrastructure.

¹³ Subsequent administrations have sought to continue and strengthen information sharing in other sectors by establishing other sector-specific ISACs. In 2013, the Department of Energy (DOE) again reaffirmed its desire for NERC to continue to operate the ES-ISAC.

on the electric sector and rapidly share this information with industry enables the ES-ISAC to improve the security of the electricity sector.

To keep pace with the growth and risk of cyber attacks and the associated need for information sharing with other sectors and industry in order to mitigate potential significant BPS reliability risk, NERC's 2014 budget includes a significant increase in the resources devoted to supporting ES-ISAC. This additional resource support is in three areas: (1) improving the usability and functionality of the information-sharing portal, (2) the preparation of a cyber risk preparedness toolkit to allow industry to conduct self-assessments of cyber risk preparedness, and (3) adding personnel to increase analytical capabilities, portal monitoring, and information sharing and shift staffing on the NCIC floor. The additional cost in 2014 associated with improving the portal and information-sharing capabilities consists primarily of software licensing fees. The cyber risk preparedness toolkit will reduce NERC's projected ongoing costs for conducting individual cyber risk preparedness assessments for industry.

The federal government has been piloting a new form of highly secure information sharing network and associated technology that can be utilized to identify, track, and deploy fixes to emerging cybersecurity threats. This project, a combination of the "Cyber Federated Model" and "Cyber Risk Information Sharing Program," is at a point where the tools are ready to be commercialized. Federal funding provided to incubate this technology to the point of commercialization is expected to be reduced or eliminated in 2014 and be replaced by private sector sources of funding. NERC has not included any specific funding to support the commercialization of this portal and associated technology in 2014.

Resource Requirements

Personnel

The increase of 0.97 FTEs includes the assumption of 4% attrition in all departments and the timing of hiring 1.0 additional staff position in 2014.

Contractors, Technology, and Tool Expenses

The 2014 contractor and consulting budget for ES-ISAC is approximately \$786.5k, which represents an increase of approximately \$331.5k over the 2013 budget. This includes funding for existing and added tools and technology. The line-by-line budget detail is set forth in Exhibit C. A discussion of the specific nature and need for these resources follows.

Portal Enhancement

The ES-ISAC communication portal capabilities include: publishing alerts and other informational products, exchanging threat indicator information, and providing self-service access to user security awareness services. The present platform is cumbersome for registered entities to use and has limited flexibility to support additional functionality, such as tighter integration with other ISACs and different types of collaboration support. The National Council of ISACs recently informed NERC of a program that could more fully integrate the ES-ISAC's existing information-sharing platform with other formal ISACs, as well as significantly expand the portal capabilities, functionality, and capacity. This integration will be accomplished through an arrangement between NERC, Microsoft, and Cyber IQ Services (CIQS), which will then maintain ES-ISAC's portal in a cloud-based, secure platform solution. This portal will

facilitate direct data exchange with other ISACs and government partners. The portal will also support the ES-ISAC analysts in their information analysis functions and tie the ES-ISAC analysts with their counterparts in other sectors and national laboratories. The 2014 cost of the CIQS portal integration is \$250k, which is a \$160k increase over the 2013 portal budget.

Intelligence Reporting Services

ES-ISAC analytic personnel maintain a detailed understanding of emerging vulnerabilities and threats within the broad industrial control systems community, as well as within the more focused BPS community. To support this intelligence role, the ES-ISAC budget includes the costs of a contract for intelligence services from a specialized security information service provider that focuses closely on the electricity sub-sector and has a working relationship with DOE's Idaho National Laboratory. These reporting services include weekly, quarterly, and annual news in the industrial controls systems (ICS) and security space, along with expert guidance, opinion, and sourced material. This service gives ES-ISAC staff increased understanding of continuing trends, breaking news, and implications to the BPS, which they utilize to keep registered entities informed of emerging BPS risks through alerts and esisac.com security postings. The 2014 budget for these services is \$42k, a \$2k increase over 2013.

Cyber Risk Preparedness Assessments (CRPA)

The CRPA is a program that assesses the cybersecurity capabilities of registered entities through facilitated tabletop exercises. Conducting these assessments allows the ES-ISAC to gain a better understanding of industry capabilities, identify key sector level areas for improvement, and share best practices across the industry. Through the CRPA, participants gain an improved understanding of their cybersecurity programs and capabilities. The CRPA allows them to identify areas for improvement and enhance their abilities to respond to and recover from cyber events. The CRPA also educates participants through defined deliverables and best practices. The CRPA incorporates many Electricity Subsector Cybersecurity Capability Maturity Model practices, which allows the participating organization to assess its cybersecurity program and use the CRPA to validate its assessment. The ES-ISAC is developing a CRPA "kit" for entities to use to develop and run their own CRPAs. This kit will allow more sector members to leverage the CRPA methodology, which will have a more significant impact on overall sector preparedness. ES-ISAC staff will host training and education sessions on the kit to accelerate adoption of the methodology across the sector and move the program toward self-sustainment within the industry. To accommodate more CRPA engagements and to develop a complete kit for use by industry partners, the contractor and consulting budget to support these activities will be increased from \$150k in 2013 to \$200k in 2014. Commencing in 2015, the ES-ISAC will conduct only one or two strategic CRPA engagements, with the expectation that industry will engage in the program through the kits. The 2015 budget for this activity is expected to remain at a minimal level to aggregate results across the sector, support ongoing development of best practices and information sharing, and promote continued adoption of the methodology.

Aurora Webinars and Technical Support

In late 2006, a significant supply chain vulnerability was discovered in digital protective control devices that protect generators and motors in use throughout the BPS. This vulnerability, named the Aurora Vulnerability, demonstrated a remote exploit that led to the destruction of a small generator as a proof of concept attack in early 2007. In June of 2007, NERC released a

Level 1 Industry Advisory that specified actions that entities could take to help prevent exploitation. In October 2010, NERC released a second Aurora Alert, this time a Level 2 Recommendation to Industry. This second release also triggered a substantial increase in NERC's effort to close this vulnerability gap, and it required entities to report every six months until they closed the alert actions. Prior to each required reporting period, the ES-ISAC holds three webinars to provide BPS entities who are still working on their Aurora mitigations an opportunity to interact with the original authors and researchers who discovered the Aurora vulnerability. The ES-ISAC anticipates supporting two sets of three webinars each until at least 2017. \$30k is budgeted to support this activity in 2014, which is a \$15k increase over 2013.

Secure Bidirectional Communications

Certain emergent security situations may require the ES-ISAC to quickly transmit secure information from the ES-ISAC to DHS's NCCIC, DOE and its National Laboratories, and among different registered entities. DOE recently developed the Contested Operational Network for Reporting and Defense (CONRAD) system for its own internal communications, which is now available for the ES-ISAC's use. The CONRAD system is an "out-of-band" network that ES-ISAC cyber analysts will use to communicate with their peers. The CONRAD system implements a specific network architecture that is separate from all regular site enterprise networks like Voice over Internet Protocol, normal email, web-based applications, and standard telephony. The CONRAD deployment is a fee-based contract that costs \$8k every three years per network interface device; each location that participates in CONRAD requires a Network interface device. For the initial 2014 deployment of 20 devices, \$20k has been budgeted in the ES-ISAC budget and the remaining cost will be funded from operating reserves. NERC will utilize two devices (one in Situation Awareness and 1 in the ES-ISAC) and make 18 devices available to 16 reliability coordinators. The remaining 2 devices will be provided to registered entities who volunteer to participate in the program.

Cyber Awareness Monitoring

A new class of cyber intelligence tools that collects and analyzes information and then alerts the user about selected threats is emerging in the marketplace. This collection and analysis goes beyond the individual organization's network perimeter and gives organizations like the ES-ISAC visibility across the entire industrial sector. Key global internet infrastructure data sources are combined with advanced visual analysis tools that provide ES-ISAC staff with enhanced analytic capabilities. The ES-ISAC currently licenses cyber awareness and continuous monitoring tools and services, including third party services, which provide real-time internet communications visibility and analytics. During 2012 and 2013, the ES-ISAC worked with a vendor to develop a specific software visualization application that allows ES-ISAC staff to monitor malware and threats, as well as the general health of BPS entities. ES-ISAC staff can then alert individual entities to problems. In 2013, the ES-ISAC portal will begin to provide individual asset owners a customized view of their asset networks. This view will provide the asset owner with insight into the organization's general network hygiene and highlight any significant network activity of concern. The 2014 cost for the software application and services is budgeted at \$152,700, an increase of \$92.7k from 2013.

Attack Tree Threat Modeling

Attack trees are hierarchical, graphical diagrams that show how low-level hostile activities interact and combine to achieve an adversary's objectives—usually with negative consequences for the victim of the attack. ES-ISAC staff has been working with a vendor that developed an advanced attack tree-based threat risk assessment tool to discover which weaknesses are most likely to be used by attackers within a particular network. This tool provides the capability to pose “what-if” attack scenarios and threat modeling against the BPS. The risk management process is enhanced by review of data regarding attack scenarios. The ES-ISAC team applies its knowledge of this data during emergent situations and compares what-if scenarios to the real-time data feeds. It then alerts industry participants regarding potential emerging threats. The 2014 budgeted cost for this tool and supporting services is \$7.5k, which is consistent with the 2013 budget. This cost is budgeted under Office Costs as a software maintenance expense.

Software Integration Support and BPS Mapping Services

The ES-ISAC operations center includes monitors used to display intelligence information provided from various software applications. Software integration services are routinely required from vendors providing existing and new software applications. Additional software must be licensed and maintained to display and integrate BPS maps that have cyber intelligence information. The 2014 budget for software integration support and BPS mapping is \$89,250, an increase of \$6,750 from the 2013 budget. A portion of these costs are budgeted under Office Costs as software maintenance expenses.

Analyst Workbench

A strong technical analytic capability is needed to develop baselines and identify patterns and understandings of potential cyber related threats. The analyst workbench toolset maintains historical information and allows a team to use and deliver consistent and repeatable analysis in both an operational (during an event) as well as nonoperational capacity. The analyst workbench will also offer stand-alone functionality for assessing and understanding cyber events. This workbench will include a threat database for historical correlation and various tools for network and host-based analysis of malicious software. The 2014 budget to support this activity is \$30,000 and includes funding for information services and software tools. This is consistent with the 2013 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
CRITICAL INFRASTRUCTURE DEPARTMENT & ES-ISAC					
			Variance		Variance
	2013	2013	2013 Projection	2014	2014 Budget
	Budget	Projection	v 2013 Budget	Budget	v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,991,299	\$ 7,396,148	\$ (595,151)	\$ 9,517,444	\$ 1,526,145
Penalty Sanctions	371,044	371,044	(0)	45,941	(325,103)
Total NERC Funding	\$ 8,362,343	\$ 7,767,192	\$ (595,151)	\$ 9,563,386	\$ 1,201,043
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	95,000	95,000	-	45,000	(50,000)
Interest	2,884	-	(2,884)	3,098	214
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 8,460,227	\$ 7,862,192	\$ (598,035)	\$ 9,611,484	\$ 1,151,257
Expenses					
Personnel Expenses					
Salaries	\$ 2,853,871	\$ 2,844,383	\$ (9,488)	\$ 3,220,485	\$ 366,614
Payroll Taxes	172,586	169,015	(3,571)	191,249	18,663
Benefits	250,885	294,325	43,440	354,474	103,589
Retirement Costs	312,315	283,938	(28,377)	366,598	54,283
Total Personnel Expenses	\$ 3,589,657	\$ 3,591,661	\$ 2,004	\$ 4,132,806	\$ 543,149
Meeting Expenses					
Meetings	\$ 145,000	\$ 156,168	\$ 11,168	\$ 145,000	\$ -
Travel	420,000	328,428	(91,572)	328,428	(91,572)
Conference Calls	24,000	32,574	8,574	32,574	8,574
Total Meeting Expenses	\$ 589,000	\$ 517,171	\$ (71,829)	\$ 506,003	\$ (82,997)
Operating Expenses					
Consultants & Contracts	\$ 785,000	\$ 785,000	\$ -	\$ 976,450	\$ 191,450
Office Rent	-	-	-	-	-
Office Costs	125,250	126,975	1,725	86,250	(39,000)
Professional Services	-	480	480	-	-
Miscellaneous	500	500	-	500	-
Depreciation	-	16,425	16,425	-	-
Total Operating Expenses	\$ 910,750	\$ 929,379	\$ 18,629	\$ 1,063,200	\$ 152,450
Total Direct Expenses	\$ 5,089,407	\$ 5,038,211	\$ (51,196)	\$ 5,702,009	\$ 612,602
Indirect Expenses	\$ 3,327,882	\$ 3,501,684	\$ 173,802	\$ 3,797,630	\$ 469,748
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 8,417,290	\$ 8,539,895	\$ 122,606	\$ 9,499,639	\$ 1,082,350
Change in Assets	\$ 42,937	\$ (677,703)	\$ (720,641)	\$ 111,846	\$ 68,908
Fixed Assets					
Depreciation	-	(16,425)	(16,425)	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 42,937	\$ 29,871	(13,066)	111,846	68,909
Inc(Dec) in Fixed Assets (C)	\$ 42,937	\$ 13,447	\$ (29,490)	\$ 111,846	\$ 68,909
TOTAL BUDGET (=B + C)	\$ 8,460,227	\$ 8,553,342	\$ 93,116	\$ 9,611,484	\$ 1,151,258
FTEs	19.25	18.13	(1.12)	20.20	0.95

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – All personnel related expenses are projected to increase in 2014 due to an increase in FTEs and due to higher average salary expense per FTE in this program. Salaries, payroll tax and retirement expenses were offset by the 4% attrition rate, which was applied to all departments. Benefits are projected to increase at a higher rate than other personnel expenses due to; (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses.
- **Travel and Conferencing Expenses** – The reduction in 2014 projected travel expense and the increase in 2014 projected conferencing expenses are based upon trending of actual expenses in 2013.
- **Consultants and Contracts** – The increase in consultant and contract expense, as explained above, is also set forth in Exhibit C.
- **Office Costs** – The reduction in 2014 projected expense is due to the transfer of costs associated with intelligence reporting services from office costs to consultant and contract costs.

Training, Education, and Operator Certification

Training, Education and Operator Certification (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	8.00	8.16	0.16
Direct Expenses	\$ 2,170,906	\$ 2,158,199	\$ (12,707)
Indirect Expenses	\$ 1,383,017	\$ 1,534,092	\$ 151,075
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 17,844	\$ 45,181	\$ 27,337
TOTAL BUDGET	\$ 3,571,768	\$ 3,737,472	\$ 165,705

Background and Scope

NERC's Training and Education Program provides oversight and coordination of the delivery of training programs that support the ERO's statutory responsibilities. This program provides training to NERC and Regional Entity staff members, including compliance auditors, relating to their job responsibilities. It also provides training and education to industry participants on the requirements of reliability standards and the compliance monitoring and enforcement process. Further, this program provides training to industry participants on the reliability standards development process, thereby helping to support the more efficient and effective development of mandatory reliability standards. The Training and Education Program supports NERC's statutory ERO responsibilities to develop, adopt, and obtain approval of reliability standards and to monitor, enforce, and achieve compliance with the mandatory standards. Section 901 of the NERC Rules of Procedure addresses the Training and Education Program's activities in these areas.

The Training and Education Program also supports NERC's System Operator Certification and Continuing Education (SOCCED) programs, which ensure that personnel operating the BPS have the skills, training, and qualifications needed to operate the system reliably. NERC maintains the credentials required to work in system control centers across North America for over 6,000 system operators. NERC's system operator certification exam is designed to test specific knowledge of job skills and reliability standards. It also prepares operators for complying with requirements of reliability standards and to appropriately operate the BPS during normal and emergency operations. Certification exams are created by the Personnel Certification Governance Committee, an industry group of operations experts, trainers, and supervisors. Under the PCGC oversight, the Examination Working Group periodically updates and publishes new exams. Once an operator passes the certification exam, certification is maintained by completing NERC-approved continuing education courses and activities. The Personnel Subcommittee, composed of industry training experts, provides oversight of the Continuing Education program.

2014 Goals and Deliverables

In response to stakeholder and Regional Entity feedback, training and education opportunities will be further expanded and focused for registered entities, NERC, and Regional Entities. For registered entities, this training and education will focus on objectives related to various reliability standards, including standards compliance and emerging cyber-related issues potentially affecting BPS reliability. For NERC and Regional Entity staff, the training and education will focus on consistent audit and investigation techniques and standards compliance reviews, including the RAI, FFT, and other improvements in compliance and enforcement practices. NERC will continue to offer training in auditor skills to promote continued development of auditing expertise. NERC will leverage information technology systems to better deliver and share common training products and information with Regional and registered entities. Other training will focus on knowledge and skills development in a number of key areas, including:

- Critical Infrastructure Protection standards information,
- Development and implementation of clear and technically sound reliability standards,
- Key lessons learned and trends from events,
- Identified themes from trending and common cause analyses,
- Risk-based assessment methods,
- Effective compliance cultures with practices, procedures and controls to address reliability risks,
- Effective root, apparent and common cause analysis methods,
- Quality improvement of registered entity self-reporting and self-certification,
- Currently monitored standards,
- Entity registration process, issues, and alternatives,
- Human performance fundamentals, and
- Systematic approach to training.

NERC will continue to provide learning opportunities through workshops hosted by the Regional Entities. NERC will also host workshops, webinars, and training courses, as well as use vendors to develop training modules and supplement internal training resources. The Training and Education group will also continue to advance and improve the skills of NERC's operating staff. NERC's Human Resources department will continue to budget and manage the delivery of more traditional corporate employee training and continuing education programs.

Resource Requirements

Personnel

No additional personnel are budgeted for 2014. The increase of 0.16 FTEs is due to the transfer of 0.5 FTEs in 2013 from another department and the 4% attrition assumption in all departments.

Contractor Expenses

The total proposed consulting and contractor expenses of approximately \$849k in 2014 is virtually the same as the 2013 budget.

Further detail in support of the proposed 2014 contractor and consulting budget to support Training, Education, and Operator Certification is set forth in Exhibit C, which includes a comparison to 2013 budgeted amounts. The primary areas of contractor and consulting support include:

- Testing services to develop, administer, proctor, score, and support system operator certification exams across North America.
- Ongoing hosting and maintenance fees for the SOCCED database.
- Improvements to the SOCCED database described above.
- Supplemental support to Continuing Education Review Panel industry volunteers to review and audit over 2,500 individual learning activities and provider applications received each year.¹⁴
- Audit team leader soft skills training delivered by certified NERC staff or consultants to support effective dialogue and communications between audit teams and registered entities provided quarterly using vendor-licensed materials.
- Vendor supported BPS technical training for select NERC staff, including auditors, technical and support staff.
- Auditor training by recognized auditing specialists for NERC and Regional Entity staff to promote continued development of compliance staff.
- Web-based training development for ERO staff and industry, including standards applications, risk assessment training, industry human performance fundamentals, and BPS events lessons learned.

¹⁴ Review and approval of learning activity applications results in over 400,000 hours of continuing education per year for the industry's certified system operators.

**Statement of Activities, Fixed Assets Expenditures and Change in Working Capital
2013 Budget & Projection, and 2014 Budget**

TRAINING, EDUCATION and OPERATOR CERTIFICATION

	2013 Budget	2013 Projection	Variance	2014 Budget	Variance
			2013 Projection v 2013 Budget Over(Under)		2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,449,793	\$ 1,449,793	\$ -	\$ 1,665,959	\$ 216,166
Penalty Sanctions	93,484	93,484	\$ -	12,008	(81,476)
Total NERC Funding	\$ 1,543,277	\$ 1,543,277	\$ -	\$ 1,677,968	\$ 134,691
Membership Dues	-	-	-	-	-
Testing Fees	1,680,000	1,680,000	-	1,620,000	(60,000)
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	1,199	1,250	51	1,252	53
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 3,224,476	\$ 3,224,527	\$ 51	\$ 3,299,220	\$ 74,744
Expenses					
Personnel Expenses					
Salaries	\$ 837,645	\$ 810,923	\$ (26,722)	\$ 806,116	\$ (31,529)
Payroll Taxes	54,087	56,906	2,819	56,919	2,832
Benefits	112,397	116,999	4,602	143,194	30,797
Retirement Costs	94,203	74,618	(19,585)	91,840	(2,363)
Total Personnel Expenses	\$ 1,098,332	\$ 1,059,446	\$ (38,886)	\$ 1,098,069	\$ (263)
Meeting Expenses					
Meetings	\$ 30,000	\$ 30,000	\$ -	\$ 36,000	\$ 6,000
Travel	70,000	51,000	(19,000)	51,000	(19,000)
Conference Calls	27,000	27,500	500	25,500	(1,500)
Total Meeting Expenses	\$ 127,000	\$ 108,500	\$ (18,500)	\$ 112,500	\$ (14,500)
Operating Expenses					
Consultants & Contracts	\$ 848,574	\$ 735,844	\$ (112,730)	\$ 848,830	\$ 256
Office Rent	-	-	-	-	-
Office Costs	96,500	88,800	(7,700)	98,300	1,800
Professional Services	-	432	432	-	-
Miscellaneous	500	150	(350)	500	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 945,574	\$ 825,226	\$ (120,348)	\$ 947,630	\$ 2,056
Total Direct Expenses	\$ 2,170,906	\$ 1,993,172	\$ (177,734)	\$ 2,158,199	\$ (12,707)
Indirect Expenses	\$ 1,383,017	\$ 1,500,722	\$ 117,705	\$ 1,534,092	\$ 151,075
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 3,553,922	\$ 3,493,894	\$ (60,029)	\$ 3,692,291	\$ 138,368
Change in Assets	\$ (329,446)	\$ (269,366)	\$ 60,081	\$ (393,072)	\$ (63,625)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	25,000	25,000	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 17,844	\$ 12,802	(5,042)	45,181	\$ 27,337
Inc(Dec) in Fixed Assets (C)	\$ 17,844	\$ 37,802	\$ 19,958	\$ 45,181	\$ 27,337
TOTAL BUDGET (=B + C)	\$ 3,571,766	\$ 3,531,696	\$ (40,071)	\$ 3,737,472	\$ 165,705
FTEs	8.00	7.77	(0.23)	8.16	0.16

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – Salaries expense is projected to decrease in 2014 due to a decrease in the average salary expense per FTE in this program. Benefits are projected to increase at a higher rate than other personnel expenses due to: (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses.
- **Meetings and Travel Expenses** – Meetings expense is projected to increase in 2014 primarily due to additional meeting costs for the Operator Certification program, which is totally funded by fees charged for system operator certification exams and certificate renewals. The reduction in travel expense for 2014 is based upon trending of 2013 actual costs.

Administrative Services

Administrative Services (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	52.75	59.14	6.39
Total Direct Expenses	\$ 23,079,081	\$ 24,513,515	\$ 1,434,434
Inc(Dec) in Fixed Assets	\$ 297,774	\$ 721,958	\$ 424,184
Total Allocation to Statutory Programs as Indirect Expenses	\$ 23,376,855	\$ 25,235,473	\$ 1,858,618

Program Scope and Functional Description

NERC's Administrative Services area includes the budget for all business and administrative functions of the organization, including (1) technical committees and member forums; (2) General and Administrative, which includes Board fees and expenses, the president and chief executive officer and support staff, communications and governmental affairs, and office rent; (3) Legal and Regulatory; (4) Information Technology; (5) Human Resources; (6) Finance and Accounting; and (7) general administrative expenses necessary to support program area activities. These functions are necessary to the existence and functioning of the organization and support the performance of NERC's ERO statutory activities. The costs of the Administrative Services functions are allocated to the five statutory programs as indirect expenses. The resource requirements and comparative budget information for each of these functions is described further below.

Technical Committees and Members' Forum Program

While NERC management and staff will continue to interact with and support numerous reliability-related forums (e.g., the North American Transmission Forum and Generator Forum), NERC's 2014 budget does not contain specific funding for any forum activities.

General and Administrative

General and Administrative (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	8.00	10.56	2.56
Total Direct Expenses	\$ 7,325,556	\$ 8,171,736	\$ 846,180
Inc(Dec) in Fixed Assets	\$ (350,526)	\$ (419,399)	\$ (68,873)

Background and Scope

The General and Administrative area is responsible for the administration and general management of the organization. Expenses allocated in this area include office rent; personnel and related costs of the CEO, the COO, the CEO's executive assistant, communications and

public relations staff; and costs related to the Board. No additional personnel are budgeted for 2014. The increase of 2.56 FTEs is due to 2013 additions and transfers from other departments and includes the assumption of 4% attrition.

The following table details the Board costs included in the total costs of the General and Administrative area.

Board of Trustee Expenses	Budget 2013	Projection 2013	Budget 2014	2014 v 2013 Budget	Variance %
Meetings and Travel Expenses					
Quarterly Board Meetings	\$ 234,000	\$ 284,000	\$ 234,000	\$ -	
Trustee Travel	155,000	155,000	155,000	-	
Total Board of Trustees Meetings and Travel Expenses	389,000	439,000	389,000	-	
Professional Services					
Independent Trustee Fees	980,000	980,000	1,000,000	20,000	
Trustee Search Fees	-	-	70,000	70,000	
Total Board of Trustee Professional Services Expenses	980,000	980,000	1,070,000	90,000	
Total Board of Trustee Expenses	\$ 1,369,000	\$ 1,419,000	\$ 1,459,000	\$ 90,000	6.57%

The 2014 Miscellaneous Expense budget is \$36,500, an increase of \$15k from 2013. This budget is intended to cover the cost of (1) token gifts to retiring employees, condolence flowers in the event of a death in the family member of an employee, and similar types of miscellaneous expenses (\$6.5k); (2) funds to support Community Responsibility and Employee Engagement Committee activities (\$10k); (3) departmental and company team-building activities and employee rewards and recognition expenses that are not otherwise included in personnel expense (\$10k); and (4) year-end employee holiday meal expenses (\$10k).

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
GENERAL and ADMINISTRATIVE					
	2013	2013	Variance	2014	Variance
Funding	Budget	Projection	2013 Projection	Budget	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)		Over(Under)
ERO Funding					
NERC Assessments	\$ (1,686,309)	\$ (1,686,309)	\$ -	\$ (2,216,461)	\$ (530,152)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (1,686,309)	\$ (1,686,309)	\$ -	\$ (2,216,461)	\$ (530,152)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	224	224	-	-
Total Funding (A)	\$ (1,686,309)	\$ (1,686,085)	\$ 224	\$ (2,216,461)	\$ (530,152)
Expenses					
Personnel Expenses					
Salaries	\$ 1,342,080	\$ 2,266,210	\$ 924,130	\$ 2,031,740	\$ 689,660
Payroll Taxes	60,640	99,559	38,919	89,250	28,610
Benefits	156,238	260,072	103,834	245,309	89,071
Retirement Costs	175,179	45,248	(129,931)	158,550	(16,629)
Total Personnel Expenses	\$ 1,734,136	\$ 2,671,089	\$ 936,952	\$ 2,524,849	\$ 790,712
Meeting Expenses					
Meetings	\$ 260,000	\$ 366,500	\$ 106,500	\$ 268,000	\$ 8,000
Travel	322,000	421,482	99,482	421,482	99,482
Conference Calls	57,500	24,206	(33,294)	24,206	(33,294)
Total Meeting Expenses	\$ 639,500	\$ 812,188	\$ 172,688	\$ 713,688	\$ 74,188
Operating Expenses					
Consultants & Contracts	\$ 150,000	\$ 39,223	\$ (110,777)	\$ 75,000	\$ (75,000)
Office Rent	2,756,840	2,695,217	(61,623)	2,617,300	(139,540)
Office Costs	507,000	516,228	9,228	502,000	(5,000)
Professional Services	1,132,053	1,154,700	22,647	1,170,000	37,947
Miscellaneous	5,500	5,000	(500)	5,500	-
Depreciation	350,526	418,620	68,094	419,399	68,873
Total Operating Expenses	\$ 4,901,919	\$ 4,828,988	\$ (72,931)	\$ 4,789,199	\$ (112,720)
Total Direct Expenses	\$ 7,275,556	\$ 8,312,265	\$ 1,036,709	\$ 8,027,736	\$ 752,180
Indirect Expenses	\$ (7,325,556)	\$ (8,370,037)	\$ (1,044,481)	\$ (8,171,736)	\$ (846,180)
Other Non-Operating Expenses	\$ 50,000	\$ 57,995	\$ 7,995	\$ 144,000	\$ 94,000
Total Expenses (B)	\$ -	\$ 224	\$ 224	\$ -	\$ 0
Change in Assets	\$ (1,686,309)	\$ (1,686,309)	\$ (0)	\$ (2,216,461)	\$ (530,152)
Fixed Assets					
Depreciation	(350,526)	(418,620)	(68,094)	(419,399)	(68,873)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	340,788	340,788	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	77,803	77,803	-	-
Allocation of Fixed Assets	\$ 350,526	\$ (2,169)	(352,695)	419,399	68,873
Inc(Dec) in Fixed Assets (C)	\$ -	\$ (2,199)	\$ (2,199)	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ (1,975)	\$ (1,975)	\$ -	\$ 0
FTEs	8.00	11.06	3.06	10.56	2.56

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – Salaries and payroll tax expenses are projected to increase in 2014 due primarily to the increase in FTEs. Benefits are projected to increase at a higher rate than other personnel expenses due to: (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses. Retirement costs are projected to decrease in 2014 due to the assumed forfeiture of unvested funds related to personnel attrition.
- **Travel and Conferencing Expenses** – The increase in travel expense and the decrease in conferencing expenses for 2014 are based upon trending of 2013 actual costs.
- **Consultants and Contracts** – The decrease in 2014 is due to the reduction in the projected cost of outside consulting to support communications.
- **Professional Services** – The increase is due to a slight increase in Trustee compensation and due to the addition of search fees for replacement of one trustee whose term expires in February 2015.

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	14.00	15.15	1.15
Total Direct Expenses	\$ 4,045,729	\$ 4,298,813	\$ 253,084
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -

Background and Scope

The Legal and Regulatory department's workload is largely derivative of and supports the work of several key NERC program areas. Increasing demands are being placed on this group from three primary areas: Compliance Operations, Investigations, and Standards. In addition, this department is also responsible for providing a wide range of legal support to the NERC management team regarding antitrust, corporate, commercial, insurance, contract, employment, real estate, copyright, tax, legislation, and other legal matters. This department is also extensively involved with the work required to complete the Five-Year ERO Performance Assessment, as well as legal and regulatory matters that arise in connection with the delegation agreements with the Regional Entities, including proposed amendments to those agreements. The legal and regulatory needs of the ERO are both demanding and increasingly more complex.

Resource Requirements

One FTE will be added to provide additional administrative support for the Legal and Enforcement departments. The increase of 1.15 FTEs includes the one FTE addition planned in 2014, the transfer of one FTE in 2013 from another department, and the assumption of 4% attrition in 2014.

Outside law firms and consultants supporting this area are budgeted and tracked as Professional Services. The Professional Services budget is \$760k for 2014, a decrease of \$190k from the 2013 budget. The Professional Services budget includes outside legal fees to support the completion of the Five-Year ERO Performance Assessment in 2014.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
LEGAL and REGULATORY					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection	Budget	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -		-	
Total NERC Funding	\$-	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 2,325,293	\$ 2,434,723	\$ 109,430	\$ 2,637,399	\$ 312,106
Payroll Taxes	119,177	125,443	6,266	136,718	17,541
Benefits	185,835	231,040	45,205	265,856	80,021
Retirement Costs	261,724	222,205	(39,519)	296,887	35,163
Total Personnel Expenses	\$ 2,892,029	\$ 3,013,411	\$ 121,382	\$ 3,336,860	\$ 444,831
Meeting Expenses					
Meetings	\$ 5,000	\$ 15,000	\$ 10,000	\$ 5,000	\$ -
Travel	144,500	120,000	(24,500)	120,000	(24,500)
Conference Calls	3,200	13,953	10,753	12,953	9,753
Total Meeting Expenses	\$ 152,700	\$ 148,953	\$ (3,747)	\$ 137,953	\$ (14,747)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	50,500	64,342	13,842	63,500	13,000
Professional Services	950,000	810,360	(139,640)	760,000	(190,000)
Miscellaneous	500	500	-	500	-
Depreciation	-	3,021	3,021	-	-
Total Operating Expenses	\$ 1,001,000	\$ 878,223	\$ (122,777)	\$ 824,000	\$ (177,000)
Total Direct Expenses	\$ 4,045,729	\$ 4,040,587	\$ (5,142)	\$ 4,298,813	\$ 253,084
Indirect Expenses	\$ (4,045,729)	\$ (4,040,587)	\$ 5,142	\$ (4,298,813)	\$ (253,084)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ (0)	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ 0	\$ -	\$ -
Fixed Assets					
Depreciation	-	(3,021)	(3,021)	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ 3,021		-	
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ (3,021)	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ (3,021)	\$ -	\$ -
FTEs	14.00	13.78	(0.22)	15.15	1.15

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – Salaries, payroll tax and retirement expenses are projected to increase in 2014 due primarily to the increase in FTEs. Benefits are projected to increase at a higher rate than other personnel expenses due to: (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses.
- **Travel and Conferencing Expenses** – The decrease in travel expense and the increase in conferencing expenses for 2014 are based upon trending of 2013 actual costs.
- **Professional Services** – The decrease is due to the reduction in the projected use of outside counsel in 2014.

Information Technology

Information Technology (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	16.75	18.07	1.32
Total Direct Expenses	\$ 7,978,705	\$ 8,320,845	\$ 342,140
Inc(Dec) in Fixed Assets	\$ 649,098	\$ 1,141,357	\$ 492,259

Background and Scope

NERC's information technology (IT) department budget includes the resources necessary to support NERC's internal operations. It builds on the initiatives begun in 2013 to replace several internal, outdated legacy applications (such as the standards balloting system) and numerous registration applications, as well as to improve the NERC website, with a focus on security and disaster recovery. In addition, significant emphasis and resources have been placed on working collaboratively with the Regional Entities to build enterprise applications to replace numerous time-consuming and manual efforts, reduce duplicative input by the registered entities, and build a foundation for business intelligence and analytics regarding reliability risks. This effort will establish ERO resource priorities and allocations, as well as provide information to stakeholders for use in their own reliability risk management planning and resource allocation.

NERC's IT staffing strategy over the last several years has been to use a small, core internal IT staff and leverage expertise of external contractors for specific work areas. External contractors are used for numerous maintenance and development tasks for infrastructure and the various NERC applications. In addition, all major application development during 2013 is being performed with the assistance of external firms. For example, the primary ERO Enterprise application under development in 2013 is the BES application. NERC has teamed with an external vendor to develop this application and will retain their services for maintenance support. As the ERO Enterprise systems grow over time, NERC management will assess the balance of internal and external resources to get the required work completed at an efficient cost and acceptable performance and risk profile.

NERC has divided the IT department contractor and consulting budget into two categories: Ongoing Operations and ERO Enterprise Applications. Ongoing operations describe those applications required to support NERC internal business and statutory activities, along with back office applications such as accounting and finance, office productivity (Email, MS Office, etc.), security, and disaster recovery. ERO Enterprise applications are defined as those applications deemed to have similar business processes and functions across NERC and the Regional Entities.

Resource Requirements

Personnel

A database analyst and webmaster are proposed to be added to this department in 2014. The addition of a dedicated database analyst is necessary to support the significant number of databases that NERC utilizes and manages for ERO operations. The company does not presently have a database analyst on staff. The addition of a webmaster is necessary to support the day-to-day maintenance of NERC's website and associated applications, which are used extensively to support both internal and external knowledge management and communications. The increase of 1.32 FTEs over 2013 includes the hiring of the proposed 2014 additions and the 4% attrition assumption.

Contract and Consulting Resources to Support Ongoing Operations

The following text provides a description of required contractor and consulting support for ongoing operations, followed by a chart containing a three-year projection of costs. The 2014 budgeted amounts are also set forth in Exhibit C, with a comparison to 2013 budgeted amounts.

Security and Vulnerability Testing of NERC Website and Network — Ongoing intrusion detection and vulnerability testing of the NERC public website, NERC network, applications, and systems is an essential requirement of on-going operations. Testing is conducted by an outside vendor using the latest intrusion techniques to test the security of the NERC network. Multiple attempts are made to gain access, and any vulnerability identified is documented and provided to NERC IT for rapid remediation.

Maintenance and Redesign of NERC Legacy Applications — Utilizing resources included to support ongoing operations in 2014, NERC initiated a multiyear effort to replace several legacy applications, some initially coded over a decade ago and lacking many common features of modern, efficient software. Currently, there are over eight registration applications that provide Regional Entities, registered entities, governmental agencies, and general public access to NERC applications and data based on registration, vetting, and, if appropriate, approval to access data and applications. In addition, there are numerous other tools associated with the legacy registration applications that provide connectivity, security parameters, and other pieces of information that are then fed to several applications and databases. Each application and database is heavily used by NERC staff, Regional Entity staff and registered entities to perform various ERO-related business functions. These legacy applications are cumbersome, difficult to administer, require multiple registrations by registered entities, and lack many of the self-service features that are common in modern applications. This causes up to one hundred monthly NERC IT support tickets for assistance with resetting passwords, unknown or forgotten usernames, and a myriad of other technical support issues that would be minimized by contemporary technology.

Funding in this category for ongoing operations includes numerous software applications common to NERC business processes, such as the Standards Balloting System (SBS), ERO Membership, NERC My Account, User Management Profile, and Compliance Reporting and Tracking System (CRATS).

Disaster Recovery Planning – Consultant Services — Initial steps were taken in 2013 to set up, test, and implement applications deemed important for communicating during a disaster scenario. Calendar year 2015 will be used to further improve disaster recovery planning to include setting up those business applications required to be functional at an offsite location in the event access to the primary NERC offices has been impacted by an unforeseen event; IT will also further enhance and test NERC disaster recovery processes.

Security Program – Phased 2014–2016 — As outlined under the paragraph titled “Security and vulnerability testing of NERC website and network,” NERC IT performs a number of technology initiatives to ensure the security of the network and infrastructure. However, in order to continually improve security, a more holistic approach is required that implements technology improvements and constructs an overarching security program to ensure all aspects of security have been considered, including information classification, review of retention policies, and enforcement of security guidelines.

NERC Website Phase II and Document Management – Combined Knowledge Management — During 2012 and the first quarter of 2013, IT completed a major initiative to redesign and rewrite the NERC public website using SharePoint 2010. The effort was focused on moving to a much more flexible product that would lay the foundation for future website enhancements, such as an improved document library and navigation, and greatly improved analytics and search capability. IT will focus on two interrelated activities in 2014: NERC Website and Document Management, both of which are designed to improve knowledge management capability and streamline information posted on the public-facing website. NERC is planning to retain the services of an external consultant with expertise in document and content management systems to help assess NERC and stakeholder needs and to assist in redesigning the organization of the massive amount of files and information contained on the NERC website.

Vendor Maintenance/Change Management – ERO Applications — ERO Enterprise applications that were developed in 2013, such as the BES application, along with applications slated for development and implementation in 2014 will require enhancements to functionality as business processes are modified. In some instances, those enhancements may require considerable changes to user screens, workflow, or databases funded by this line item.

Audio Visual Architect (consultant) — NERC has 15 heavily used conference rooms designed to provide audio, visual, and in some instances video conference capability. The rooms were designed in 2011 prior to an in-depth understanding of their use to ensure they were designed for their specific purpose (e.g., NERC, Region, and industry training). In 2016, the audio visual and video conference equipment will be over five years old, and conducting an audiovisual assessment of room usage, along with recommendations for replacement equipment, would be best suited to an outside consulting firm that specializes in audiovisual equipment and installation.

Network Architect (consultant) — Consulting services are required to review, recommend, and implement solutions to re-architect the NERC internal network to align with industry best

practices thereby greatly simplifying the process of implementing applications and services while maintaining an emphasis on robust security.

Standards Issues Database — This database is designed to capture FERC directives and track actions taken by multiple NERC program areas to adhere to the directive by cataloging specific actions taken and tracking ongoing compliance. In addition, the database would be used for internal NERC risk control to ensure risks have been identified and actions taken to address these risks.

The table below summarizes the budgeted costs of ongoing operations.

Ongoing Operations	2014	2015	2016	3-Year Projection
Security vulnerability testing of NERC website and network	\$ 150,000	\$ 150,000	\$ 150,000	\$ 450,000
Maintenance and Re-Design of NERC Legacy Applications	\$ 554,000	\$ 554,000	\$ 500,000	\$ 1,608,000
Disaster Recovery Planning - Consultant Services	\$ -	\$ 150,000	\$ 150,000	\$ 300,000
Security Program - Phased 2014 – 2016	\$ 200,000	\$ 200,000	\$ 200,000	\$ 600,000
NERC Website Phase II and Document Management - Combined knowledge management	\$ 300,000	\$ 250,000	\$ 350,000	\$ 900,000
Vendor Maintenance / Change Management - ERO Applications	\$ 320,000	\$ 250,000	\$ 250,000	\$ 820,000
Audio Visual Architect (consultant)	\$ -	\$ -	\$ 25,000	\$ 25,000
Network Architect (consultant)	\$ -	\$ -	\$ 80,000	\$ 80,000
Standards Issues Database	\$ -	\$ -	\$ 75,000	\$ 75,000
Total Ongoing Operations	\$ 1,524,000	\$ 1,554,000	\$ 1,780,000	\$ 4,858,000

ERO Enterprise Applications

ERO Enterprise Applications are defined as those applications deemed to have similar business process and functions across NERC and the Regions. They are multi-year initiatives tailored to improve productivity and visibility to data and reduce complexity of managing multiple applications. In late 2012, NERC and the Regional Entities collectively formed an ERO Project

Management Office (ERO PMO) to oversee and manage the implementation of ERO Enterprise Applications. The ERO PMO follows well established project management methodologies to design, build, and implement ERO Enterprise Applications. These methodologies follow the global standards defined by the Project Management Institute (PMI) and encompass rigorous procedures for project planning, communications, contracts, resources, schedules, budgets, and risks. The ERO PMO, which is staffed by NERC personnel, works closely with and is supported by an IT steering group (ITSG) comprised of the senior IT representatives from each Regional Entity and NERC. It is governed by the terms of a charter approved by the ERO EMG. Internally, the ERO PMO reports directly to NERC's chief operating officer.

Each proposed ERO Enterprise Application goes through a multistep process to define the application's purpose and parameters, obtain executive sponsorship and funding approval, define business and functional requirements, and manage vendor selection. The ERO PMO processes also include well-defined tollgates and status reporting to ensure the project is meeting objectives during the execution. Each tollgate requires review and approval by the executive sponsor (typically an ERO EMG executive or executive designee), NERC program area officer for the lead program area the application is intended to support, and ITSG. At any point in the tollgate process, the project can be stopped for further review and remediation of issues.

The ERO Enterprise Applications outlined below have been determined to be strategic by ERO EMG over the 2014–2016 planning period, and each approved project is required to follow the ERO PMO process. Each project is closely monitored and managed by the assigned project manager, ensuring all processes are followed and required checkpoints and approvals are obtained from all project stakeholders.

During 2013, NERC and the Regional Entities worked collaboratively under the ERO PMO framework described above to design, build, and implement the BES enterprise application. Centrally located in a dedicated data center, the BES enterprise application will be used by NERC, Regional Entities, and registered entities to manage BES exception applications. Three additional ERO Enterprise Applications, the Event Information Data System (EIDS), Reliability Assessment Data Store (RADS), and Compliance and Registration applications, have been selected by the ERO EMG for development and implementation over the 2013–2016 time frame using the ERO PMO framework discussed above. These applications will be used by both NERC and the Regional Entities to perform required business and statutory functions, thereby reducing multiple disparate applications and databases into single, agreed-upon business applications. These applications will also be designed to provide a more cohesive view of data across applications and databases by NERC and the Regional Entity staffs. They will incorporate design features that allow the registered entities, along with the general public, access to reporting and analytics and will be designed to facilitate dashboards and reporting either with anonymous access, or—to enhance feature functionality—upon proper vetting and approval.

A description of EIDS and the associated development work and budget for 2014 is included in the Event Analysis department since this department has lead responsibility for the development of this tool. Similarly, a description of the RADS is included in the RAPA department, and a description of the Compliance and Registration application that is proposed to be developed in 2015 is included in the Compliance Operation department.

ERO Enterprise Fully Managed Services (dedicated hosting) — ERO Enterprise applications that have been deemed of similar business process and function will be implemented in a dedicated data center with fully outsourced IT services to encompass all infrastructure requirements (e.g., power, cooling, fire protection, security, backup, and recovery). In addition, all IT personnel activities (such as Microsoft Windows system administration, database services, help desk, and security) will be performed by a vendor chosen by NERC and the Regional Entities following the ERO PMO process discussed above. The dedicated hosting environment will be used to run, manage, and ensure that the ERO Enterprise applications used by NERC and the Regional Entities are housed in a common, well-secured, dedicated data center facility. This approach is designed to ensure the overall security, availability, efficiency, and cost-effectiveness of the operation and maintenance of the ERO Enterprise Applications.

Contract Project Management Support — Supplemental project management and business analyst support of the ERO PMO will be required to manage the foregoing ERO Enterprise Applications to ensure that rigorous project methodology is followed before, during, and after implementation. These resources will assist the ERO PMO in gathering the relevant business and functional requirements from NERC and the eight Regions, aggregate this information into a single cohesive requirements document, and then manage the design, build, and implementation process from inception to project closure.

Project Management Applications — Project management tools will be required over the planning period to track and monitor project resources throughout development and implementation to ensure scope is managed appropriately and projects are delivered on time and within budget. The tool would also be used by the Standards Program Area and would replace the existing tool, which lacks core capability and functionality to track activities.

The following table summarizes the projected Enterprise IT application development costs between 2014 and 2016.

Enterprise Applications	2014	2015	2016	3-Year Investment
Reliability Assessment Data Store (RADS) Development and Change Management Total ¹⁵ (Budgeted in RAPA)		\$700,000	\$120,000	\$820,000
Enterprise Compliance application ¹⁶ Development and Change Management (Budgeted in Compliance Operations)		\$1,650,000	\$1,000,000	\$2,650,000
ERO Enterprise Fully Managed Services (dedicated hosting)	\$420,000	\$480,000	\$540,000	\$1,440,000
ERO Enterprise Application Enhancement ¹⁷ (Budgeted as fixed asset in IT)	\$300,000	\$100,000	\$100,000	\$500,000
Contract Project Management Support ¹⁸ (Budgeted as fixed asset in IT)	\$410,000	\$540,000	\$540,000	\$1,490,000
Project Management Application (Budgeted as fixed asset in IT)	\$60,000	\$60,000	\$60,000	\$180,000
Total	\$1,190,000	\$3,530,000	\$1,860,000	\$6,580,000

2014 IT Operating and Capital Expense Budget

As indicated above, IT planning has been based on a multiyear strategy and is designed to reduce complexity, improve productivity, and gain a consolidated view of data across the ERO. Several criteria were considered during the planning phase, including the results of an IT architecture study conducted in late 2011, and the need for visibility to aggregate data across the ERO and improve collaboration among NERC and the Regions.

The NERC IT Architecture study determined that many of the ERO applications designed in prior years were shown to be in silos and were not integrate with other applications to obtain an aggregate view of interrelated information events or trending. The implementation of enterprise-class tools such as SharePoint, SQL Server 2008, Virtualization, and centralized data

¹⁵ Development of the RADS application may commence in 2014 and is identified as a known operating reserve contingency. 2014 funding will be subject to the availability of operating reserves to cover debt service (principal and interest cost) associated with financing the development of this application. See Exhibit E.

¹⁶ 2014 funding to define business requirements is included in the Compliance Operations department budget in connection with the Reliability Assurance Initiative.

¹⁷ The cost associated with the development of new software applications is expected to be financed. See Exhibit D for more information.

¹⁸ The cost associated with the contract project management support of the development of new applications is also expected to be financed.

warehouse capability is deemed critical for providing greater productivity and efficiency, enhanced visibility to data, and vastly improved collaboration.

2014 IT Operating Expenses

A summary of the major categories of IT Operating Expenses are set forth in the following table.

Office Costs	Budget 2013	Budget 2014	Variance
Telephone	\$ 175,000	\$ 225,000	
Internet	335,000	275,000	
Computer Supplies and Maintenance			
Computers	3,000	4,500	
Computer Supplies	116,900	95,400	
Maintenance & Service Agreements	1,226,325	1,539,370	
Software	37,500	140,500	
Total Office Costs	\$ 1,893,725	\$ 2,279,770	\$ 386,045

Telephone Expenses

Office telephone costs are items associated with cellular phone, mobile laptop cellular air card, bonded T1 Voice over Internet Protocol (VoIP) data circuits, and conference calling expenses.

- NERC-issued cell phones are provided to employees to ensure access and productivity before, during, and after business hours, and cost is minimized by leveraging pooled minutes. Individual NERC employees are provided with a basic pooled cell phone plan of 450 minutes, including a basic level subscription for texting and data. This plan is designed to ensure persons who travel frequently have additional cell phone minutes by taking advantage of limited usage by employees who travel less frequently. In addition, employees are encouraged to connect via wireless whenever possible to reduce cellular charges for data usage. The basic texting plan is provided for those instances when calling or email is not optimal. Cellular calling costs are included in the telephone expense item.
- Mobile laptop cellular air cards are provided to ensure connectivity while traveling or in locations where wireless connectivity is unavailable. Wireless or cellular connectivity to the NERC network is enabled using virtual private network technology to ensure maximum security, logging, and encryption.
- IT support persons are required to be available for support 24x7x365. That in almost all instances requires them to have access to systems and network via secure internet connectivity. Included in the line item "telephone" are those monthly costs associated with internet access for systems, application, network, and security to enable IT resources to provide support and conduct emergency and non-emergency patching of systems, routers, firewalls, etc., as required to ensure the stability of the NERC technology environment.
- Conference calling is conducted via an external service provider in order to minimize internal hardware, IT support, and internal conference lines capable of providing access

to an external audience. Information Technology conference calling, webinars, recorded events, etc., are included in the telephone cost line item.

- Bonded T1 circuits provide access for VoIP service for NERC desk phones in lieu of having a very expensive, support-intensive in-house phone switch (e.g., Private Branch Exchange) that requires senior-level telecommunication resources to support and manage.

Internet Expense

Internet expense is comprised of data circuits, Plain old Telephone Service (POTS), and redundant capability in the event of primary service provider failure.

Computers

Computers are items that do not meet the criteria to be considered a capital expense, such as desktop computers or iPads. Desktop computers enable conference webinars, internet access, training room functionality, etc., for those instances when a presenter does not have a computer device available to conduct presentations. In addition, on a case-by-case basis and as justified by extensive travel or consistent out of office meetings, NERC will provide an iPad with cellular data access for persons who require functionality but are unable to use a laptop for computing needs.

Computer Supplies

Computer supplies are expense items required for infrastructure support to include computer monitors, mice, keyboard, cell phones, cables, encrypted hard drives, encrypted thumb drives, encryption keys, uninterruptible power supplies (UPS), privacy screens, phone headsets, docking stations, computer memory, and any other computer supplies or components required to support the technology infrastructure.

Maintenance and Service Agreements

Maintenance and Service Agreements comprise those items required to support internal and external access to routers, switches, firewalls, intrusion protection, 100-fileservers, audiovisual, storage area network, data backup services, network and security monitoring, co-location data center services, video conferencing, digital certificates, and development and virtualization software. Service agreements related to the co-location data center, offsite backup of over one hundred terabytes of data, conference calling, and network and security monitoring consume a large portion of the maintenance and service agreements budget.

Software

Tools such as SharePoint Designer, Microsoft Visio, and Crystal Reports Developer are included under this line item. The tools are primarily used for NERC infrastructure purposes to develop SharePoint workflow, to create development process flows, and for reporting.

2014 IT Fixed Asset (Capital) Expenses

The following table presents a summary of NERC's 2014 fixed asset budget.

Fixed Assets	Budget 2013	Budget 2014	Variance
Computer & Software CapEx	\$ 1,556,100	\$ 2,258,800	
Equipment CapEx	\$ 216,000	\$ 213,000	
	\$ 1,772,100	\$ 2,471,800	\$ 699,700

Providing access, visibility, and analysis of data from many different sources across the ERO will require significant investment in hardware, software, and associated tools and technology. The overarching theme is to gain a holistic view of data across the enterprise to support reliability and accountability of the BPS. Adding capability to centralize and mine data, in addition to foundational elements such as disaster recovery and application development, set the stage for vastly improved reporting, business intelligence and capability for collaboration, and sharing of information vital to the ERO's mission.

In addition to the investments described above to support efficiency and consistency across the enterprise, the 2014 budget also includes the cost of software, servers, laptops, and other hardware to support daily operations.

As further described in Exhibit D, NERC plans to finance a portion of these capital assets consisting primarily of software development costs and hardware.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
INFORMATION TECHNOLOGY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions					
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 1,651,076	\$ 1,821,378	\$ 170,302	\$ 2,013,859	\$ 362,783
Payroll Taxes	114,954	115,399	445	136,366	21,412
Benefits	224,184	230,278	6,094	317,097	92,913
Retirement Costs	178,464	177,072	(1,392)	229,767	51,303
Total Personnel Expenses	\$ 2,168,678	\$ 2,344,127	\$ 175,449	\$ 2,697,089	\$ 528,411
Meeting Expenses					
Meetings	\$ 5,000	\$ 7,231	\$ 2,231	\$ 5,000	\$ -
Travel	62,000	59,243	(2,757)	59,243	(2,757)
Conference Calls	4,800	4,800	-	4,800	-
Total Meeting Expenses	\$ 71,800	\$ 71,273	\$ (527)	\$ 69,043	\$ (2,757)
Operating Expenses					
Consultants & Contracts	\$ 2,721,000	\$ 1,715,846	\$ (1,005,154)	\$ 1,944,000	\$ (777,000)
Office Rent	-	-	-	-	-
Office Costs	1,893,725	2,249,955	356,230	2,279,770	386,045
Professional Services	-	2,500	2,500	-	-
Miscellaneous	500	100	(400)	500	-
Depreciation	1,123,002	1,179,176	56,174	1,330,443	207,441
Total Operating Expenses	\$ 5,738,227	\$ 5,147,577	\$ (590,650)	\$ 5,554,713	\$ (183,514)
Total Direct Expenses	\$ 7,978,705	\$ 7,562,978	\$ (415,727)	\$ 8,320,845	\$ 342,140
Indirect Expenses	(7,978,705)	(7,618,324)	360,381	(8,320,845)	(342,140)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ (55,346)	\$ (55,346)	\$ -	\$ (0)
Change in Assets	\$ -	\$ 55,346	\$ 55,346	\$ -	\$ 0
Fixed Assets					
Depreciation	(1,123,002)	(1,179,176)	(56,174)	(1,330,443)	(207,441)
Computer & Software CapEx	1,556,100	873,864	(682,236)	2,258,800	702,700
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	216,000	514,531	298,531	213,000	(3,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (649,098)	\$ (209,219)	439,879	\$ (1,141,357)	\$ (492,259)
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ (55,346)	\$ (55,346)	\$ -	\$ (0)
FTEs	16.75	15.88	(0.87)	18.07	1.32

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – Salaries, payroll tax and retirement expenses are projected to increase in 2014 due primarily to the increase in FTEs. Benefits are projected to increase at a higher rate than other personnel expenses due to: (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses.
- **Consultants and Contracts** – The decrease is primarily due to a reclassification of consulting services that support the development of enterprise applications to fixed assets as a capitalized cost of the project.
- **Office Costs** – The increase is primarily related to software and hardware annual maintenance agreements and data center hosting expense.

Human Resources

Human Resources (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.00	2.88	(0.12)
Total Direct Expenses	\$ 1,527,797	\$ 1,104,974	\$ (422,823)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -

Background and Scope

Human Resources (HR) manages all of NERC's human resources functions, including new hires, benefits, and employee functions. This area also oversees NERC's employee performance appraisal and incentive structure process. Management has implemented a robust, objective, and auditable performance management system to track corporate, departmental, and individual performance against pre-established goals, objectives, and measures. Each year NERC continues to refine and improve this system. In 2012 NERC implemented a new time accounting system to facilitate tracking of time by functional activities or, where appropriate, specific projects.

2014 Goals and Objectives

Executive Training and Development

As the risk-based methodology to improve reliability is further developed and deployed, NERC will use experienced consultants to provide strategic guidance and training for the executive team to frame problems according to highest potential risk factors and prioritize them to solve big issues. The executive leadership team may also receive additional training and development initiatives geared toward promoting collaboration and consensus building to improve knowledge sharing.

Staff Development

Management believes that access to knowledge is a key differentiator for NERC and that it ensures retention and high performance. Therefore, NERC will invest in learning opportunities for staff in several areas. First, HR will continue to host and optimize an e-learning platform, SkillSoft, to provide staff resources for improving soft and technical skills. Second, HR will provide staff development training through real-world access via tours of and training on control centers, electric substations, and power plants. Finally, staff will have access to additional education, including but not limited to degree-oriented university education, pursuit of specialized certifications, and other in-house and external training that provides essential knowledge and skills development that will lead to improved staff performance.

Compensation Consulting

HR will continue to rely on market data to drive its attraction, engagement, and retention model. Periodically, HR will have a compensation consultant examine the current market data to ensure that decisions affecting compensation are made in light of the current market climate

and that qualified employees are attracted and retained within a defined total remuneration range. To protect NERC's substantial investment in human capital, HR will also engage consultants to consider compensation models and practices prevalent within the market that have been successful in attracting, engaging, and retaining talent. Similarly, HR may partner with compensation subject matter experts to perform periodic assessments of the BOT compensation model to ensure alignment with market practices. NERC's compensation policy and analysis of market data will be based on total remuneration, taking into account base and incentive compensation, as well as benefits.

Surveys

HR will retain a vendor to conduct periodic Board of Trustees and committee effectiveness surveys to identify improvement opportunities. HR will also launch additional surveys as appropriate, based on business needs.

Succession Planning

Minimizing disruption of knowledge/skill/experience bases of key staff is critical to continued success toward ensuring the reliability of the BPS. HR will work with senior management to identify essential roles and develop strategies to build pipelines and contingency plans for any loss of staff.

HR Products and Services Automation

Paramount to an effective and efficient HR department is the use of electronic and automated products and services. HR will continue to operate, maintain, and investigate investment in additional electronic platforms for HR support services.

Resource Requirements

Personnel

No additional personnel are proposed to be added in 2014. The 0.12 decrease in FTEs over 2013 is due to the assumption of 4% attrition in all departments.

Contractor Expenses

Contractor and consultant expenses are \$31k below 2013 budgeted amounts and are set forth in additional detail in Exhibit C.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
HUMAN RESOURCES					
	2013	2013	Variance	2014	Variance
Funding	Budget	Projection	v 2013 Budget	Budget	v 2013 Budget
			Over(Under)		Over(Under)
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 498,724	\$ 482,804	\$ (15,920)	\$ 595,009	\$ 96,285
Payroll Taxes	22,610	23,574	964	23,428	818
Benefits	573,737	189,635	(384,102)	50,539	(523,198)
Retirement Costs	41,348	43,454	2,106	42,721	1,373
Total Personnel Expenses	\$ 1,136,419	\$ 739,467	\$ (396,952)	\$ 711,697	\$ (424,722)
Meeting Expenses					
Meetings	\$ 5,000	\$ 1,500	\$ (3,500)	\$ 2,000	\$ (3,000)
Travel	21,000	10,897	(10,103)	10,897	(10,103)
Conference Calls	600	600	-	600	-
Total Meeting Expenses	\$ 26,600	\$ 12,997	\$ (13,603)	\$ 13,497	\$ (13,103)
Operating Expenses					
Consultants & Contracts	\$ 288,500	\$ 353,175	\$ 64,675	\$ 257,500	\$ (31,000)
Office Rent	-	-	-	-	-
Office Costs	42,500	16,838	(25,662)	16,500	(26,000)
Professional Services	23,278	64,449	41,171	80,280	57,002
Miscellaneous	10,500	10,500	-	25,500	15,000
Depreciation	-	3,867	3,867	-	-
Total Operating Expenses	\$ 364,778	\$ 448,829	\$ 84,051	\$ 379,780	\$ 15,002
Total Direct Expenses	\$ 1,527,797	\$ 1,201,293	\$ (326,504)	\$ 1,104,974	\$ (422,823)
Indirect Expenses	\$ (1,527,797)	\$ (1,201,293)	\$ 326,504	\$ (1,104,974)	\$ 422,823
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ 0	\$ -	\$ (0)
Change in Assets	\$ -	\$ -	\$ (0)	\$ -	\$ 0
Fixed Assets					
Depreciation	-	(3,867)	(3,867)	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ 3,867	\$ 3,867	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ 0	\$ -	\$ (0)
FTEs	3.00	3.00	-	2.88	(0.12)

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – Salaries expense includes a total corporate budget for employment agency fees and temporary office services. The budget for these expenses was increased \$43.5k in 2014 based upon 2013 actual trends. Salaries expense also increased due to an increase in the average salary expense per FTE offset by the 4% attrition rate applied to all departments. Benefits are projected to decrease due to the allocation of benefit expenses, including education, training and relocation expenses, across all departments rather than being budgeted solely in Human Resources as in prior years.
- **Travel** – The decrease is based upon 2013 actual trending.
- **Consultants and Contracts** – The decrease is primarily due to a reduction in consultant and contract support for staff training and development.
- **Office Costs** – The decrease is primarily related to the reclassification of monthly fees for performance management software to professional services.
- **Professional Services** – The increase is due to the reclassification of performance management software from office costs, as described above, and additional services related to automated benefits enrollment and management of benefits under the Family Medical Leave Act.
- **Miscellaneous** – The increase is for year-end holiday catering expenses and an increase in costs to support employee community responsibility and engagement activities.

Finance and Accounting

Accounting and Finance (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	11.00	12.48	1.48
Total Direct Expenses	\$ 2,201,294	\$ 2,617,147	\$ 415,853
Inc(Dec) in Fixed Assets	\$ (798)	\$ -	\$ 798

Background and Scope

NERC's Finance and Accounting department manages all finance and accounting functions, including employee payroll, 401(k) and 457(b) plans, travel and expense reporting, monthly financial reporting, sales and use tax, meeting and events planning and services, insurance, internal auditing, and facilities management. This area also holds primary responsibility for the development of the annual business plan and budget, as well as NERC's proposed ERO risk management framework. Over the past several years, NERC's Finance and Accounting department implemented additional policies, procedures, and controls governing day-to-day practices including contract and personnel procurements, meeting, conference planning and travel, expense reimbursement, and back office systems and procedures. The department will continue to refine, improve, and where necessary implement additional procedures and controls.

Resource Requirements

Personnel

With the exception of converting a contractor who is currently providing office support services into a full-time employee, no new FTE additions are planned for 2014. The increase of 1.48 FTEs reflects 2013 additions and the assumption of 4% attrition.

Contractor Expenses

A total of \$400k is budgeted for outside contractor and consulting support, representing an increase of \$75k over the 2013 budget. These costs are primarily for outside professional support for auditors to support various risk management and internal control initiatives, as well as to provide finance and accounting support.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
FINANCE and ACCOUNTING					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection	Budget	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions		-		-	
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 1,230,355	\$ 1,347,398	\$ 117,043	\$ 1,379,476	\$ 149,121
Payroll Taxes	70,460	72,958	2,498	81,128	10,668
Benefits	149,964	148,755	(1,209)	219,002	69,038
Retirement Costs	140,368	132,326	(8,042)	155,391	15,023
Total Personnel Expenses	<u>\$ 1,591,146</u>	<u>\$ 1,701,437</u>	<u>\$ 110,290</u>	<u>\$ 1,834,997</u>	<u>\$ 243,850</u>
Meeting Expenses					
Meetings	\$ 5,000	\$ 5,000	\$ -	\$ 5,650	\$ 650
Travel	62,500	62,500	-	62,500	-
Conference Calls	1,850	5,000	3,150	4,000	2,150
Total Meeting Expenses	<u>\$ 69,350</u>	<u>\$ 72,500</u>	<u>\$ 3,150</u>	<u>\$ 72,150</u>	<u>\$ 2,800</u>
Operating Expenses					
Consultants & Contracts	\$ 325,000	\$ 642,822	\$ 317,822	\$ 400,000	\$ 75,000
Office Rent	-	-	-	-	-
Office Costs	28,500	30,330	1,830	29,500	1,000
Professional Services	186,000	327,662	141,662	280,000	94,000
Miscellaneous	500	500	-	500	-
Depreciation	798	2,196	1,398	-	(798)
Total Operating Expenses	<u>\$ 540,798</u>	<u>\$ 1,003,510</u>	<u>\$ 462,712</u>	<u>\$ 710,000</u>	<u>\$ 169,202</u>
Total Direct Expenses	<u>\$ 2,201,294</u>	<u>\$ 2,777,447</u>	<u>\$ 576,152</u>	<u>\$ 2,617,147</u>	<u>\$ 415,852</u>
Indirect Expenses	<u>\$ (2,201,294)</u>	<u>\$ (2,777,447)</u>	<u>\$ (576,153)</u>	<u>\$ (2,617,147)</u>	<u>\$ (415,853)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ (2)</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2</u>
Fixed Assets					
Depreciation	(798)	(2,196)	(1,398)	-	798
Computer & Software CapEx	-	2,495	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 798	\$ (299)	\$ (1,097)	-	(798)
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,495)</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,497)</u>	<u>\$ -</u>	<u>\$ (2)</u>
FTEs	11.00	11.02	0.02	12.48	1.48

Summary of Variances by Category – 2014 Budget Compared to the 2013 Budget

- **Personnel** – Salaries, payroll tax and retirement expenses are projected to increase in 2014 due primarily to the increase in FTEs. Benefits are projected to increase at a higher rate than other personnel expenses due to: (i) the higher cost per employee of employee benefits plans and, (ii) the allocation of benefit expenses that were budgeted in Human Resources in prior years, including education, training and relocation expenses.
- **Consultants and Contracts** - Primarily for outside professional support for auditors to support various risk management and internal control initiatives, as well as to provide finance and accounting support.
- **Professional Services** – The increase is due to implementation of new systems to improve efficiency and controls in processing expenses.

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital and Operating Reserve Analysis					
Statutory					
	Total Reserves	Working Capital¹	Known Contingencies	Unknown Contingencies	Operator Certification
Beginning Balance					
Balance as of 12/31/12 - per audit	8,167,396	3,667,844	1,000,000	1,933,590	1,565,962
Release of penalty funding from restriction	2,512,500			2,512,500	
Less: Adjustment for future liabilities	(3,667,844)	(3,667,844)			
Available Working Capital and Operating Reserves	7,012,052	-	1,000,000	4,446,090	1,565,962
Generation or (Use) from 2013 Operations					
From budgeted operations	6,212			6,212	
From Known and Unknown Contingency Reserves ²	(3,311,246)		(836,706)	(2,115,324)	(359,216)
Proceeds from financing activities (non-current portion only)	843,000			843,000	
Amortize adjustment for future liabilities	(120,801)			(120,801)	
Projected Working Capital and Operating Reserves - 12/31/13	4,429,217	-	163,294	3,059,177	1,206,746
Required Working Capital and Operating Reserves - 12/31/13³					
Required Working Capital and Operating Reserves - 12/31/13³	6,635,548	3,867,055	1,000,000	1,000,000	768,493
Adjustment to achieve required reserve balance	(1,660,724)		836,706	(2,059,177)	(438,253)
	-		-		
Increase(decrease) in funding requirement to adjust reserve balance	(1,660,724)	-	836,706	(2,059,177)	(438,253)
2014 NERC Assessment					
2014 Expenses and Capital Expenditures	56,390,096			54,931,402	1,458,695
Less: Penalty Sanctions received 7/1/12 - 6/30/13	(290,000)			(290,000)	
Less: Other Funding Sources	(2,044,000)			(1,023,558)	(1,020,442)
Adjustment to achieve desired reserve balance	(1,660,724)	-	836,706	(2,059,177)	(438,253)
Less: Proceeds from financing activities	(1,415,990)				
Plus: Amortization of Debt	422,000				
2014 NERC Assessment	51,401,382				

¹As further explained in the discussion of the Working Capital Reserve amount in Exhibit E, funds classified as Working Capital offset future, non-current liabilities and are restricted from use for current operations. The \$3,867,055 required balance as of 12/31/13 is \$199,211 higher than the \$3,667,844 balance as of 12/31/12, and represents additional funds received in connection with the expansion of the Atlanta offices.

²The use of Unknown Contingency reserves includes the \$2,033,600 budgeted reduction in reserves in 2013.

³On August 15, 2013, the NERC Board of Trustees approved the Working Capital and Operating Reserve Policy at 12/31/13.

Breakdown by Statement of Activity Sections

The following detailed schedules support the consolidated Statement of Activities. All significant variances were disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2013 are to be used to offset assessments in the 2014 Budget, as documented in *NERC Policy – Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standard*, as well as Section 1107 of the Rules of Procedure. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 budget.

All penalties received prior to June 30, 2013 are detailed below, including the amount and date received.

Allocation Method

Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards, Compliance Operations and Organization Registration and Certification, Compliance Enforcement, Reliability Assessments and Performance Analysis, Training and Education, Situational Awareness, Events Analysis and Investigations, and the Critical Infrastructure Department. 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, 2013		
	Date Received	Amount Received
	2/7/2013	\$ 250,000
	5/28/2013	40,000
Total Penalties Received		<u>\$ 290,000</u>

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
Reliability Standards				
Workshops	\$ 104,000	\$ 104,000	\$ 104,000	\$ -
Interest Allocation	3,970	4,224	3,976	6
Total	\$ 107,970	\$ 108,224	\$ 107,976	\$ 6
Compliance Operations, Investigations and Enforcement				
Workshops	\$ 40,000	\$ 20,000	\$ 40,000	\$ -
Interest Allocation	6,742	6,471	6,332	(410)
Total	\$ 46,742	\$ 26,471	\$ 46,332	\$ (410)
Reliability Assessments and Performance Analysis				
pc_GAR Software	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
GADS Services	-	-	-	-
Workshops	40,000	40,000	40,000	-
Interest Allocation	2,809	2,780	2,913	104
Total	\$ 42,809	\$ 92,780	\$ 92,913	\$ 50,104
Training and Education				
Testing Fees and Certificate Renewals	\$ 1,080,000	\$ 1,080,000	\$ 1,020,000	\$ (60,000)
CEH Fees	600,000	600,000	600,000	-
Workshops	-	-	-	-
Interest Allocation	1,199	1,250	1,252	53
Total	\$ 1,681,199	\$ 1,681,250	\$ 1,621,252	\$ (59,947)
Event Analysis				
Workshops	\$ 52,000	\$ 38,100	\$ 50,000	\$ (2,000)
Interest Allocation	1,423	1,522	1,473	49
Total	\$ 53,423	\$ 39,622	\$ 51,473	\$ (1,951)
Situation Awareness				
Workshops	\$ 105,000	\$ 75,850	\$ 75,000	\$ (30,000)
FIST Royalties	-	7,000	-	-
Interest Allocation	974	835	957	(17)
Total	\$ 105,974	\$ 83,685	\$ 75,957	\$ (30,017)
Critical Infrastructure Protection				
Workshops	\$ 95,000	\$ 95,000	\$ 45,000	\$ (50,000)
Interest Allocation	2,884	2,917	3,098	215
Total	\$ 97,884	\$ 97,917	\$ 48,098	\$ (49,785)
General and Administrative				
Miscellaneous Income	\$ -	\$ 224	\$ -	\$ -
Total	\$ -	\$ 224	\$ -	\$ -
Total Outside Funding	\$ 2,136,000	\$ 2,130,174	\$ 2,044,000	\$ (92,000)

Explanation of Significant Variances – 2014 Budget Compared to the 2013 Budget

- Reliability Assessments and Performance Analysis – pc-GAR Historically, NERC charged nominal license fees to help defray a portion of the costs of operating, maintaining, and administering pc-GAR, a complex legacy software application used to provide industry with access to certain generator and transmission data. In response to its 2013 business plan and budget (in which NERC indicated it would discontinue the licensing of this software and data availability and therefore excluded any projection of licensing fees in its 2013 budget), NERC received additional feedback from industry expressing a strong desire for continuing to provide access. Upon further view and consideration, NERC management felt that it was important to retain control of the licensing in order to ensure the protection of confidential information and that the assessment activities performed by RAPA would also benefit from the continued industry utilization of pc-GAR. As previously described under the RAPA section of this business plan and budget, NERC expects to commence development of a replacement software application for pc-GAR in Q4 2013 and no specific funding is included in the 2014 business plan and budget for this activity. However, given that this work has not yet been completed, the possibility exists that funding from reserves may be required in 2014, subject to the availability of reserves and other funding priorities. The pc-GAR 2014 projected fees will be used to offset development costs of the replacement application, as well operation and maintenance costs of the existing and replacement applications.
- Training and Education – The PCGC estimates a few number of certificate renewals will be processed in 2014.
- Situation Awareness – Reduced number of workshops due to the transition of the synchrophasor technology (NASPI) to the private sector.
- Critical Infrastructure Protection – Workshop fees associated with the Grid Security Conference are budgeted to be lower in 2014.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Total Salaries	\$ 24,056,165	\$ 24,965,038	\$ 26,218,572	\$ 2,162,407	9.0%
Total Payroll Taxes	1,459,710	1,473,809	1,570,954	111,244	7.6%
Total Benefits	3,079,941	2,917,558	3,385,917	305,976	9.9%
Total Retirement	2,702,588	2,264,996	2,884,211	181,623	6.7%
Total Personnel Costs	\$ 31,298,404	\$ 31,621,401	\$ 34,059,654	\$ 2,761,250	8.8%
FTEs	186.25	176.12	189.53	3.28	1.8%
Cost per FTE					
Salaries	\$ 129,161	\$ 141,750	\$ 138,335	9,174	7.1%
Payroll Taxes	7,837	8,368	8,289	451	5.8%
Benefits	16,537	16,566	17,865	1,328	8.0%
Retirement	14,511	12,861	15,218	707	4.9%
Total Cost per FTE	\$ 168,045	\$ 179,545	\$ 179,706	\$ 11,661	6.9%

Explanation of Significant Variances – 2014 Budget Compared to the 2013 Budget

The increase in salaries, payroll taxes and retirement expenses is due to additional FTEs and salary increases, which is budgeted at 2.5% over 2013, the addition of more senior staff in 2013, and the need to pay higher compensation than previously budgeted to attract employees to fill vacant positions. The average cost per FTE is also affected by the 4% attrition rate assumption, which reduced the total number of FTEs budgeted in all departments. The assumed attrition factor for 2013, which was 3%, reduced the budgeted expense but not the number of FTEs. In addition to the increase in the number of FTEs on staff, benefits are budgeted to increase 9% in 2014 over 2013.

Consultants and Contracts

Table B-5

NOTE: This table has been replaced by Exhibit C

Office Rent

Table B-6

Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 2,756,840	\$ 2,695,217	\$ 2,617,300	\$ (139,540)	-5.06%
Total Office Rent	\$ 2,756,840	\$ 2,695,217	\$ 2,617,300	\$ (139,540)	-5.06%

The decrease in rent expense is due to a change in accounting related to refunds of excess tenant improvement allowances in the Atlanta and Washington, DC offices.

Office Costs

Table B-7

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Telephone	\$ 527,000	\$ 605,852	\$ 628,000	\$ 101,000	19.17%
Telephone Answering Srv	-	2,609	-	-	
Internet	354,000	562,549	310,000	(44,000)	-12.43%
Office Supplies	172,500	208,240	199,300	26,800	15.54%
Computer Supplies and Maintenance	-	-	-	-	
Computers	3,000	8,423	4,500	1,500	50.00%
Computer Supplies	116,900	127,031	95,400	(21,500)	-18.39%
Maintenance & Service Agreements	1,404,265	1,457,919	1,701,029	296,764	21.13%
Software	38,500	9,036	141,500	103,000	267.53%
Network Supplies	-	10,471	-	-	
Publications & Subscriptions	73,000	75,002	32,995	(40,005)	-54.80%
Dues	42,750	40,006	41,750	(1,000)	-2.34%
Postage	20,100	16,841	19,600	(500)	-2.49%
Express Shipping	64,500	35,553	34,000	(30,500)	-47.29%
Copying	135,000	104,415	115,000	(20,000)	-14.81%
Reports	8,000	8,000	8,000	-	0.00%
Stationary/Forms	15,000	100	10,000	(5,000)	-33.33%
Equipment Repair/Service Contracts	30,000	72,405	70,000	40,000	133.33%
Bank Charges	25,000	60,000	20,000	(5,000)	-20.00%
Taxes	50,000	7,565	15,000	(35,000)	-70.00%
Merchant Card Fees	102,000	76,161	85,000	(17,000)	-16.67%
Total Office Costs	\$ 3,181,515	\$ 3,488,178	\$ 3,531,074	\$ 349,559	10.99%

Explanation of Significant Variances – 2014 Budget Compared to the 2013 Budget

- The increase in Office Costs is primarily due to increased cellular and air card expenses and due to higher costs for annual maintenance and service costs, which are primarily related to software and hardware annual maintenance agreements and data center hosting expense.
- The increase in Maintenance and Service Agreements is primarily due to increases in maintenance agreements associated with the use of numerous software products.
- The increase in Software is for increased license fees for new and existing products, such as Adobe and Microsoft Project.
- The decrease in Publications and Subscriptions is due to the reclassification of costs associated with intelligence reporting services from office costs to consultant and contract costs.
- The increase in Equipment Repair/Service Contracts and the decreases in Express Shipping, Copying, Stationary, Bank Charges, Taxes and Merchant Card Fees are based on 2013 projected costs.

Professional Services

The Professional Services budget includes a projected increase in trustee fees.¹⁹ \$70k has also been budgeted for a search fee for a new Trustee to fill the vacancy of an existing Trustee whose term limit expires in February 2015. The projected increase in outside services costs is primarily related to consulting costs to implement accounting system improvements and support. These increases are offset by a reduction in projected outside counsel expenses.

Table B-8

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Independent Trustee Fees	\$ 980,000	\$ 980,000	\$ 1,000,000	\$ 20,000	2.04%
Trustee Search Fee	-	-	70,000	70,000	
Outside Legal	900,000	900,000	740,000	(160,000)	-17.78%
Lobbying Fees	50,000	50,000	50,000	-	0.00%
Accounting & Auditing Fees	242,278	242,278	150,000	(92,278)	-38.09%
Insurance Commercial	110,000	110,000	100,000	(10,000)	-9.09%
Outside Services		56,815	180,280	180,280	
Total Services	\$ 2,282,278	\$ 2,339,093	\$ 2,290,280	\$ 8,002	0.35%

Miscellaneous

Table B-9

Miscellaneous Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Miscellaneous Expense	\$ 6,500	\$ 5,405	\$ 6,500	\$ -	
Employee Rewards and Recognition	\$ 10,000	10,000	10,000	-	0.00%
Community Resp & Employee Engagement	5,000	5,000	10,000	5,000	100.00%
Year-end Holiday Catering			10,000	10,000	
Total Miscellaneous Expenses	\$ 21,500	\$ 20,405	\$ 36,500	\$ 15,000	69.77%

A further discussion of these expenses may be found in Section A under the General and Administrative department.

¹⁹ For further information regarding the increase in Trustee fees may be found in the background materials to Agenda Item 2 on the August 14, 2013 Corporate Governance and Human Resources Committee agenda.

Other Non-Operating Expenses**Table B-10**

Other Non-Operating Expenses	2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Gain/Loss from Sale of Assets	\$ -	\$ -	\$ -	\$ -	-
Property Tax Expense	\$ 50,000	50,000	\$ 50,000	-	-
Office Relocation	-		-	-	-
Interest			94,000	94,000	
Total Other Non-Operating Expenses	\$ 50,000	\$ 50,000	\$ 144,000	\$ 94,000	188.00%

The budgeted interest expense is detailed in the Capital Financing program, Exhibit D.

Section C — Non-Statutory Activity

NERC has no non-statutory activities.

Section D — Supplemental Financial Statements

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION STATEMENT OF FINANCIAL POSITION

	12/31/2012 - per Audit	12/31/2013 - Projection	12/31/2014 - Projection	12/31/2015 - Projection	12/31/2016 - Projection
ASSETS					
Cash	27,936,696	17,881,732	16,108,351	15,477,700	14,848,610
Trade Accounts receivable, net of allowance for uncollectible accounts of 62,573 and 179,565 in 2012 and 2011	4,281,602	4,281,602	4,281,602	4,281,602	4,281,602
Other Receivables	-	-	-	-	-
Prepaid expenses and other current assets	888,087	888,087	888,087	888,087	888,087
Security deposit	114,903	99,136	99,136	99,136	99,136
Cash value of insurance policies	337,414	337,414	337,414	337,414	337,414
Employee Fiduciary - 457b	118,243	118,243	118,243	118,243	118,243
Property and equipment	5,220,210	6,548,907	7,333,691	10,771,485	11,723,280
Total Assets	38,897,155	30,155,121	29,166,524	31,973,668	32,296,372
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses (incl, vacation accrual)	2,959,896	2,959,896	2,959,896	2,959,896	2,959,896
Accrued Incentive Comp	2,911,359	3,780,127	3,792,317	3,792,317	3,792,317
Deferred income	5,177,751	5,177,751	5,177,751	5,177,751	5,177,751
Regional assessments	9,614,829	-	-	-	-
Deferred rent-current	120,801	182,421	259,950	329,605	395,953
Deferred compensation (Def. comp; 457b; retiree medical)	736,019	736,019	736,019	736,019	736,019
Accrued retirement liabilities	1,410,466	1,575,000	1,640,591	1,640,591	1,640,591
Capital lease obligations - current	65,928	65,928	65,928	65,928	65,928
Capital Project Financing - Current Portion	-	422,000	894,000	1,910,000	1,889,000
Deferred rent - non-current	3,620,736	3,819,947	3,553,110	3,233,179	2,846,900
Capital lease obligations - non-current	47,108	47,108	47,108	47,108	47,108
Capital Project Financing - non-current	-	843,000	1,364,990	2,504,990	1,815,990
Total Liabilities	26,664,893	19,609,197	20,491,660	22,397,384	21,367,453
Net Assets - unrestricted	9,719,762	10,255,924	8,674,864	9,576,284	10,928,920
Net Assets - restricted	2,512,500	290,000	-	-	-
Total Liabilities and Net Assets	38,897,155	30,155,121	29,166,524	31,973,668	32,296,373

Statement of Activities

Next page.

NORTH AMERICAN ELECTRIC RELIABILITY COPORATION

Statement of Activities, Fixed Asset Expenditures and Change in Working Capital by Program 2014 Budget	Statutory Activities														
	Statutory Total	Reliability Standards (Section 300)	Compliance Operations, Investigations and Organization Registration and Certification	Compliance Enforcement	Reliability Assessment and Performance Analysis	Operator Certification	Training and Continuing Education	Event Analysis	Situation Awareness and Infrastructure Security	Critical Infrastructure Protection	General and Administrative (Includes Executive and Gov't Relations)	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding															
ERO Funding															
NERC Assessments	51,401,382	10,000,443	9,400,511	6,350,810	8,214,496		1,665,959	3,975,065	4,493,115	9,517,444	(2,216,461)	-	-	-	-
Penalty Sanctions	290,000	58,951	52,401	41,484	43,190		12,008	21,834	14,192	45,941		-	-	-	-
Total NERC Funding	51,691,382	10,059,394	9,452,912	6,392,293	8,257,686		1,677,968	3,996,898	4,507,307	9,563,386	(2,216,461)	-	-	-	-
Membership Dues	-														
Testing Fees	1,620,000					1,020,000	600,000								
Services & Software	50,000				50,000										
Workshops	354,000	104,000	40,000		40,000			50,000	75,000	45,000					
Interest	20,000	3,976	3,534	2,798	2,913	442	810	1,473	957	3,098					
Miscellaneous	-														
Total Funding (A)	53,735,382	10,167,369	9,496,446	6,395,091	8,350,598	1,020,442	2,278,778	4,048,371	4,583,264	9,611,484	(2,216,461)	-	-	-	-
Expenses															
Personnel Expenses															
Salaries	26,218,572	3,308,688	3,192,809	2,043,427	2,604,058	243,369	562,747	1,470,290	915,216	3,220,485	2,031,740	2,637,399	2,013,859	595,009	1,379,476
Payroll Taxes	1,570,954	210,130	202,068	132,855	159,156	17,411	39,508	91,480	60,207	191,249	89,250	136,718	136,366	23,428	81,128
Benefits	3,385,917	454,850	404,311	320,080	333,241	50,539	92,655	168,463	109,501	354,474	245,309	265,856	317,097	50,539	219,002
Retirement Costs	2,884,211	377,588	364,901	234,210	294,179	28,185	63,655	167,286	104,293	366,598	158,550	296,887	229,767	42,721	155,391
Total Personnel Expenses	34,059,654	4,351,256	4,164,089	2,730,572	3,390,634	339,504	758,565	1,897,519	1,189,217	4,132,806	2,524,849	3,336,860	2,697,089	711,697	1,834,997
Meeting Expenses															
Meetings	1,052,150	185,000	70,000	2,500	90,000	21,000	15,000	67,000	171,000	145,000	268,000	5,000	5,000	2,000	5,650
Travel	2,419,525	400,000	312,657	85,298	385,000	20,000	31,000	155,000	28,020	328,428	421,482	120,000	59,243	10,897	62,500
Conference Calls	317,851	123,748	16,574	5,081	31,950	500	25,000	31,864	4,000	32,574	24,206	12,953	4,800	600	4,000
Total Meeting Expenses	3,789,525	708,748	399,232	92,879	506,950	41,500	71,000	253,864	203,020	506,003	713,688	137,953	69,043	13,497	72,150
Operating Expenses															
Consultants & Contracts	6,828,973		400,000		638,085	473,000	375,830	-	1,289,108	976,450	75,000		1,944,000	257,500	400,000
Office Rent	2,617,300										2,617,300				
Office Costs	3,506,074	90,350	73,500	41,000	139,135	47,300	51,000	38,519	47,750	86,250	502,000	63,500	2,279,770	16,500	29,500
Professional Services	2,290,280										1,170,000	760,000		80,280	280,000
Miscellaneous	36,500	500	500	500	500		500	500	500	500	5,500	500	500	25,500	500
Depreciation	2,333,006				228,000			193,667	161,498		419,399		1,330,443		
Total Operating Expenses	17,612,133	90,850	474,000	41,500	1,005,720	520,300	427,330	232,686	1,498,856	1,063,200	4,789,199	824,000	5,554,713	379,780	710,000
Total Direct Expenses	55,461,313	5,150,854	5,037,321	2,864,951	4,903,304	901,304	1,256,895	2,384,069	2,891,092	5,702,009	8,027,736	4,298,813	8,320,845	1,104,974	2,617,147
Indirect Expenses	0	4,872,999	4,331,554	3,429,147	3,570,148	541,444	992,648	1,804,814	1,173,129	3,797,630	(8,171,736)	(4,298,813)	(8,320,845)	(1,104,974)	(2,617,147)
Other Non-Operating Expenses	144,000	-	-	-	-	-	-	-	-	-	144,000				
Total Expenses (B)	55,605,313	10,023,853	9,368,875	6,294,098	8,473,452	1,442,748	2,249,543	4,188,883	4,064,222	9,499,639	-	-	-	-	-
Change in Assets	(1,869,930)	143,517	127,570	100,993	(122,854)	(422,307)	29,235	(140,512)	519,043	111,846	(2,216,461)	-	-	-	-
Fixed Assets															
Depreciation	(2,333,006)	-	-	-	(228,000)	-	-	(193,667)	(161,498)	-	(419,399)	-	(1,330,443)	-	-
Computer & Software CapEx	2,904,790								645,990				2,258,800		
Furniture & Fixtures CapEx	-														
Equipment CapEx	213,000												213,000		
Leasehold Improvements	-														
Allocation of Fixed Assets	-	143,517	127,570	100,993	105,146	15,946	29,235	53,154	34,550	111,846	419,399	-	(1,141,357)	-	-
Inc(Dec) in Fixed Assets (C)	784,784	143,517	127,570	100,993	(122,854)	15,946	29,235	(140,512)	519,043	111,846	-	-	-	-	-
TOTAL BUDGET (=B + C)	56,390,096	10,167,369	9,496,446	6,395,091	8,350,598	1,458,695	2,278,778	4,048,371	4,583,264	9,611,484	-	-	-	-	-
FTEs	189.53	25.92	23.04	18.24	18.99	2.88	5.28	9.60	6.24	20.20	10.56	15.15	18.07	2.88	12.48

Exhibit A – Common Assumptions

Shared Business Plan and Budget Assumptions

NERC and the Regional Entities

2014-2016 Planning Period

As part of the implementation of the Strategic Plan ([ERO 2013-2016 Strategic Plan](#)), NERC and the Regional Entities developed a set of common assumptions to help guide resource projections over the planning period for each entity and the ERO overall, recognizing there are often unique factors that drive differences in each organization's final determination of its resource needs and budget. The specific resource needs and budget of NERC and each Regional Entity will continue to be publicly posted for review and approved in open session by NERC's Finance and Audit Committee as part of the annual business plan and budget process.

It continues to be the objective of NERC and the Regional Entities to identify and implement process and other improvements to increase the overall efficiency and effectiveness of the ERO, with due recognition and sensitivity to the cost of compliance by industry and the critical nature of industry support and participation to the success of the ERO regulatory model as contemplated by the Energy Policy Act of 2005. In addition, NERC and the Regional Entities have reviewed the existing scope of the program areas and reprioritized current resources as appropriate. Efforts have been made to focus on assumptions that affect resource requirements instead of specific program area goals, objectives, and actions, which are incorporated in the Strategic Plan and each Regional Entity's business plan and budget.

Legal and Operating Framework

NERC and the Regional Entities are expected to continue to work under the existing regulatory framework governing the establishment and enforcement of reliability standards for the BPS by applicable governmental authorities in the United States and Canada, as well as the authorizations contained in FERC's order approving NERC as the ERO. No significant changes to this framework are assumed to occur over the planning period.

The terms of the existing delegation agreements between NERC and the Regional Entities are also assumed to continue to apply over the planning period. With respect to the performance of delegated functions, the Regional Entities are expected to have primary responsibility for interactions with registered entities. NERC will provide oversight of the Regional Entities and otherwise ensure that its responsibilities as the ERO are fulfilled. Over the planning period, NERC and the Regional Entities are also expected to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes consistent with their respective roles and responsibilities.

NERC will evaluate the scope of its activities in relation to the FERC-approved Section 215 guidelines in connection with the development of its annual business plan and budget. NERC will also evaluate the extent to which it will undertake activities within these guidelines and may voluntarily defer or elect to not undertake certain activities in light of resource limitations and priorities. NERC may also voluntarily consider funding alternatives for certain Section 215 activities.

Business Environment

NERC and the Regional Entities will work collaboratively to identify additional ways to improve efficiency and leverage overall ERO resources, as well as to gather and evaluate information regarding the impact of ERO activities on registered entities. Industry concerns relative to the overall cost of compliance with ERO requirements will remain an area of focus.

Cost pressures may affect the number of stakeholder resources available to participate in NERC and Regional Entity activities. NERC and Regional Entity business plans, budgets, and resource requirements will continue to be established based upon the assumption of continued industry participation in support of key program areas, including but not limited to event analysis, reliability assessments, and standards development. Any significant change in the quality or availability of industry resources will likely affect ERO resource requirements.

General

External factors will continue to affect both resource needs and allocation. These factors will likely include, but not be limited to:

- FERC orders, directives, notices of proposed rulemaking, audits, and performance assessment
- Availability of experienced workforce
- The timing and scope of BES exception implementation
- Number and severity of violations and system events
- Assessment of the impact of new technologies
- Proposed and actual changes in applicable laws and regulations, including environmental and others
- Transformation of NERC's standards to a high-quality, results-based steady state
- Resources required to complete and implement any recommendations included in or FERC directives issued in connection with the Five-Year ERO Performance Assessment

Leveraging the activities of the transmission, generator, and other forums is expected to increasingly complement ERO activities and place downward pressure on the need to add incremental resources that might otherwise be required in the absence of these forums.

NERC and the Regional Entities expect annual gains in efficiency as programs and initiatives mature, experience is gained, standard development and execution is improved and internal process and performance improvements are achieved.

Key Assumptions by Program Area

Reliability Standards Program

1. With the filing of the Critical Infrastructure Protection (CIP) Version 5 standards and the need for a smooth transition from Version 3 to Version 5, additional resources may be required to provide industry and Regional guidance. These commitments are expected to be largely offset by increased efficiencies and effectiveness of the standards development process.
2. For planning purposes, given the current industry-approved implementation plan, NERC and the Regional Entities are assuming an implementation start date of January 2016 for CIP Version 5. If directed to accelerate the implementation date, NERC and the Regions will direct appropriate resources from existing staff.
3. Staffing resources required for standards activities at NERC are expected to be flat during the planning period; if minor resource additions are required, they will be offset by operating efficiencies in other areas.
4. Experience has shown that project management discipline is necessary to satisfy standards development project goals and priorities, including the assurance of a requisite level of quality. This includes recruiting standard developers with the appropriate skill set needed to bring that discipline. Examples of efforts to increase project management discipline during the planning period include but are not limited to:
 - a. Specific time frames for standards development and process milestones;
 - b. Increased industry resource dedication over shorter periods; and
 - c. Clear criteria for cancellation of projects not yielding timely and high-quality results.
5. NERC will need to allocate additional resources to support (1) the transformation of standards to a steady state, (2) improvements in the quality of standards development, and (3) industry guidance, including related technical conference and training activities.
6. Expected significant increases in standards development and processing may create additional resources to review and comment on proposed standards, support regulatory filings, and oversee new standards as they become effective. However, incremental resources are expected to be offset by improvements in the efficiency of the standards development process.
7. Implementing a cost-effectiveness analysis or assessment of proposed standards is likely to impact resource requirements, but the extent of the impact both at the ERO and Regions cannot be fully assessed at this time.

8. The number of interpretation and guidance requests is expected to decrease over time, reflecting the initiative to transform the current standards to a body of high-quality, results-based standards and improve the execution of the standards development process.
9. The number of projects contained in the Reliability Standards Development Plan is expected to increase over the planning period, reflecting the transformation of standards to a steady state. However, the scope of these projects is expected to be somewhat narrower than would otherwise exist in the absence of the results-based standards initiative.
10. With NERC's improved execution and focus on results-based standards, the need for activity associated with regional standards development is expected to decrease, together with staffing resources supporting this area. The Regions and ERO plan to work closely to support the development of continent-wide standards.
11. Improvements in the quality of standards drafting and implementation will result in improvements in the efficiency and effectiveness of auditing and enforcement activities toward the end of the planning period.
12. NERC will increase the quality and effectiveness of regulatory filings. Efforts will include, but not be limited to:
 - a. Greater use of pre-filing meetings, which will include opportunities for regional and stakeholder participation;
 - b. Increased dialogue with regulatory authorities regarding the form and requirements for regulatory filings, including reducing the requirement for exhibits by instead relying on publicly available documentation on NERC's website;
 - c. Seeking engagement with regulatory authorities to obtain formal regulatory authority input during standards development; and
 - d. With the support from the Regions, more developed technical justifications to support filings.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance and Enforcement

1. NERC and Regional Entities will have sufficient staff, supervision, and technical specialists with adequate collective professional competence and other resources, as needed, to perform the compliance work and to meet expected timeframes for completing the work.
2. Resources required for compliance and enforcement activities at NERC are expected to increase slightly in support of the Reliability Assurance Initiative. When the initiative has matured, these resources will either be reduced or redirected to facilitate a more rigorous oversight and quality assurance model.

3. Staffing resources required for compliance and enforcement activities at the Regional Entities over the planning period will vary based on regional needs and circumstances, with any increases generally expected to be mitigated through operating efficiencies in other areas. The Reliability Assurance Initiative may create short-term incremental resource needs at both NERC and some Regional Entities as new procedures and tools are developed to implement revised compliance enforcement processes.
4. Results of implementing the Find, Fix, Track and Report (“FFT”) process over the planning period will lead to continued refinement, improvement, and prioritization of risk-based compliance monitoring efforts and a reduction in registered entity resources focusing on lower level potential violations.
5. Changes in TFE processing, including equipment class-based exceptions, audit sampling, and elimination of much of the reporting and review burden, have been implemented to improve efficiency.
6. Improvements in consistency among the Regional Entities may facilitate more efficient resource allocation within the compliance and enforcement areas at NERC, as well as potentially reduce compliance costs for some registered entities.
7. Improvements in audit guidance may increase ERO efficiency, support improvements to resource allocation, and help mitigate overall compliance costs.
8. Improvements in consistency among Regional Entities and registered entities are expected from an improved centralized compliance, registration, analysis, and tracking system. A significant multiyear investment will be required to develop and implement the system.
9. As risk-based monitoring activities increase, consideration will be given to modifying the current three- and six-year audit cycles for registered entities. As an outgrowth of RAI, the rigor, scope, depth, and recurrence of audits and spot checks are expected to be driven by reliability risk, rather than a predetermined schedule. As standards are improved, the need for clarifying documents such as interpretations is expected to decrease. As a result of the foregoing, audit resource needs may vary year to year.
10. Consideration of existing registered entity management practices (i.e., internal controls) around Reliability Standards in the scope of the compliance monitoring program will allow NERC and the Regional Entities to further prioritize activities.
11. Further auditing efficiencies can be achieved by continued refinement of auditing procedures focused on the purpose and intent of the requirements related to reliability risk. This will require a change in approach by the Regional Entities and NERC staff.

Organization Registration and Certification

1. Implementation of the BES definition may place additional resource demands in the Registration area but the significance cannot be fully assessed at this time. If a high number of BES exceptions are requested, the potential for a backlog situation in the first years of implementation is possible.

2. Identification of “gaps” in registration and corrections in registration.
3. The certification process will be revised to emphasize the technical capabilities of those conducting a certification evaluation.

Reliability Assessment and Performance Analysis Program

1. Implementation of a BES exception process will impact resource requirements in this program area, but the significance of the impact cannot be fully assessed at this time, as resource requirements will be driven by the number and type of exception requests received. It’s also expected that there will be resource impacts at the Regional Entity level.
2. ERO investments in new software applications and IT infrastructure will be needed to develop and implement improved data collection and analysis systems and capabilities and should improve overall ERO resource allocation and efficiency in the long term. (See Information Technology for assumptions regarding the role of NERC and the Regional Entities with respect to funding.)
3. Resource impacts associated with the ERO’s reliability assessments of new technologies within the industry and environmental regulations are uncertain at this point.
4. Implementation of an outcome-based approach to achieving measurable improvements in reliability will likely require allocating resources to this program area, the significance of which from an overall budget perspective cannot be determined at this time.

Training, Education, and System Operator Certification Program

1. Both NERC and the Regional Entities agree that there are opportunities for improvements in the coordination, content, and manner of internal training programs.
2. While additional or different resources will be required for certain training initiatives, it is not clear at this time whether these needs will translate into a significant increase in NERC’s or any of the Regional Entities’ budgets. The general sense at this point is that improvements with minimal budgetary impact can be achieved through better coordination, planning, and management of training programs. The possible exception is in the area of additional resources needed to support CEA staff auditor training, as further discussed below.
3. Implementation of auditor training associated with the Reliability Assurance Initiative process improvements may result in resource impacts; the timeframe required to train auditors will depend on regional audit work plans and schedules.

Situation Awareness and Event Analysis

1. 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.

2. SAFNR will provide additional situational awareness capabilities at both NERC and Regional Entity levels. Significant additional resource investments are not anticipated to be necessary for the Regional Entities to utilize SAFNR. NERC will continue to budget and incur costs to operate and maintain SAFNR.
3. The number of “qualified system events,”²⁰ as defined in the NERC Events Analysis Process, is expected to remain steady with an average of 10 per month. Greater collaboration with the Region and the registered entity is leading to more detailed analysis and support of the identification of reliability issues and lessons learned. The number of “system occurrences” relates to events and disturbances that fall below the threshold of the categorized definitions in the NERC Events Analysis Process document and is expected to remain steady at approximately 25 per month.

Critical Infrastructure Protection

1. NERC will continue to fund the ES-ISAC.
2. On an annual basis, NERC will conduct the annual Grid Security Conference and rotate conference locations throughout the eight Regions.
3. The Sufficiency Review Program (SRP) will expand to include transition issues associated with CIP-002-4 and CIP Version 5. In addition, each year, NERC will increase the number of SRPs conducted.
4. NERC will continue to conduct and budget grid security exercises.
5. To address the changing policy environment, NERC will continue to manage policy development and partnership activities with industry and the government.
6. NERC will need to allocate additional resources to support improvements in the quality of cybersecurity audit and guidance, including related training activities.
7. NERC will revise CIP RSAWS to provide greater flexibility and clarity on how to evaluate compliance with cybersecurity controls.
8. To improve the auditor’s ability to assess for compliance to CIP standards, NERC will evaluate and/or procure cybersecurity auditing tools.

Information Technology and Enterprise Applications

1. Significant investments will be required over the planning period to develop and implement program area and enterprise-wide processes, procedures, and applications to support business needs. These business needs include auditing, compliance,

²⁰ The phrase “qualified system events” refers to the ERO event analysis process categorization criteria (Category 1-5). Occurrences also include copper theft, substation intrusions and other occurrences on the bulk electric system which may be reported. The phrase “qualified system events” means events affecting the Bulk Electric System, which meet the ERO event analysis process categorization criteria (Category 1-5).

registration, and tracking systems and other project, data management, and analysis tools to provide greater cost efficiency and uniformity across the ERO.

2. NERC and the Regional Entities will establish procedures to ensure that the ERO EMG considers the potential enterprise-wide applicability of new applications to support delegated functions prior to making decisions on investments in applications designed to support one entity's operations.
3. Ongoing investments will be required to develop, implement, and maintain enhancements to the NERC and Regional Entity websites.
4. In accordance with its approved annual budgets, NERC will provide the funding for the development and maintenance of ERO Enterprise applications.

Finance and Administrative

1. Potential additional resource requirements may be required in connection with implementation of the ERO Risk Management framework. NERC will include funding for consultants in its 2014 budget to support this initiative.
2. NERC and the Regional Entities will work cooperatively to continue focusing on opportunities to improve the efficiency of travel, meeting, conference call, and other operating expenses.
3. NERC and the Regional Entities will work to improve budgeting and forecasting capabilities.
4. NERC and the Regional Entities will work cooperatively to establish a common set of principles regarding the determination of working capital and contingency reserve requirements.

Exhibit B – Application of NERC Section 215 Criteria

DISCUSSION OF HOW THE NERC MAJOR ACTIVITIES IN THE 2014 BUSINESS PLAN AND BUDGET MEET THE NERC WRITTEN CRITERIA FOR DETERMINING WHETHER A RELIABILITY ACTIVITY IS ELIGIBLE TO BE FUNDED UNDER FEDERAL POWER ACT SECTION 215

I. Introduction

This Exhibit discusses how the major activities in NERC’s 2014 Business Plan and Budget meet the NERC written criteria for determining whether a reliability activity is eligible to be funded under §215 of the Federal Power Act (“FPA §215). This Exhibit is intended to satisfy Recommendation No. 38 resulting from the financial performance of NERC conducted by the Commission’s Division of Audits (“DA”) in 2012-2013 and adopted by the Commission in its November 2, 2012 order on NERC’s 2013 Business Plan and Budget.¹ NERC submitted the written criteria to the Commission in a compliance filing dated February 21, 2013 in Docket No. FA11-21-000.² The Commission approved the NERC written criteria, with modifications, in an order issued in that docket on April 18, 2013.³ The NERC written criteria as used in this Exhibit incorporate the modifications specified in the Compliance Order.⁴

II. Reliability Standards Program 2014 Major Activities

The major activities of the Reliability Standards Program are described at pages 10 and 29-31 of the 2014 Business Plan and Budget. The principal activity areas for the Reliability Standards Program are (1) providing project management, leadership and technical assistance to standard development processes participants to deliver high quality, continent-wide standards; (2) facilitating continent-wide industry engagement in the standard development processes; and (3) conducting industry balloting on standards, disseminating information on standards and the standard development processes, and supporting regulatory filings and proceedings relating to standards. Additionally, the Reliability Standards Program provides technical advice and quality review for Regional Entity Standards development processes, presents proposed Regional standards to the NERC Board, and develops and supports regulatory filings for approval of regional standards.

¹ *North American Electric Reliability Corporation, Order Accepting 2013 Business Plan and Budget of the North American Electric Reliability Corporation and Ordering Compliance Filing*, 141 FERC ¶ 61,086 (2012) (“2013 Budget Order”). Recommendation 38, as adopted in the 2013 Budget Order, is: “In its annual business plan and budget filings, [NERC should] provide an explanation as to why the proposed activities to be undertaken by each program area for the budget year are statutory, including, at a minimum: a description and the purpose of the major activities to be taken by each program area and an explanation for why the activity is a statutory activity.” *Id.* at P 16.

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

³ *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013) (“Compliance Order”).

⁴ For ease of reference, the complete NERC written criteria, as modified in accordance with the Compliance Order, are provided at the end of this Exhibit.

For 2014, the Reliability Standards Program will be focused on three areas: (1) transforming the NERC standards to high quality, world-class results-based standards (ensuring that standards are focused on required actions or results and not necessarily on the methods by which to accomplish those actions or results); (2) developing a bulk power system (“BPS”) reliability risk profile; and (3) developing methods to assess and manage cost-effectiveness (benefit) of new standards. Specific ongoing and new major activities for the Reliability Standards Program for 2014 include: continuing to address regulatory obligations for standards development and revisions as specified in regulatory directives; completing standards revisions related to the Phase 2, Paragraph 81 requirements; supporting the NERC three-year Reliability Standards Development Plan; integrating the plan from the 2013 Standards Independent Expert Review Panel into the Reliability Standards Development Plan; increasing coordination with the NERC Compliance Monitoring and Enforcement Program in integrating compliance considerations into standards development; accelerating delivery of the number of standards that meet the quality criteria and the results-based construct; developing a BPS reliability risk profile to evaluate existing standards and continuing the prioritized development of risk-based standards focused on key reliability outcomes; facilitating the industry’s transition to Version 5 of the Critical Infrastructure Protection (“CIP”) standards, including minimizing an unintended surge in violations when the Version 5 CIP standards go into effect; developing methods to assess and manage the cost effectiveness (benefit) of new standards; and continuing to support alignment between standards development and the Reliability Issues Steering Committee (“RISC”) priorities.

The major activities of the Reliability Standards Program satisfy the following criteria:

I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure (ROP)?

I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated?

II.F.1: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (ii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.

IV: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s Rules of Procedure that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The

applicable Rules of Procedure provisions for these major activities are §300 and Appendix 3A.)

III. Compliance Monitoring and Enforcement and Organization Registration and Certification Program 2014 Major Activities

The major activities of the Compliance Monitoring and Enforcement and Organization Registration and Certification Program are described at pages 10-11, 20-21, 35-40 and 44-46 of the 2014 Business Plan and Budget. The Compliance Operations department of this program works with the Regional Entities to ensure consistent and effective implementation of the Compliance Monitoring and Enforcement Program (“CMEP”). This department is responsible for the major activities of consistent implementation of the risk-based compliance monitoring program, including organization registration and certification, for reliability improvements; developing and presenting education programs that support industry compliance and the integration of risk assessment and internal controls; development of minimum baseline monitoring requirements; oversight of the Regional Entities’ delegated compliance functions including CMEP planning, implementation and reporting, compliance operations and coordination, and auditor training; development and maintenance of the Reliability Standards Audit Worksheets; and support for the NERC Compliance and Certification Committee. The Compliance Enforcement department of this program is responsible for overseeing enforcement processes, application of penalties or sanctions, and activities to mitigate and prevent recurrence of remediated issues or confirmed violations of reliability standards; the department executes these responsibilities through the following major activities: monitoring Regional Entities’ enforcement processes to ensure due process, identify best practices and process efficiency opportunities, and promote consistency among Regional Entities’ business practices; collecting and analyzing compliance enforcement and violation data and trends to assist with identification of emerging risks and help inform the development of enforcement policy and processes; filing notices of penalty (“NOPs”) and other submittals associated with violations discovered through Regional Entity compliance, monitoring and enforcement activities; processing and filing NOPs and other submittals associated with violations discovered through NERC-led investigations and audits; and docketing possible violations coming into the NERC enforcement program.

The ongoing and new major activities of the Compliance Monitoring and Enforcement and Organization Registration and Certification Program for 2014 include: continuing to improve enforcement processing efficiency, including steps to ensure the sustainability and expandability of the Find, Fix, Track and Report (“FFT”) process; finalizing and implementing the Reliability Assurance Initiative (“RAI”) enforcement strategy and delivering on its 2014 milestones; focusing on achieving better consistency in regional enforcement outcomes; continuing Registered Entity mapping activities to ensure that registry gaps and duplicative registration and compliance monitoring are avoided; continuing to work to ensure Registered Entities understand their compliance obligations and how compliance will be assessed; completing the functional model review and registration needs assessment, including developing a common and consistent registration approach among Regional Entities and

developing recommendations to modify registration and certification processes based on risks to the BPS; completing implementation of the Bulk Electric System (“BES”) definition Phase II exception process; reducing unnecessary compliance documentation while working to ensure Registered Entities are monitored in a cost effective manner; continuously assessing the Actively Monitored [standards] List based on reliability trends, risks and historical information to ensure that the compliance focus remains on the most critical reliability standards; developing highly qualified and trained auditor, investigator and enforcement staffs; developing training resources for the Electric Reliability Organization (“ERO”) and industry, including materials relating to the RAI; providing early and ongoing input into the standard development process; providing ongoing oversight of Regional Entity compliance and enforcement activities; developing metrics and incentives to improve trends in the mitigation aging curve; continuing to identify the causes and trends of violations in enforcement cases; and continuing to work to reduce the outstanding violations caseload and increasing processing efficiency for violations.

Major activities for 2014 specifically relating to the RAI will include: identifying and implementing process improvements to the self-reporting process; implementing FFT process enhancements; developing an auditor handbook and checklist for use by compliance auditors; and initiating small prototype and pilot programs focused on developing Registered Entity risk assessments and developing processes for evaluating and testing Registered Entity internal controls. Additionally, the following major activities will be conducted in 2014 to build upon the framework developed through RAI activities in 2013: developing a training program to support implementation of the common audit procedures developed in 2013; assessment of the existing NERC compliance, reporting, analysis tracking system and other compliance tools to support RAI activities; and developing prototypes and pilot programs to support the development of Registered Entity reliability risk assessments and compliance monitoring scoping projects.

The major activities of the Compliance Monitoring and Enforcement and Organization Registration and Certification Program satisfy the following criteria:

I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure?

II.A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the Bulk Power System that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?

II.B: Is the activity necessary or appropriate for the Certification of Reliability Coordinators, Transmission Operators and Balancing Authorities as having the requisite personnel, qualifications and facilities and equipment needed to perform these reliability functions in accordance with the applicable Requirements of Reliability Standards?

II.D: Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?

II.E: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards

II.F: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents. (2) Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the process? This includes development of guidance documents. (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of Bulk Power System major events, off-normal occurrences and near miss events, and other Bulk Power System monitoring activities? (4) Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?

IV: Is the activity one that was required or directed by a Commission order issued pursuant to FPA §215? (FERC orders directed NERC to develop and submit a revised definition of “Bulk Electric System” and a procedure for requesting and receiving exceptions from the BES definition, and subsequently approved (with some changes) NERC’s proposed revised definition and its proposed BES exception procedure.)

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s Rules of Procedure that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provisions for these major activities are §400 and 500 and Appendices 4B, 4C, 5A, 5B and 5C.)

VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance

with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?

X: Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

IV. Reliability Assessment and Performance Analysis Program 2014 Major Activities

The major activities of the Reliability Assessment and Performance Analysis (“RAPA”) Program are described at pages 11-12, 18-20 and 50-59 of the 2014 Business Plan and Budget. The principal activity areas of the RAPA program include: (1) conducting and publishing reliability assessments, including the annual long-term, summer, and winter reliability assessments and special and scenario reliability assessments; (2) conducting performance analysis to identify and track key reliability risk indicators as a means of benchmarking reliability performance and measuring reliability improvements in order to provide a framework for insights and guidance about emerging trends and associated actions that may be warranted; (3) reliability risk analysis and control activities; and (4) reliability initiatives and system analysis activities, involving comprehensive evaluation and testing of system behavior through forensic analysis during system disturbances and through analytic simulations of that performance.

The ongoing and new major activities of the RAPA Program for 2014 include: issuing reliability reports, guidelines, recommendations and alerts as needed; preparing the long-term and seasonal reliability assessments; conducting special assessments addressing key reliability issues; preparing an annual State of Reliability Report that analyzes BPS performance trends and provides insight and guidance to address key reliability aspects; continuing to work to address high impact, low frequency type issues, including geo-magnetic disturbance (“GMD”) BES effects and vulnerability assessments; providing oversight, analysis and review of the Generating Availability System, Transmission Data Availability System and Demand Response Availability System, along with the Spare Equipment Database; strengthening data collection and validation processes by designing, creating, testing and implementing data systems and management for reliability assessment and risk analysis; providing quarterly updates on trends and measures of BES reliability; developing risk registry and a systematic prioritization process with the RISC; developing control strategies and plans to address the highest priority existing or emerging risks to BES reliability; developing a risk registry to support BPS risk profile measurement and assessment of standards; supporting the development of ERO enterprise software applications critical to advancing the quality and usefulness of reliability assessments; and developing a structured approach to evaluate and improve system models, analysis and assessments. The RAPA Program will also provide support and leadership to the NERC Planning Committee, the subcommittees of NERC standing committees, and task forces serving the standing committees. During 2014, the RAPA Program will be responsible for conducting/supporting research to expand the technical foundation for understanding the potential impact of GMD, through continuation of the GMD Task Force and GMD research

through the Electric Power Research Institute; and, depending on funding availability, will conduct/support research to validate the technical foundation supporting the inclusion within the Gallet Equation in Reliability Standard FAC-003 of factors for the Minimum Vegetation Clearance Distance and research relating to vegetation management on public lands (FAC-003). Additionally, during 2014 the RAPA Program will continue to work with the Regional Entities to implement the revised BES definition and the BES exception process.

The major activities of the RAPA Program satisfy the following criteria:

I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure?

I.C.1: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (1) Measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?

III.A: Is the activity necessary or appropriate for the preparation or dissemination of long-term, seasonal, and special assessments of the reliability and adequacy of the Bulk Power System?

III.B: Is the activity necessary or appropriate for measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?

III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the Bulk Power System?

IV: Is the activity one that was required or directed by a Commission order issued pursuant to §215? (FERC Order No. 777, 142 FERC ¶ 61,208 (2013), directing NERC to conduct research regarding the vegetation management topics described above.)

V. Is the activity one that is required or specified by, or carries out, the provisions of NERC's Rules of Procedure that have been approved by the Commission as "Electric Reliability Organization Rules" (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The

applicable Rules of Procedure provisions for this major activity are §801-806 and 809-811.)

IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

X: Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

V. Reliability Risk Management (Situation Awareness and Event Analysis) 2014 Major Activities

The major activities of the Reliability Risk Management Program, which is comprised of the Situation Awareness Department and the Event Analysis Department, are described at pages 12, 62-64 and 67-69 of the 2014 Business Plan and Budget. The major activities of this program are real-time or near-real-time BPS awareness; event analysis and determination of root or contributing causes; assessment of human performance challenges affecting BPS reliability and identification of improvement opportunities; and support of the NERC Operating Committee. These activities are carried out to analyze events and address significant risks to the reliability of the BPS and to insure the industry is well informed of system events, emerging trends, risk analysis, lessons learned and actions. These activities may also identify areas in which new or enhanced compliance monitoring and enforcement initiatives are warranted.

The ongoing and new major activities of the Reliability Risk Management Program for 2014 include: conducting major event investigations, analysis and reporting of major findings and recommendations that will improve reliability; supporting the development and implementation of ERO enterprise applications critical to advancing the quality and usefulness of event analysis data; and continuing to work with Regional Entities to obtain and review information from Registered Entities regarding qualifying events and disturbances in order to advance awareness of events above a threshold level, facilitate analysis of root causes, risks to reliability, Wide-Area assessments, mitigation, and timely dissemination of information regarding events. The major activities of the Situation Awareness Department include the ongoing maintenance and support of a number of tools used to support the ERO's operations, including automated reliability reports, the resource adequacy (ACE frequency) tool, the inadvertent interchange tool, the AIE monitoring tool, the frequency monitoring and analysis tool, the intelligent alarms tool, and the Secure Alerts system. The Events Analysis Department will continue to work with the Regional Entities to develop the Events Information Data System, a new software application whose purpose is to provide an ERO-wide robust tool to collect, analyze and report detailed information regarding events which impact the reliability of the BPS.

The major activities of the Situation Awareness Department and Event Analysis Department satisfy the following criteria:

I.C.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (2) Monitoring, event analysis and investigations of Bulk Power System major events, off-normal occurrences and near-miss events?

II.E.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as: (2) Monitoring, event analysis and investigation of Bulk Power System major events, off-normal occurrences, and near miss events?

II.F.3: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of Bulk Power System major events, off-normal occurrences and near miss events, and other Bulk Power System monitoring activities?

III.C: Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the Bulk Power System in connection with Bulk Power System major events and off-normal occurrences, but not real-time operational control of the Bulk Power System?

III.D: Is the activity necessary or appropriate for awareness of circumstances on the Bulk Power System and to contribute to understanding risks to reliability?

III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the Bulk Power System?

II.G: Is the activity necessary or appropriate for the development and provision of tools and services that are useful for the provision of adequate reliability, because they relate

specifically to compliance with existing Reliability Standards and they proactively help avert Reliability Standard violations and Bulk Power System disturbances?

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC's Rules of Procedure that have been approved by the Commission as "Electric Reliability Organization Rules" (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provisions for these major activities are §807, 808, 810 and 1001 and Appendix 8.)

IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

VI. Critical Infrastructure Protection Program 2014 Major Activities

The major activities of the Critical Infrastructure Protection Program are described at pages 12, 22-23 and 72-78 of the 2014 Business Plan and Budget. The major activities of the CIP Program include supporting the development and administration of the CIP standards; oversight of CMEP activities related to CIP standards; critical infrastructure and cyber security information sharing; cyber security incident analysis; risk assessment; coordination between industry and governmental entities on cyber-security issues; and support for the NERC Critical Infrastructure Protection Committee and the Electricity Sub-sector Coordinating Council ("ESSC"). The CIP Program is responsible for the operation of the Electricity Sector Information Sharing and Analysis Center ("ES-ISAC"), the primary activity of which is the rapid and secure sharing of information with the electric industry and government entities regarding real and potential cyber related threats to the electricity sector as well as methods and tools to avoid or mitigate potential impacts from these threats.

The ongoing and new major activities of the CIP Program, including the ES-ISAC, for 2014 include: delivering important information to Registered Entities on CIP security threats, vulnerabilities, and lessons learned from subject matter experts, senior industry and governmental representatives; through security best-practice discussion forums, educating industry about reliability concerns and risk mitigation associated with emerging physical and cyber security threats; continuing to collaborate with government agencies in the U.S. and Canada to develop more timely dissemination of classified information regarding threats to the BPS, including dissemination of information from classified sources in a form that can be provided to and used by the industry; conducting security incident analysis and working with industry experts to evaluate, track, and identify lessons learned and security metrics that enhance the electricity sector's security posture; conducting cyber risk preparedness assessments, which assess the cyber security capabilities of Registered Entities through facilitated table top exercises, as well as developing a cybersecurity maturity model toolkit for industry to conduct cybersecurity self-assessments; and improving the functionality and usability of the ES-ISAC portal for Registered Entities. In 2014 this program also plans to

increase analytic capabilities, portal monitoring and information sharing and shift staffing in its position at the National Cybersecurity and Communications Integration Center.

The major activities of the CIP Program satisfy the following criteria:

I.C.1: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (1) Measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?

II.D: Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?

III.B: Is the activity necessary or appropriate for measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?

III.D: Is the activity necessary or appropriate for awareness of circumstances on the Bulk Power System and to contribute to understanding risks to reliability?

III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the Bulk Power System?

III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the Bulk Power System?

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC's Rules of Procedure that have been approved by the Commission as "Electric Reliability Organization Rules" (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provisions for these major activities are §810 and 1003.)

VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement

between NERC and the Regional Entity, the NERC ROP, and the applicable provisions of Commission orders.

IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

VII. Training, Education, and Operator Certification Program 2014 Major Activities

The major activities of the Training, Education, and Operator Certification Program are described at pages 12 and 81-82 of the 2014 Business Plan and Budget. The major activities of this program include oversight and coordination of the delivery of training programs to NERC and Regional Entity staff and industry participants that support the ERO's responsibilities; and supporting NERC's System Operator Certification and Continuing Education ("SOCCED") Programs, which ensure that personnel operating the BPS have the skills, training and qualifications needed to operate the BPS reliably.

The major activities of the Training, Education, and Operator Certification Program for 2014 include: continuing to support the SOCCED programs; and providing or facilitating the provision of training to support knowledge and skills development in the standards, compliance, registration, event analysis and other key areas.

The major activities of the Training, Education, and Operator Certification Program satisfy the following criteria:

I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?

II.C: Is the activity necessary or appropriate for the Certification of system operating personnel as qualified to carry out the duties and responsibilities of their positions in accordance with the Requirements of applicable Reliability Standards?

II.F: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents. (2) Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the processes? This includes development of guidance documents.

- (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of Bulk Power System major events, off-normal occurrences and near miss events, and other Bulk Power System monitoring activities?
- (4) Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s Rules of Procedure that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provision for these major activities are §600 and 900.)

VIII. Administrative Services 2014 Major Activities

NERC’s Administrative Services Departments are Technical Committees and Member Forums (for which no activities are budgeted for 2014), General and Administrative, Legal and Regulatory, Information Technology (“IT”), Human Resources, and Accounting and Finance. The major activities of these departments are described at pages 13, 86-87, 90, 93-102, 105-106 and 109 of the 2014 Business Plan and Budget. General and Administrative includes the administration and general management of the organization, Board of Trustees fees and expenses, communications and governmental affairs, and office rent. Legal and Regulatory provides legal support to the organization, including to the Board, executive management, and the Reliability Standards and Compliance Programs, as well as general corporate legal support. IT supports NERC’s computing, Internet, database and electronic data storage and maintenance, and telecommunications needs, programs, applications and infrastructure, including management of the development and implementation of new applications and infrastructure. Human Resources manages all of NERC’s human resources functions, including new hires, benefits, employee functions, and the performance appraisal and incentive structure processes. Accounting and Finance manages all finance and accounting functions of NERC, including payroll, 401(k) and 457(b) plans, travel and expense reporting, monthly financial reporting, sales and use tax, meetings and events planning and services, insurance, internal audit, facilities management, development of the annual business plan and budget, and the ERO risk management framework.

Major activities for the NERC Administrative Services departments in 2014 include: continuing to provide resources to support the Board and Board committees, Member Representatives Committee, Standards Committee, Compliance and Certification Committee, Planning Committee, Operating Committee, CIP Committee, ESSC, RISC, and numerous ERO subcommittees and working groups; continuing to implement procedures, controls, processes, documentation and systems to improve the efficiency of operations and control costs; continuing to work with the Regional Entities to improve oversight and collaboration; continuing to enhance ERO risk management tools and procedures; developing a

comprehensive technology roadmap for applications and infrastructure supporting ERO operations, including Regional Entity components; reviewing and where applicable making recommendations for improvements in NERC and Regional Entity operating and working capital reserve policies and forecasting, including policies applicable to tracking and use of excess operating reserves; financial reporting and practices; and evaluating and implementing mechanisms to improve talent acquisition and employee retention.

Major activities for 2014 relating to development and enhancement of NERC and ERO enterprise software applications and infrastructure include: continuing to develop ERO enterprise-wide applications for common business processes and functions of NERC and the Regional Entities; continuing to work collaboratively with the Regional Entities to advance the design and implementation of strategic ERO Enterprise IT applications and supporting infrastructure, leading to development of a centrally-managed, dedicated hosting and data center facility for NERC and the Regional Entities; maintenance and re-design of NERC legacy applications; ensuring recoverability of the NERC technology footprint (disaster recovery); enhancing knowledge management through implementation of document and information management systems; continuing emphasis on security and vulnerability testing; and developing and commencing implementation of ERO enterprise applications to support reliability assessments and event analysis data management needs. ERO Enterprise applications development activities in 2014 will include the Event Analysis Information Data System and the Reliability Assessment Data System.

The major activities of NERC's Administrative Services Departments satisfy the following criteria:

I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure (ROP)?

II.A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the Bulk Power System that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?

II.D: Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?

III.C: Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the Bulk Power System in connection with Bulk Power System major events and off-normal occurrences, but not real-time operational control of the Bulk Power System?

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC's Rules of Procedure that have been approved by the Commission as "Electric Reliability Organization Rules" (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provision for this major activity is §1100.)

VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and the applicable provisions of Commission orders.

IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

X: Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

XI: Is the activity a governance or administrative/overhead function, activity or service necessary or appropriate for the activities encompassed by the other criteria and, in general, necessary and appropriate to operate a functioning organization?

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

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

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

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

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

- I. Is the activity necessary or appropriate for the development of Reliability Standards?
 - A. Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure (ROP)?
 - B. Is the activity necessary or appropriate for providing guidance and assistance to Regional Entities in carrying out Regional Reliability Standards development activities?
 - C. Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as:
 1. Measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the

- Bulk Power System²⁵ based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
2. Monitoring, event analysis and investigation of Bulk Power System major events, off-normal occurrences and near miss events?
- D. Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?
- II. Is the activity necessary or appropriate for the monitoring and enforcement of compliance with Reliability Standards?
- A. Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the Bulk Power System that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?
 - B. Is the activity necessary or appropriate for the Certification of Reliability Coordinators, Transmission Operators and Balancing Authorities as having the requisite personnel, qualifications and facilities and equipment needed to perform these reliability functions in accordance with the applicable Requirements of Reliability Standards?
 - C. Is the activity necessary or appropriate for the Certification of system operating personnel as qualified to carry out the duties and responsibilities of their positions in accordance with the Requirements of applicable Reliability Standards?²⁶
 - D. Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?
 - E. Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or

²⁵ This document uses the term “Bulk Power System” because that is the term defined and used in FPA §215. NERC recognizes that a different term, “Bulk Electric System,” is used to define the current reach of Reliability Standards.

²⁶ Although certification of system operating personnel is an activity falling within the scope of, and eligible to be funded pursuant to, FPA §215, NERC strives to fully fund the costs of this activity through fees charged to participants.

different means of training and education on compliance with Reliability Standards, such as:

1. Measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
 2. Monitoring, event analysis and investigation of Bulk Power System major events, off-normal occurrences, and near miss events?
- F. Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as:
1. Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.
 2. Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the processes? This includes development of guidance documents.
 3. Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of Bulk Power System major events, off-normal occurrences and near miss events, and other Bulk Power System monitoring activities?
 4. Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?
- G. Is the activity necessary or appropriate for the development and provision of tools and services that are useful for the provision of adequate reliability, because they relate specifically to compliance with existing Reliability Standards and they proactively help avert Reliability Standard violations and Bulk Power System disturbances?

- III. Is the activity necessary or appropriate for conducting and disseminating periodic assessments of the reliability of the Bulk Power System or monitoring the reliability of the Bulk Power System?
 - A. Is the activity necessary or appropriate for the preparation or dissemination of long-term, seasonal, and special assessments of the reliability and adequacy of the Bulk Power System?
 - B. Is the activity necessary or appropriate for measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
 - C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the Bulk Power System in connection with Bulk Power System major events and off-normal occurrences, but not real-time operational control of the Bulk Power System?
 - D. Is the activity necessary or appropriate for awareness of circumstances on the Bulk Power System and to contribute to understanding risks to reliability?
 - E. Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the Bulk Power System?
 - F. Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the Bulk Power System?
 - G. Is the activity necessary or appropriate for data collection and analysis of information regarding Bulk Power System reliability matters mandated by the Commission?
- IV. Is the activity one that was required or directed by a Commission order issued pursuant to FPA §215? Justification of an activity as a FPA §215 activity based on this category must reference the particular Commission order and directive.
- V. Is the activity one that is required or specified by, or carries out, the provisions of NERC’s Rules of Procedure that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)?

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

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

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

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

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

Exhibit C – Contractor and Consulting Costs

Program	Consultants & Contracts	2013 BUDGET	2014 BUDGET	INC (DEC) OVER 2013	2015	2016
Reliability Standards	Standards Restructuring Project	150,000		(150,000)	-	-
	Total Reliability Standards	150,000	-	(150,000)	-	-
Compliance Operations				-		
	Reliability Assurance Initiative		400,000	400,000	400,000	
	Compliance Database - (Maintenance beginning 2016)					500,000
	Total Compliance Operations	-	400,000	400,000	400,000	500,000
Reliability Risk Mgmt	Subject Matter Experts - Events Analysis	120,000	-	(120,000)	-	-
	Reliability Risk Management	120,000	-	(120,000)	-	-
Reliability Assessments, GADS, TADS, DADS & Spare Equipment Database						
RAPA	Reliability affects of GMD	250,000	250,000	-	100,000	100,000
	Vegetation Research (FAC 3)			-	250,000	250,000
	Federal Right-of-Way Monitoring			-		
	Metrics - Centralized data collection-Change Orders	50,000	50,000	-	-	-
	RADS Assessment Database -(Maintenance beginning 2016)	100,000		(100,000)		120,000
	Scenario Consultant	70,000	70,000	-	70,000	70,000
GADS/TADS/DADS/SED	Database Consulting Support	80,000	50,000	(30,000)	50,000	50,000
	Monthly Maintenance	135,000	218,085	83,085	224,627	231,366
	Replacement for pc_GAR			-	-	-
	Total Reliability Assessments and Performance Analysis	685,000	638,085	(46,915)	694,627	821,366
Situation Awareness	Synchro Phasor (NASPI)	810,000		(810,000)		
	Automated Reliability Reports		100,000	100,000	100,000	100,000
	Resource Adequacy (ACE Frequency) Tool	80,000	80,000	-	80,000	80,000
	Inadvertent Interchange (Srv. Agreement)	35,000	35,000	-	35,000	35,000
	AIE Monitoring (Srv. Agreement)	35,000	35,000	-	35,000	35,000
	Frequency Monitoring and Analysis Tool (FMA)	45,000	45,000	-	45,000	45,000
	Intelligent Alarms/DARA (Srv. Agreement)	55,000	55,000	-	55,000	55,000
	NERC Access to IDC		27,816	27,816	27,816	27,816
	Secure Alerting System	200,000	79,373	(120,627)	107,200	107,200
	SAFNR - Phase II	725,500	531,825	(193,675)	502,824	522,937
	IDC Contract	457,586	-	(457,586)	-	-
	Frame Relay-RC's	300,094	300,094		400,000	400,000
	NERCnet (Frame Relay) Contract	300,094	300,094	-	400,000	400,000
	Total Situation Awareness	2,743,180	1,289,108	(1,454,072)	1,387,840	1,407,953

Exhibit C — Contractor and Consulting Costs

Program	Consultants & Contracts	2013 BUDGET	2014 BUDGET	INC (DEC) OVER 2013	2015	2016
Critical Infrastructure	ESCC Support	130,000	190,000	60,000	200,000	200,000
	GridEx Support	200,000		(200,000)	250,000	
	Subtotal - ESCC and GridEx	330,000	190,000	(140,000)	450,000	200,000
	ES-ISAC					
	Portal Enhancement	90,000	250,000	160,000	250,000	250,000
	Intelligence Reporting Services		42,000	42,000	44,100	46,305
	Cyber Risk Preparedness Assessment	150,000	200,000	50,000	150,000	150,000
	Aurora Webinars and Technical Support	15,000	30,000	15,000	15,000	15,000
	ES-ISAC Members Conference	30,000	-	(30,000)		
	Secure bi-directional communications	25,000	20,000	(5,000)	20,000	20,000
	Cyber Awareness Monitoring	60,000	152,700	92,700	152,700	152,700
	Software Integration Support Services	55,000	61,750	6,750	61,750	61,750
	Analyst Workbench	30,000	30,000	-	30,000	30,000
	Subtotal - ES-ISAC	455,000	786,450	331,450	723,550	725,755
	Total Critical Infrastructure Department	785,000	976,450	191,450	1,173,550	925,755
Operator Certification	System Operator Testing Expenses 2011 1,025 @ \$70)	63,124	100,000	36,876	61,193	59,089
	System Operator Examination Development	113,690	100,000	(13,690)	117,101	120,614
	Examination Analysis (750 exams@\$17 per exam)	13,600	14,000	400	12,800	12,000
	System Operator Certification and Continuing Education Database					
	Database Development	20,000	35,000	15,000	25,000	30,000
	Database Maintenance	12,330	24,000	11,670	24,099	26,065
	SOCCEC Database Improvement Project (funded from Working Capital generated from fees in excess of expenses)	250,000	200,000	(50,000)	100,000	
Total System Operator Certification	472,744	473,000	256	340,193	247,768	
Training & Education	Continuing Education Program					
	Individual Learning Activity Reviewers	120,000	120,000	-	120,000	120,000
	Database Development	20,000	20,000	-	20,000	20,000
	Database Maintenance	12,330	12,330	-	12,330	12,330
	<u>Web-based course hosting (Learning Management System)</u>	26,500	26,500	-	26,500	26,500
	<u>Web-based course development</u>				75,000	75,000
	standards applications for industry, CEA staff	43,750	43,750	-		
	risk assessment training for CEA staff, industry	20,000	20,000	-		
	human performance fundamentals for staff, industry	43,750	43,750	-		
	BPS events lessons learned for industry	12,500	12,500	-		
	Training Services-NERC and Regional Entities					
	Regional Entity and NERC Auditor training	47,000	47,000	-	47,000	47,000
	<u>NERC Staff Technical Training</u>	30,000	30,000	-	30,000	30,000
	Total CE, Training & Education	375,830	375,830	-	330,830	330,830
Total Training, Education and Operator Certification	848,574	848,830	256	671,023	578,598	
Government Relations	External Affairs	150,000	75,000	(75,000)	75,000	75,000
	Total Government Relations	150,000	75,000	(75,000)	75,000	75,000

Exhibit C — Contractor and Consulting Costs

Program	Consultants & Contracts	2013 BUDGET	2014 BUDGET	INC (DEC) OVER 2013	2015	2016
Information Technology						
	Ongoing Operations	1,371,000	1,524,000	153,000	1,554,000	1,780,000
	Enterprise Applications Consulting Services	1,350,000	420,000	(930,000)	480,000	540,000
	Information Technology	2,721,000	1,944,000	(777,000)	2,034,000	2,320,000
Human Resources						
	Executive Training and Development	90,000	90,000	-	90,000	90,000
	Staff Training and Development	106,000	65,000	(41,000)	65,000	65,000
	Compensation Consulting	30,000	30,000	-	30,000	30,000
	Employee, industry and Board Surveys, succession planning	35,000	45,000	10,000	45,000	45,000
	HR Process Improvements	27,500	27,500	-	27,500	27,500
	HR Consulting Services				50,000	50,000
	Human Resources	288,500	257,500	(31,000)	307,500	307,500
Finance and Accounting						
	Internal Controls and Outside Auditor Consulting Support	205,000	300,000	95,000	300,000	300,000
	Assessment of CIP Auditing Practices and reports	60,000	-	(60,000)	-	-
	Audit procedures, practices, tools and reports consulting support	60,000	50,000	(10,000)	50,000	50,000
	Finance and Accounting Support		50,000	50,000	50,000	50,000
	Finance and Accounting	325,000	400,000	75,000	400,000	400,000
	TOTAL CONSULTANTS AND CONTRACTS	8,816,254	6,828,973	(1,987,281)	7,143,540	7,336,172

Exhibit D – Capital Project Financing - Overview

Management has been exploring ways to mitigate the impact on assessments and operating reserves associated with funding the development and cost of large software development projects whose costs are capitalized and spread over a number years. As further described in the text of NERC's proposed 2014 business plan and budget, management has been developing and proposes to continue to develop software applications that support critical ERO operations and initiatives. Management has been working with its lender to structure a financing program for the development of these applications. Based on these discussions, it appears that the company will be capable of structuring a multiyear credit facility at favorable interest rates that will allow the cost of the development of these applications and supporting infrastructure to be spread over three or more years. The terms of the credit facility are also expected to provide the company with the flexibility to prepay outstanding loans without penalty. Working with information provided by its lender, management has developed a preliminary projection of the annual principal and interest repayment costs associated with financing the applications that are currently under development or planned for development in 2013. Those applications include the BES and EIDS applications, the development of a new alerts application in 2014, and the development of the RADS application and a replacement compliance information systems application in 2015, together with the cost of financing portions of the company's IT hardware budget. This projection is detailed on the chart on the following page. While in-house resources will also be involved in the development of these applications, it is not expected that these costs will be capitalized and financed. An activity code will be created in the workforce management system to track in-house time on these projects.

The capital financing program and associated loan documentation will be subject to (1) management's receipt of all necessary corporate authorizations, including approval by the Board of Trustees and (2) FERC approval of the company's final 2014 business plan and budget reflecting the company's projected repayment obligations under the credit facility.

Capital Project Financing Program Projected Principal and Interest Repayment Schedule

The table below sets forth the total amount of capital assets that the company projects to finance over the next three years. As further described under the Reliability Assessment and Performance Analysis department and Event Analysis department sections of this 2014 business plan and budget, in Q4 2013 the company proposes to finance approximately \$1.27M in development costs for the BES and EIDS applications. This is reflected as Tranche A in the table, with interest only payments in 2013 and a three-year principal repayment schedule commencing in 2014. In 2014, the company is proposing to finance approximately \$1.42M in software development costs and hardware. This is reflected as Tranche B in the table and reflects interest only payments in 2014 and a three-year principal repayment schedule commencing in 2015. A 3.5% interest rate was assumed. The actual interest rate and interest rate expense will be reflected in the quarterly budget to actual variance reports the company posts on its website, reviews in open session with the NERC Finance and Audit Committee and files with FERC. Any savings in interest expense will be captured and reported as a contribution to the company operating reserves, the expenditures of which are subject to the terms of the company's Working Capital and Operating Reserve Policy.

(Amounts in the table are in thousands)

	Tranche A	Tranche B	Tranche C	Tranche D			
(000's)	2013	2014	2015	2016	Total		
Enterprise Applications	1265	1416	3050	1200	6931		
Total Needs	1265	1416	3050	1200	6931		
3.50%							
	2013	2014	2015	2016	2017	2018	2019
Debt Balance Tranche A	1265	1265	843	422	0	0	0
Amortization of Tranche A		422	422	422			
Interest	44	44	30	15			
Total Annual Payment	44	466	451	436			
Debt Balance Tranche B	0	1416	1416	944	472	0	0
Amortization of Tranche B		0	472	472	472		
Interest	0	50	50	33	17		
Total Annual Payment	0	50	522	505	489		
Debt Balance Tranche C	0	0	3050	3050	2033	1017	0
Amortization of Tranche C		0	0	1017	1017	1017	
Interest	0	0	107	107	71	36	
Total Annual Payment	0	0	107	1123	1088	1052	
Debt Balance Tranche D	0	0	0	1200	1200	800	400
Amortization of Tranche D		0	0	0	400	400	400
Interest	0	0	0	42	42	28	14
Total Annual Payment	0	0	0	42	442	428	414
Funded Debt Balance	1265	2681	5309	5616	3705	1817	400
Amortization of Debt	0	422	894	1910	1889	1417	400
Interest Due	44	94	186	197	130	64	14
TOTAL ANNUAL PAYMENTS	44	516	1079	2107	2018	1480	414

Exhibit E - Working Capital and Operating Reserve Amounts

Working Capital – \$3.6M

Based on its 2013 cash flow projection and taking into account the historic manner in which NERC's assessments have been billed and paid (including the fact that WECC collects and pays its entire annual allocated share of the NERC assessments during the first quarter of the year), NERC does not anticipate needing access to working capital in 2013 to meet monthly cash flow needs. In the unlikely event NERC experiences a temporary cash flow shortage, it has the ability to either request authorization from the Finance and Audit Committee and Board of Trustees to temporarily access operating reserve funds, or draw on its \$4M line of credit, as long as NERC is in compliance with the covenants under its bank credit agreement.

Per its credit agreement, NERC must maintain a minimum of \$1.250M in net assets (total assets minus intangible assets minus total liabilities). As of December 31, 2012, NERC's unrestricted net assets were \$9.7M. (Refer to Section D, Supplemental Financial Statements.)

NERC has also posted letters of credit totaling approximately \$101,236 in lieu of cash security deposits in connection with its offices leases. In the event these lines of credit are drawn upon, NERC is required to reimburse the draws in full. Management does not recommend at this time that working capital be maintained as security for this reimbursement obligation, as cash flows are projected to be sufficient in 2013–2014 to support timely payment of office rent without the letters of credit being drawn on.

NERC has collected funding to offset future liabilities under lease agreements for the Atlanta and Washington, DC offices. The projected \$3.6M yearend balance of these funds is being held as a restricted working capital reserve to offset these future liabilities.

Operating Reserves – \$2.8M Total (Known Contingency Category (\$1M) + Unforeseen Contingency Category (\$1M) + Personnel Certification and Operating Training Excess Revenues (\$767k))

Operating reserve amounts are divided into three categories: (1) known contingencies, (2) unknown contingencies, and (3) excess revenues from the Personnel Certification and Operator Training Programs. Management's proposal with respect to the amount of 2013 reserves for each of these categories is set forth below.

(1) Known Contingencies where timing and amount uncertain — \$1M

- a. 2014 known contingencies include (i) funding of outside consultants in connection with FAC 3 vegetation research, (ii) higher than projected data base support and maintenance expenses, (iii) additional costs to develop a replacement PC-GAR applications (iv) financing expense associated with the higher than projected software development and hardware costs and acceleration of the development of the RADS application to 2014 from 2015 and (v) funding of the cost of additional CONRAD devices to support ES-ISAC bi-directional communications.

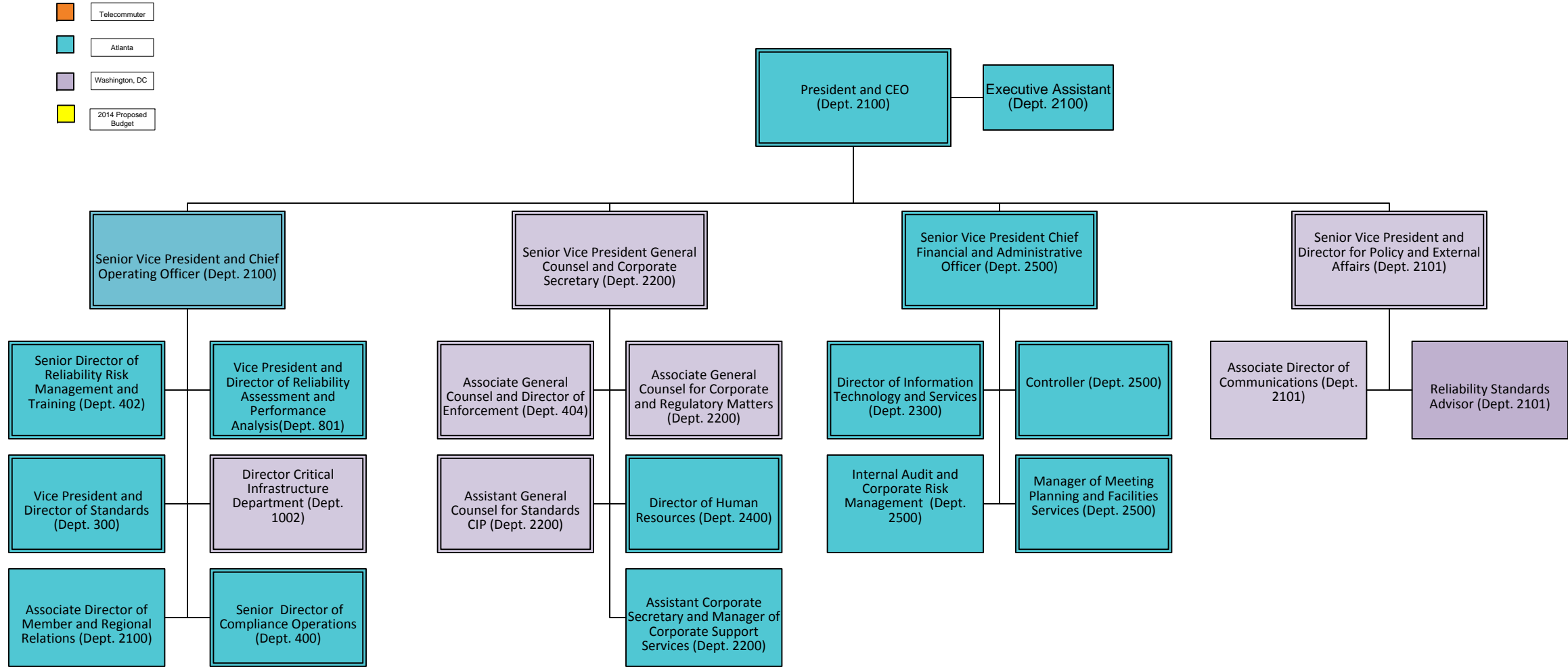
(2) Unforeseen Contingencies — \$1M

- a. Represents a contingency for unknowns, including significant litigation, compliance with new governmental or regulatory mandates, consulting expense for experts in connection with review of significant system events and investigations, etc.

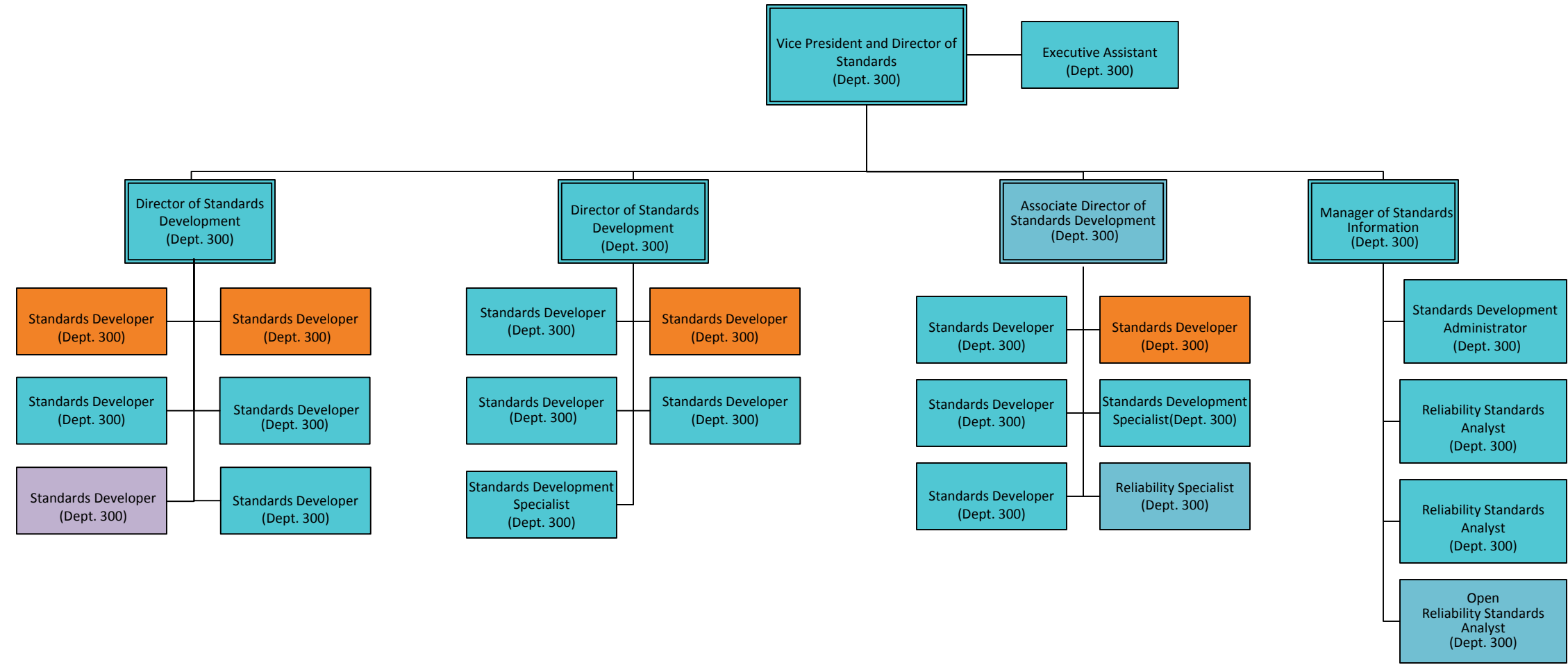
(3) System Operator Certification Program — \$767k - The projected 12/31/13 reserve balance of the System Operator Certification Program is \$1,206,746. The 2014 budget for expenses is \$438,253 higher than anticipated funding from testing fees and certificate renewals, leaving a budgeted balance of \$767,363 as of 12/31/14.

Total Working Capital + Operating Reserves – \$6.4M

NERC Staff Organization Chart 2013-2014 Budget

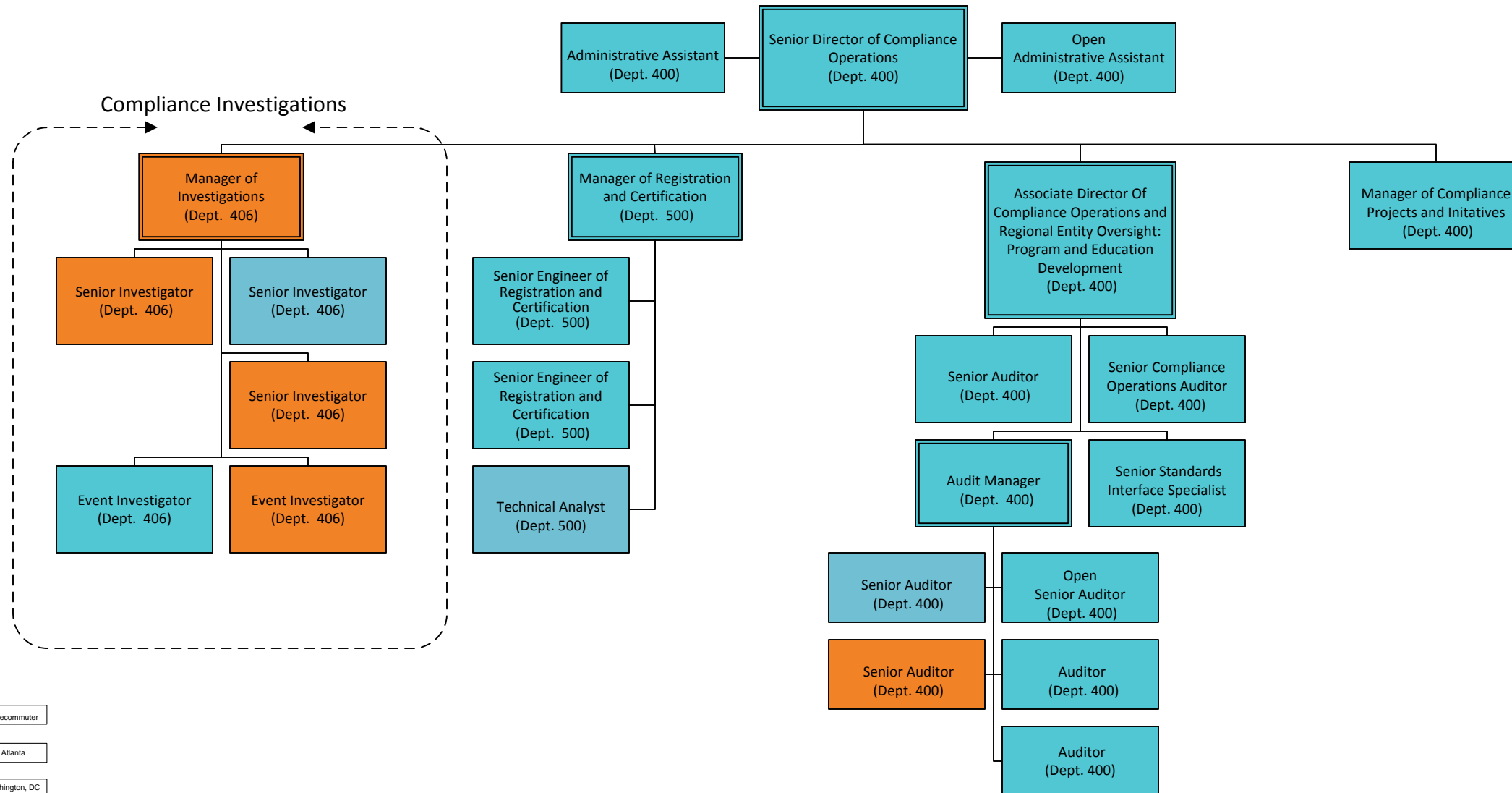


Reliability Standards 2013-2014 (Dept. 300)



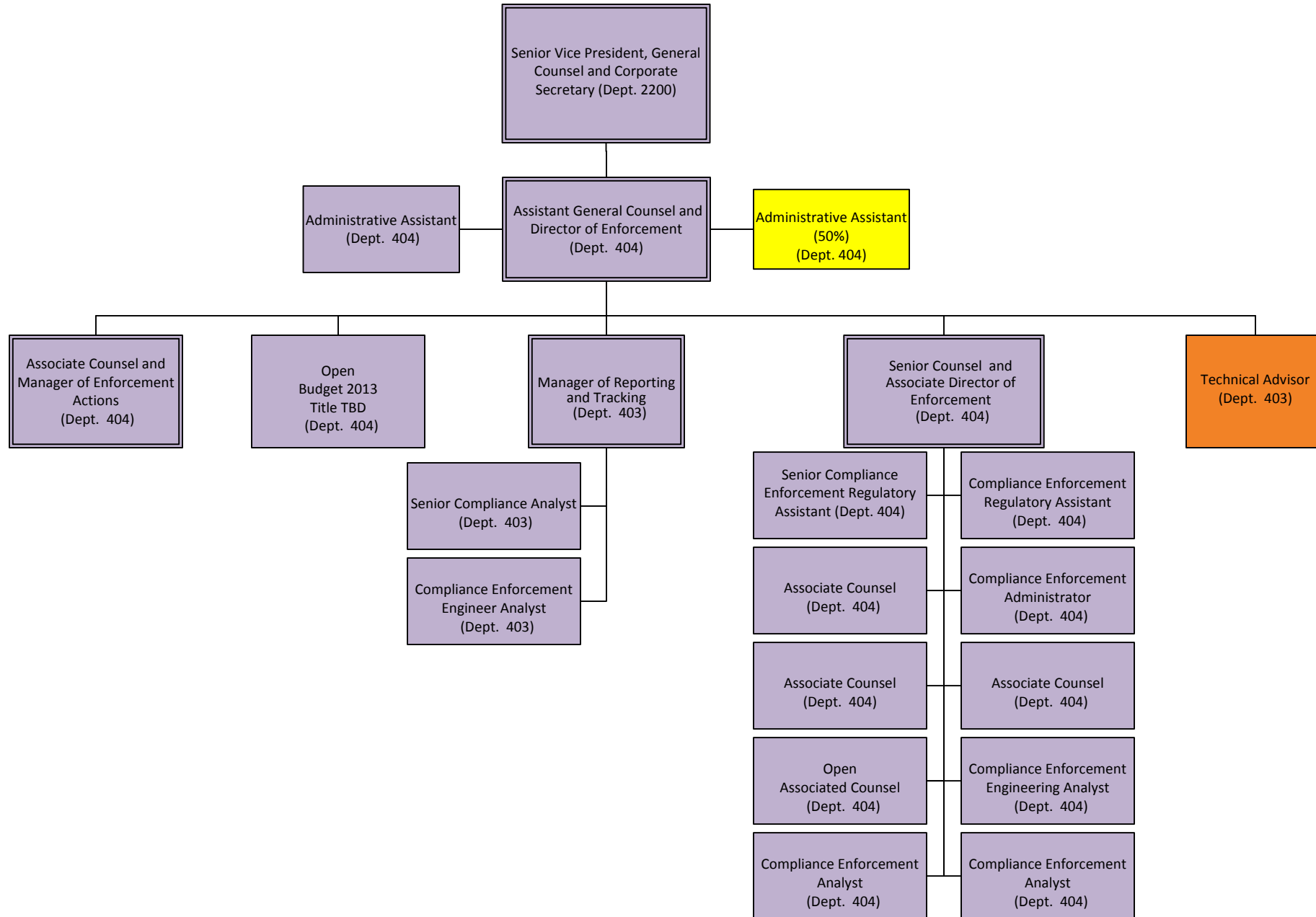
- Telecommuter
- Atlanta
- Washington, DC
- 2014 Proposed Budget

Compliance Operations 2013-2014 (Dept. 400, 406, 500)



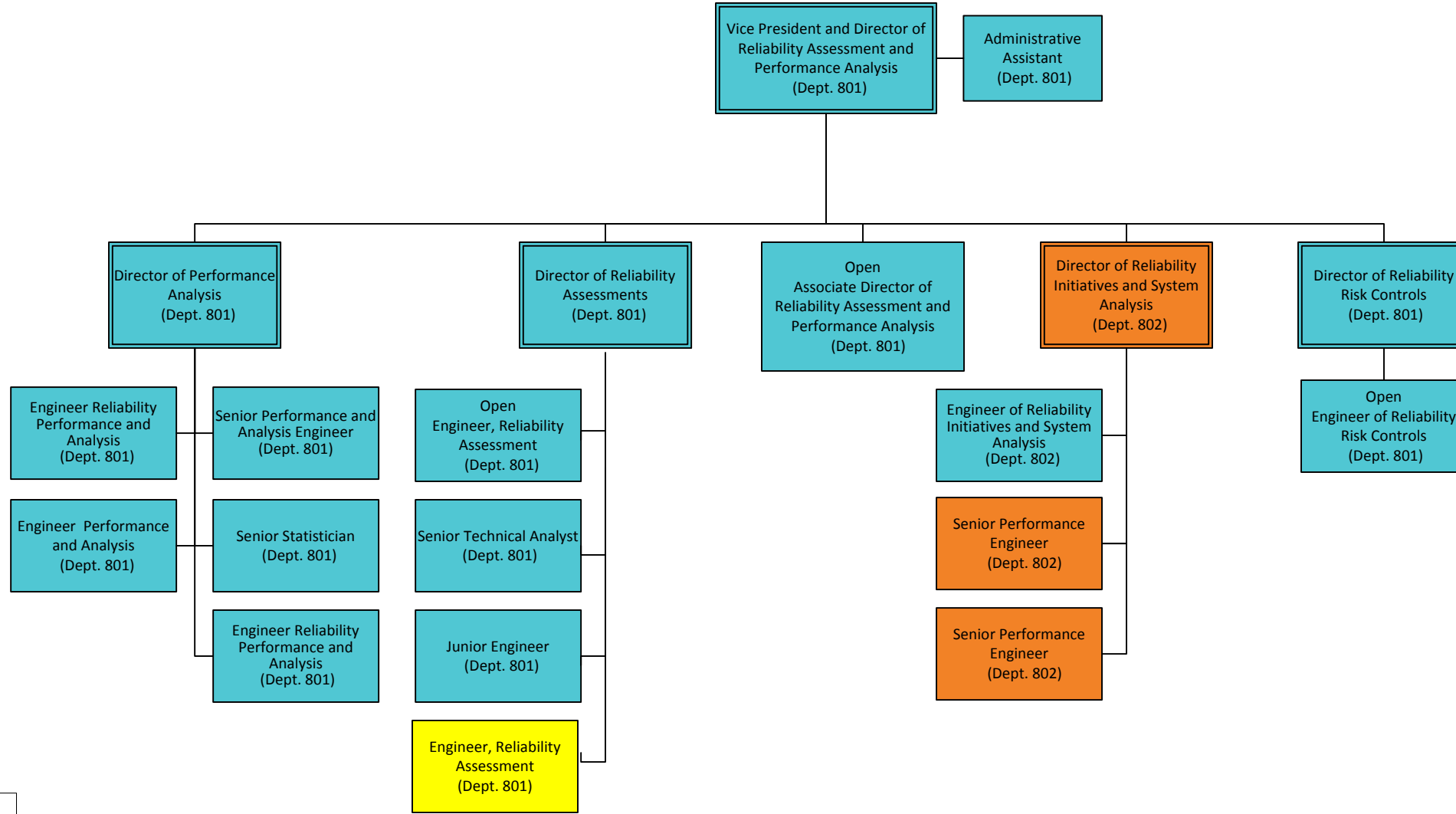
- Telecommuter
- Atlanta
- Washington, DC
- 2014 Proposed Budget

Compliance Enforcement 2013-2014 (Dept. 403, 404)



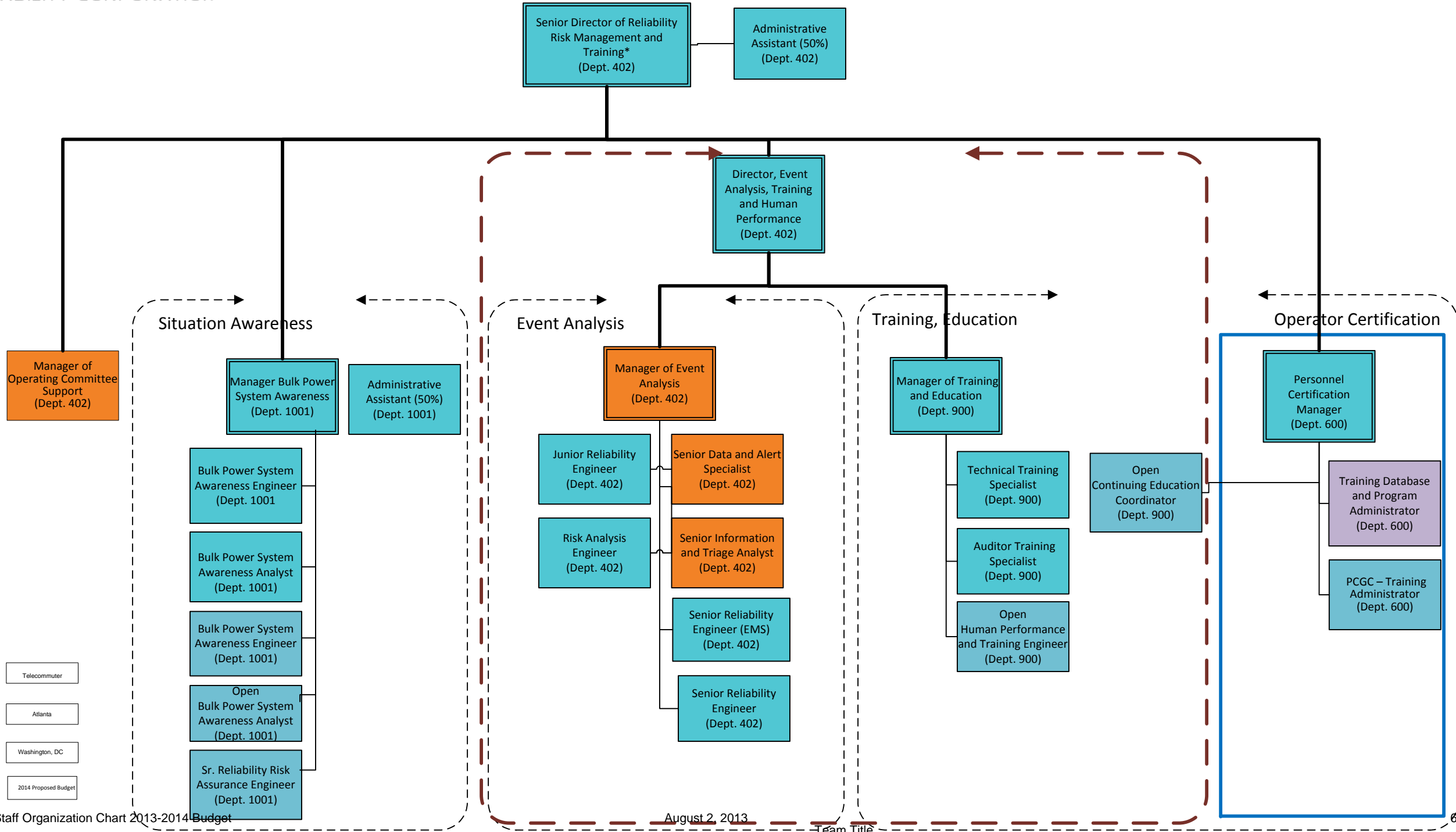
- Telecommuter
- Atlanta
- Washington, DC
- 2014 Proposed Budget

Reliability Assessment and Performance Analysis 2013-2014 (Dept. 801, 802)

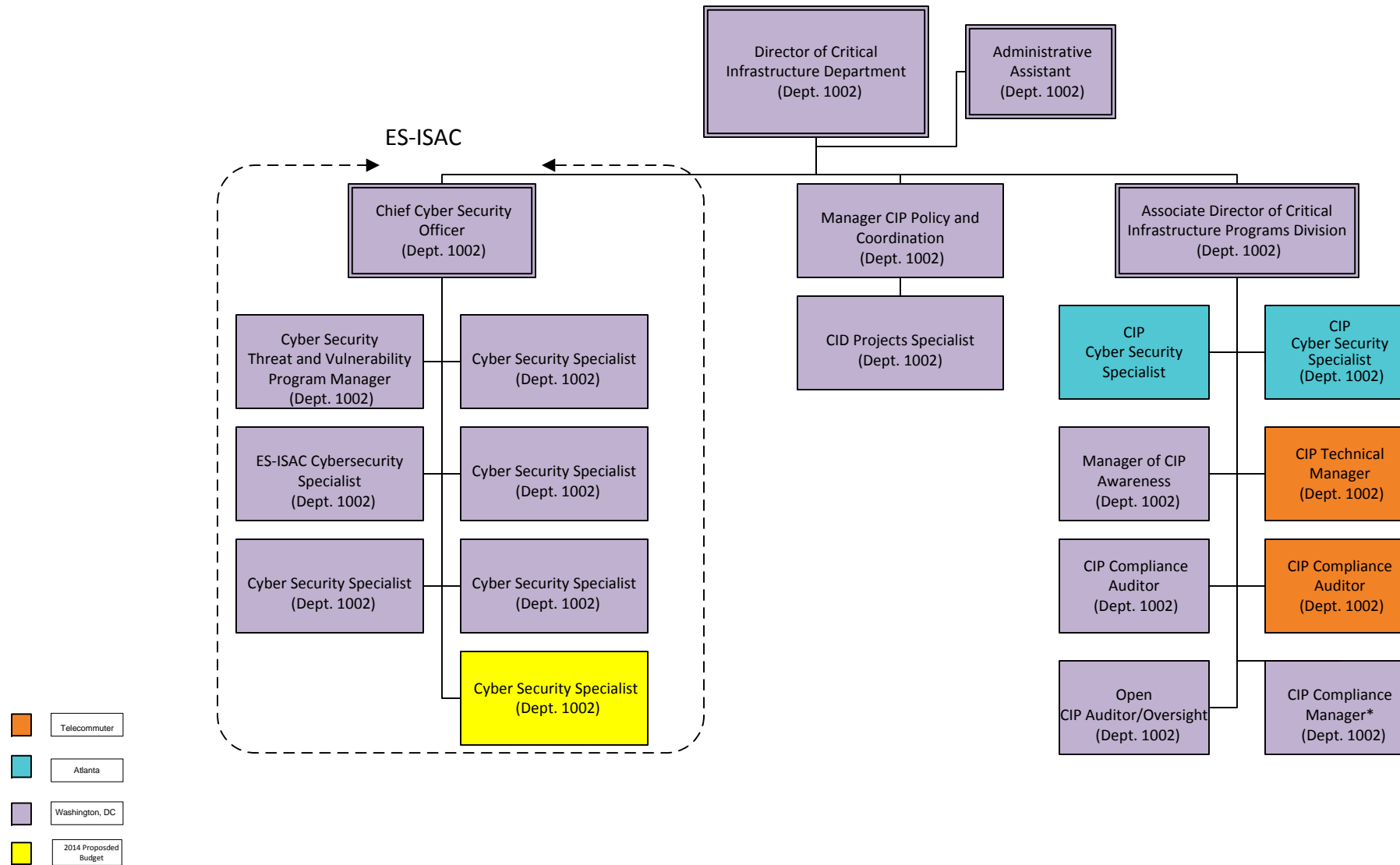


- Telecommuter
- Atlanta
- Washington, DC
- 2014 Proposed Budget

Reliability Risk Management 2013-2014 (Dept. 402, 600, 900, 1001)

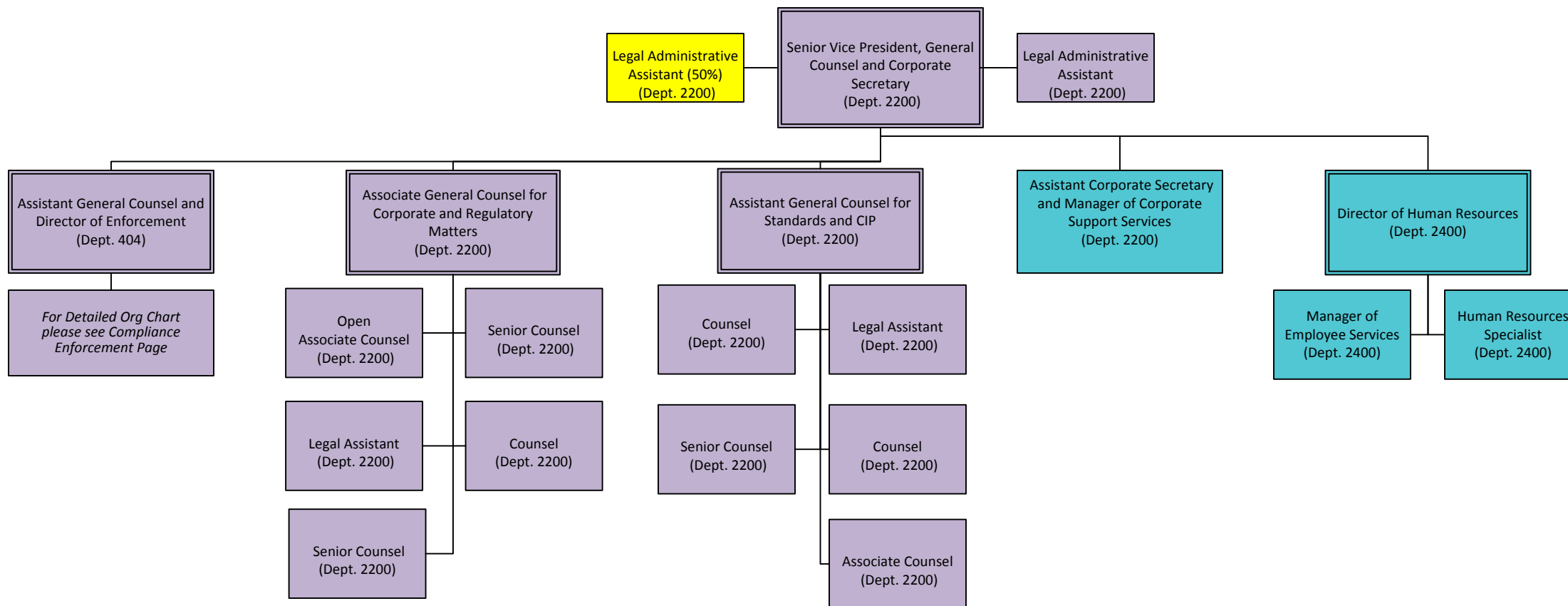


Critical Infrastructure Department 2013-2014 (Dept. 1002)



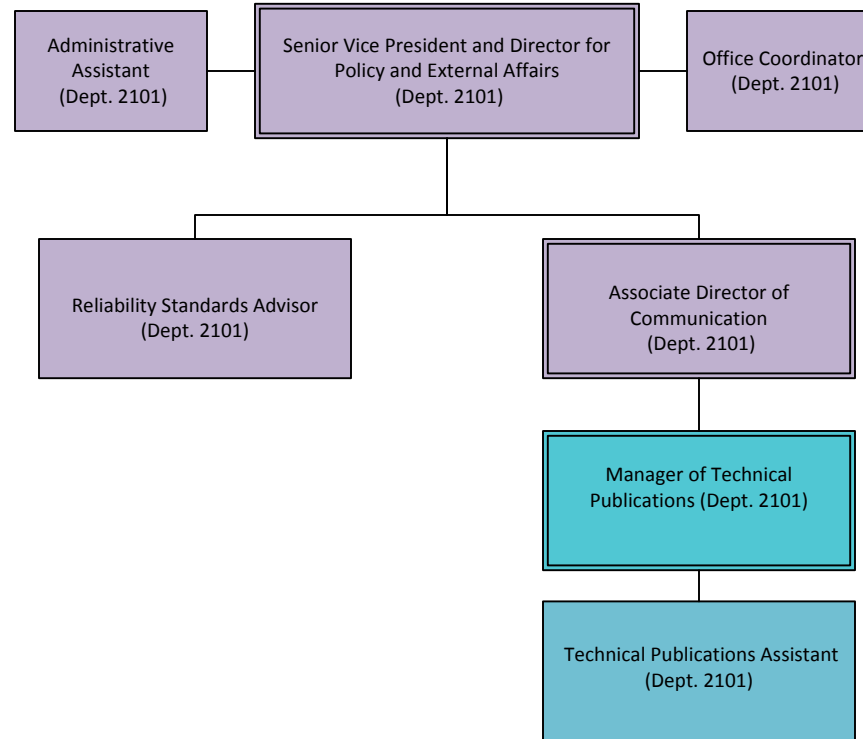
* Also performs CIP Compliance Audit Function

Legal and Regulatory 2013-2014 (Dept. 2200)
 Human Resources 2013-2014 (Dept. 2400)
 Compliance Enforcement 2013-2014 (Dept. 403, 404)



- Telecommuter
- Atlanta
- Washington, DC
- 2014 Proposed Budget

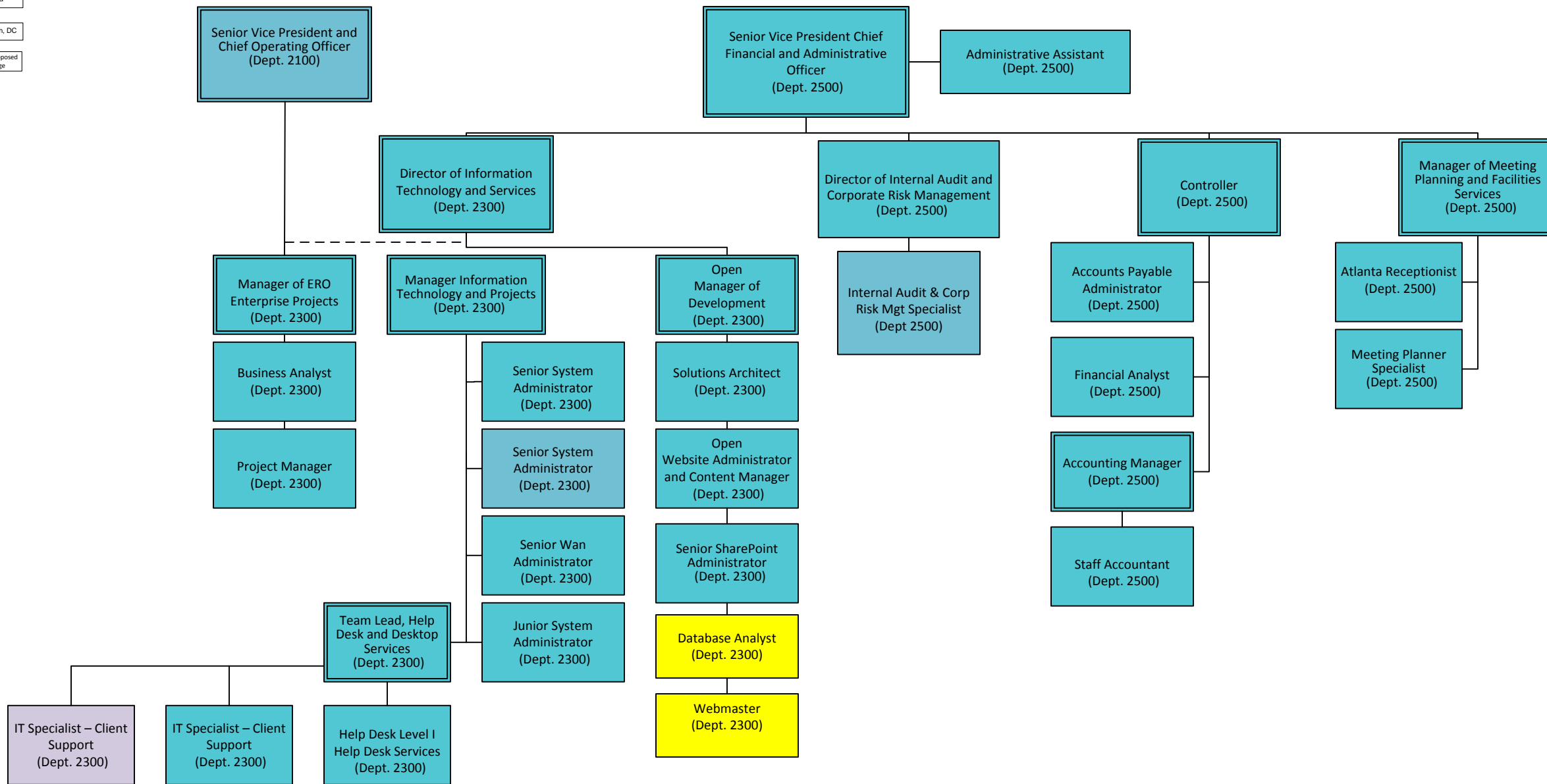
Governmental Relations 2013-2014 (Dept. 2101)



- Telecommuter
- Atlanta
- Washington, DC
- 2014 Proposed Budget

Accounting & Finance and Information Technology 2013-2014 (Dept. 2300, 2500)

- Telecommuter
- Atlanta
- Washington, DC
- 2014 Proposed Budget



Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2012	SERC	1326	South Carolina Electric & Gas Company	U.S.	22,422,685	22,422,685	-	-	2.201%	2,201%	0.000%	0.000%	0.501%	0.501%	0.000%	0.000%	0.568%
2012	SERC	1327	South Carolina Public Service Authority	U.S.	11,194,217	11,194,217	-	-	1.099%	1,099%	0.000%	0.000%	0.250%	0.250%	0.000%	0.000%	0.283%
2012	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	628,512	628,512	-	-	0.062%	0.062%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2012	SERC	1328	South Mississippi Electric Power Association	U.S.	10,013,355	10,013,355	-	-	0.983%	0.983%	0.000%	0.000%	0.224%	0.224%	0.000%	0.000%	0.254%
2012	SERC	1329	Southern Illinois Power Cooperative	U.S.	1,508,565	1,508,565	-	-	0.148%	0.148%	0.000%	0.000%	0.034%	0.034%	0.000%	0.000%	0.038%
2012	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	2,528,565	2,528,565	-	-	0.248%	0.248%	0.000%	0.000%	0.056%	0.056%	0.000%	0.000%	0.064%
2012	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	452,166	452,166	-	-	0.044%	0.044%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2012	SERC	1331	Tennessee Valley Authority	U.S.	167,357,652	167,357,652	-	-	16.429%	16,429%	0.000%	0.000%	3.738%	3,738%	0.000%	0.000%	4.237%
2012	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	188,395	188,395	-	-	0.018%	0.018%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2012	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	125,830	125,830	-	-	0.012%	0.012%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2012	SERC	1592	Town of Black Creek, N.C.	U.S.	12,922	12,922	-	-	0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	SERC	1593	Town of Lucama, N.C.	U.S.	20,716	20,716	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2012	SERC	1594	Town of Sharpsburg, N.C.	U.S.	19,341	19,341	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	SERC	1595	Town of Stantonsburg, N.C.	U.S.	23,009	23,009	-	-	0.002%	0.002%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	SERC	1333	Town of Waynesville NC	U.S.	94,354	94,354	-	-	0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	SERC	1334	Town of Winterville SC	U.S.	49,635	49,635	-	-	0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	SERC	1335	Town of Winterville NC	U.S.	51,718	51,718	-	-	0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	1,049,536	1,049,536	-	-	0.103%	0.103%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.027%
TOTAL SERC					1,018,699,975	1,018,699,975	-	-	100.000%	100.000%	0.000%	0.000%	22.756%	22.756%	0.000%	0.000%	25.792%
2012	SPP	1246	American Electric Power	U.S.	37,266,144	37,266,144	-	-	17.119%	17,119%	0.000%	0.000%	0.832%	0.832%	0.000%	0.000%	0.944%
2012	SPP	1435	Arkansas Electric Cooperative Corporation (AEP)	U.S.	4,977,234	4,977,234	-	-	2.286%	2,286%	0.000%	0.000%	0.111%	0.111%	0.000%	0.000%	0.126%
2012	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	2,425,044	2,425,044	-	-	1.114%	1,114%	0.000%	0.000%	0.054%	0.054%	0.000%	0.000%	0.061%
2012	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	932,343	932,343	-	-	0.428%	0.428%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%
2012	SPP	1647	Carthage City Water & Light	U.S.	305,090	305,090	-	-	0.140%	0.140%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	SPP	1469	Central Valley Electric Cooperative	U.S.	829,791	829,791	-	-	0.381%	0.381%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.021%
2012	SPP	1556	City of Bentonville	U.S.	642,163	642,163	-	-	0.295%	0.295%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2012	SPP	1557	City of Clarksville, Mississippi	U.S.	173,533	173,533	-	-	0.080%	0.080%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2012	SPP	1558	Hope Water & Light (HWL)	U.S.	296,744	296,744	-	-	0.136%	0.136%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	SPP	1559	City of Minden	U.S.	165,975	165,975	-	-	0.076%	0.076%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2012	SPP	1634	City of Mulvane	U.S.	44,856	44,856	-	-	0.021%	0.021%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	SPP	1635	The City of Osage City	U.S.	37,046	37,046	-	-	0.017%	0.017%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	SPP	1636	City of Prescott	U.S.	89,582	89,582	-	-	0.041%	0.041%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	1,114,342	1,114,342	-	-	0.512%	0.512%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2012	SPP	1436	City Utilities of Springfield, MO	U.S.	3,221,416	3,221,416	-	-	1.480%	1,480%	0.000%	0.000%	0.072%	0.072%	0.000%	0.000%	0.082%
2012	SPP	1249	Cleco Power LLC	U.S.	11,526,241	11,526,241	-	-	5.295%	5,295%	0.000%	0.000%	0.257%	0.257%	0.000%	0.000%	0.292%
2012	SPP	1437	East Texas Electric Coop, Inc.	U.S.	407,040	407,040	-	-	0.187%	0.187%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2012	SPP	1250	The Empire District Electric Company	U.S.	5,233,311	5,233,311	-	-	2.404%	2,404%	0.000%	0.000%	0.117%	0.117%	0.000%	0.000%	0.133%
2012	SPP	1470	Farmers' Electric Coop	U.S.	464,274	464,274	-	-	0.213%	0.213%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2012	SPP	1438	Golden Spread Electric Coop	U.S.	5,624,630	5,624,630	-	-	2.584%	2,584%	0.000%	0.000%	0.126%	0.126%	0.000%	0.000%	0.142%
2012	SPP	1251	Grand River Dam Authority	U.S.	4,823,328	4,823,328	-	-	2.216%	2,216%	0.000%	0.000%	0.108%	0.108%	0.000%	0.000%	0.122%
2012	SPP	1648	Jonesboro City Water & Light	U.S.	1,389,577	1,389,577	-	-	0.638%	0,638%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%
2012	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	15,922,093	15,922,093	-	-	7.314%	7,314%	0.000%	0.000%	0.356%	0.356%	0.000%	0.000%	0.403%
2012	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	2,178,636	2,178,636	-	-	1.001%	1,001%	0.000%	0.000%	0.049%	0.049%	0.000%	0.000%	0.055%
2012	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	780,265	780,265	-	-	0.358%	0.358%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2012	SPP	1637	Kansas Power Pool	U.S.	1,638,972	1,638,972	-	-	0.753%	0.753%	0.000%	0.000%	0.037%	0.037%	0.000%	0.000%	0.041%
2012	SPP	1560	Kaw Valley Electric Cooperative, Inc.	U.S.	163,532	163,532	-	-	0.075%	0.075%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2012	SPP	1649	Kennett Board of Public Works	U.S.	161,109	161,109	-	-	0.074%	0.074%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2012	SPP	1598	KCP&L GIOC (Greater Missouri Operations Company)	U.S.	8,732,076	8,732,076	-	-	4.011%	4,011%	0.000%	0.000%	0.195%	0.195%	0.000%	0.000%	0.221%
2012	SPP	1471	Lafayette Utilities System	U.S.	2,099,839	2,099,839	-	-	0.965%	0.965%	0.000%	0.000%	0.047%	0.047%	0.000%	0.000%	0.053%
2012	SPP	1472	Lea County Electric Coop	U.S.	1,321,716	1,321,716	-	-	0.607%	0.607%	0.000%	0.000%	0.030%	0.030%	0.000%	0.000%	0.033%
2012	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	1,011,614	1,011,614	-	-	0.465%	0.465%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2012	SPP	1650	Malden Board of Public Works	U.S.	54,484	54,484	-	-	0.025%	0.025%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	SPP	1441	Midwest Energy Inc.	U.S.	1,854,127	1,854,127	-	-	0.852%	0.852%	0.000%	0.000%	0.041%	0.041%	0.000%	0.000%	0.047%
2012	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.	2,546,624	2,546,624	-	-	1.170%	1,170%	0.000%	0.000%	0.057%	0.057%	0.000%	0.000%	0.064%
2012	SPP	1638	Nemaha Marshall Electric Cooperative (NMEC)	U.S.	59,704	59,704	-	-	0.027%	0.027%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

APPENDIX 2-A

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2012	WECC		Burlington	U.S.	32,911	32,911			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		California Independent System Operator	U.S.	234,650,307	234,650,307			27.074%	27.074%	0.000%	0.000%	5.242%	5.242%	0.000%	0.000%	5.941%
2012	WECC		Canby Public Utility Board	U.S.	177,351	177,351			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2012	WECC		Central Arizona Water Conservation District	U.S.	4,968,360	4,968,360			0.573%	0.573%	0.000%	0.000%	0.111%	0.111%	0.000%	0.000%	0.126%
2012	WECC		Central Electric Cooperative	U.S.	499,899	499,899			0.058%	0.058%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2012	WECC		Central Lincoln PUD	U.S.	1,345,266	1,345,266			0.155%	0.155%	0.000%	0.000%	0.030%	0.030%	0.000%	0.000%	0.034%
2012	WECC		Central Montana Electric Power Cooperative	U.S.	354,818	354,818			0.041%	0.041%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2012	WECC		City of Aztec Electric Dept	U.S.	37,611	37,611			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		City of Bandon	U.S.	67,840	67,840			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		City of Blaine	U.S.	77,768	77,768			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		City of Bonners Ferry	U.S.	69,429	69,429			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		City of Boulder City	U.S.	167,400	167,400			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2012	WECC		City of Cascade Locks	U.S.	18,979	18,979			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		City of Centralia	U.S.	271,211	271,211			0.031%	0.031%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2012	WECC		City of Cheney	U.S.	143,828	143,828			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2012	WECC		City of Chewelah	U.S.	23,814	23,814			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		City of Drain	U.S.	16,486	16,486			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		City of Ellensburg	U.S.	208,566	208,566			0.024%	0.024%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2012	WECC		City of Fallon	U.S.	122,771	122,771			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2012	WECC		City of Farmington	U.S.	276,194	276,194			0.032%	0.032%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2012	WECC		City of Forest Grove	U.S.	241,716	241,716			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2012	WECC		City of Gallup	U.S.	197,998	197,998			0.023%	0.023%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2012	WECC		City of Henderson	U.S.	42,415	42,415			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		City of Hermiston, DBA Hermiston Energy Services	U.S.	106,437	106,437			0.012%	0.012%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2012	WECC		City of Las Vegas	U.S.	42,877	42,877			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		City of McCleary	U.S.	31,289	31,289			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		City of McMinnville	U.S.	732,458	732,458			0.085%	0.085%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.019%
2012	WECC		City of Mesa	U.S.	264,058	264,058			0.030%	0.030%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2012	WECC		City of Milton	U.S.	61,358	61,358			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2012	WECC		City of Milton-Freewater	U.S.	108,291	108,291			0.012%	0.012%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2012	WECC		City of Monmouth	U.S.	71,410	71,410			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		City of Needles	U.S.	31,485	31,485			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		City of Plummer	U.S.	35,562	35,562			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		City of Port Angeles	U.S.	730,656	730,656			0.084%	0.084%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2012	WECC		City of Redding	U.S.	816,310	816,310			0.094%	0.094%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.021%
2012	WECC		City of Richland	U.S.	863,345	863,345			0.100%	0.100%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2012	WECC		City of Roseville	U.S.	1,240,960	1,240,960			0.143%	0.143%	0.000%	0.000%	0.028%	0.028%	0.000%	0.000%	0.031%
2012	WECC		City of Shasta Lake	U.S.	186,609	186,609			0.022%	0.022%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2012	WECC		City of Sumas	U.S.	29,499	29,499			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		City of Tacoma DBA Tacoma Power	U.S.	4,974,262	4,974,262			0.574%	0.574%	0.000%	0.000%	0.111%	0.111%	0.000%	0.000%	0.126%
2012	WECC		City of Troy	U.S.	17,288	17,288			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		City of Williams	U.S.	40,144	40,144			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Clark County Water Resources	U.S.	78,024	78,024			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Clark Public Utilities	U.S.	4,404,221	4,404,221			0.508%	0.508%	0.000%	0.000%	0.098%	0.098%	0.000%	0.000%	0.112%
2012	WECC		Clatskanie PUD	U.S.	977,748	977,748			0.113%	0.113%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2012	WECC		Clearwater Cooperative, Inc	U.S.	163,452	163,452			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2012	WECC		Colorado River Commission of Nevada	U.S.	835,200	835,200			0.096%	0.096%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.021%
2012	WECC		Colorado Springs Utilities	U.S.	94,659	94,659			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Colorado Springs Utilities	U.S.	4,582,253	4,582,253			0.529%	0.529%	0.000%	0.000%	0.102%	0.102%	0.000%	0.000%	0.116%
2012	WECC		Columbia Basin Electric Cooperative, Inc.	U.S.	110,678	110,678			0.013%	0.013%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2012	WECC		Columbia Falls Aluminum Company	U.S.	4,067	4,067			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Columbia Power Cooperative Association	U.S.	23,981	23,981			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Columbia River PUD	U.S.	303,997	303,997			0.035%	0.035%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	WECC		Columbia Rural Electric Association (REA)	U.S.	302,941	302,941			0.035%	0.035%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	WECC		Consolidated Irrigation District No. 19	U.S.	6,020	6,020			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2012	WECC		Constellation New Energy, Inc.	U.S.	70,269	70,269			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Consumers Power, Inc.	U.S.	419,431	419,431			0.048%	0.048%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2012	WECC		Deseret Generation & Transmission Cooperative	U.S.	69,219	69,219			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Deseret Generation & Transmission Cooperative	U.S.	74,391	74,391			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Douglas Electric Cooperative, Inc.	U.S.	93,789	93,789			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Douglas Palisades	U.S.	18,373	18,373			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		El Paso Electric Company	U.S.	8,397,918	8,397,918			0.969%	0.969%	0.000%	0.000%	0.188%	0.188%	0.000%	0.000%	0.213%
2012	WECC		Electrical District #2	U.S.	195,842	195,842			0.023%	0.023%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2012	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	8,672	8,672			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Electrical District No. 6 of Pinal County - APS	U.S.	3,135	3,135			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Electrical District No. 7 of Maricopa County - APS	U.S.	55,320	55,320			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Electrical District No. 8 of Maricopa County - APS	U.S.	294,857	294,857			0.034%	0.034%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.007%
2012	WECC		Electrical Districts 1 & 3	U.S.	642,964	642,964			0.074%	0.074%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2012	WECC		Elmhurst Mutual Power & Light Company	U.S.	273,161	273,161			0.032%	0.032%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2012	WECC		Emerald PUD	U.S.	508,954	508,954			0.059%	0.059%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2012	WECC		Energy Northwest	U.S.	31,529	31,529			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Eugene Water & Electric Board	U.S.	2,469,521	2,469,521			0.285%	0.285%	0.000%	0.000%	0.055%	0.055%	0.000%	0.000%	0.063%
2012	WECC		Fall River Rural Electric Cooperative, Inc.	U.S.	51	51			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Farmington Electric Utility System	U.S.	1,381,121	1,381,121			0.159%	0.159%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%
2012	WECC		Flathead Electric Cooperative, Inc	U.S.	1,452,590	1,452,590			0.168%	0.168%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.037%
2012	WECC		Frederickson Power LP	U.S.	5,315	5,315			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Grand Valley Power	U.S.	232,224	232,224			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2012	WECC		Harney Electric Cooperative, Inc.	U.S.	96,729	96,729			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Harney Electric Cooperative, Inc.	U.S.	124,379	124,379			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2012	WECC		Harquahala Valley Power Districts - APS	U.S.	82,214	82,214			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Hermiston Power LLC	U.S.	4,831	4,831			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Hood River Electric Cooperative	U.S.	39,730	39,730			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Idaho County Light and Power Cooperative Association, Inc.	U.S.	56,349	56,349			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Idaho Power Company	U.S.	14,845,770	14,845,770			1.713%	1.713%	0.000%	0.000%	0.332%	0.332%	0.000%	0.000%	0.376%
2012	WECC		Imperial Irrigation District	U.S.	3,720,853	3,720,853			0.429%	0.429%	0.000%	0.000%	0.083%	0.083%	0.000%	0.000%	0.094%
2012	WECC		Inland Power and Light Company	U.S.	463,321	463,321			0.053%	0.053%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2012	WECC		Inland Power and Light Company	U.S.	478,629	478,629			0.055%	0.055%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2012	WECC		Intermountain Rural Electric Association	U.S.	896,045	896,045			0.103%	0.103%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.023%
2012	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	324,656	324,656			0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	WECC		Lakeview Light & Power	U.S.	272,994	272,994			0.031%	0.031%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2012	WECC		Lane Electric Cooperative, Inc.	U.S.	221,792	221,792			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2012	WECC		Las Vegas Valley Water District	U.S.	218,806	218,806			0.025%	0.025%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2012	WECC		Lincoln Electric Cooperative, Inc.	U.S.	117,576	117,576			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2012	WECC		Los Angeles Department of Water and Power	U.S.	29,495,538	29,495,538			3.403%	3.403%	0.000%	0.000%	0.659%	0.659%	0.000%	0.000%	0.747%
2012	WECC		Lost River Electric Cooperative, Inc.	U.S.	40	40			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Lower Valley Energy, Inc.	U.S.	161	161			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Maricopa County Municipal Water Conservation Dist No. 1 - J	U.S.	56,505	56,505			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		McMullen Valley Water Conservation & Drainage District - AF	U.S.	73,296	73,296			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Merced Irrigation District	U.S.	459,261	459,261			0.053%	0.053%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2012	WECC		Midstate Electric Cooperative, Inc.	U.S.	400,286	400,286			0.046%	0.046%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2012	WECC		Mission Valley Power	U.S.	391,829	391,829			0.045%	0.045%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2012	WECC		Modern Electric Water Company	U.S.	229,219	229,219			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2012	WECC		Modesto Irrigation District	U.S.	2,564,677	2,564,677			0.296%	0.296%	0.000%	0.000%	0.057%	0.057%	0.000%	0.000%	0.065%
2012	WECC		Montana-Dakota Utilities Co.	U.S.	13,754	13,754			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Mt. Wheeler Power	U.S.	558,374	558,374			0.064%	0.064%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2012	WECC		Municipal Energy Agency of Nebraska	U.S.	195,844	195,844			0.023%	0.023%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2012	WECC		Municipal Energy Agency of Nebraska	U.S.	648,687	648,687			0.075%	0.075%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2012	WECC		Navajo Agricultural Products Industry (NAPI)	U.S.	3,893	3,893			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Navajo Tribal Utility Authority	U.S.	42,282	42,282			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Navajo Tribal Utility Authority	U.S.	305,478	305,478			0.035%	0.035%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	WECC		Navapache Electric Cooperative, Inc.	U.S.	405,902	405,902			0.047%	0.047%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2012	WECC		Nebraska Public Power Marketing	U.S.	3,752	3,752			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Nespelem Valley Electric Cooperative, Inc.	U.S.	53,266	53,266			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Nevada Power Company dba NV Energy	U.S.	22,288,258	22,288,258			2.572%	2.572%	0.000%	0.000%	0.498%	0.498%	0.000%	0.000%	0.564%
2012	WECC		Noble Americas Energy Solutions, LLC	U.S.	1,203,124	1,203,124			0.139%	0.139%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.030%
2012	WECC		Northern Lights, Inc.	U.S.	33,899	33,899			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Northern Wasco County PUD	U.S.	558,178	558,178			0.064%	0.064%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2012	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	302,519	302,519			0.035%	0.035%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	9,104,734	9,104,734			1.051%	1.051%	0.000%	0.000%	0.203%	0.203%	0.000%	0.000%	0.231%
2012	WECC		Ohop Mutual Light Company	U.S.	83,823	83,823			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Orcas Power and Light Cooperative	U.S.	215,495	215,495			0.025%	0.025%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2012	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	320,693	320,693			0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	WECC		Overton Power District No. 5	U.S.	378,930	378,930			0.044%	0.044%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.010%
2012	WECC		PacifiCorp	U.S.	1,973	1,973			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		PacifiCorp	U.S.	2,731	2,731			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		PacifiCorp	U.S.	60,340	60,340			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2012	WECC		PacifiCorp	U.S.	116,987	116,987			0.013%	0.013%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2012	WECC		PacifiCorp	U.S.	49,465,347	49,465,347			5.707%	5.707%	0.000%	0.000%	1.105%	1.105%	0.000%	0.000%	1.252%
2012	WECC		PacifiCorp West (PACW)	U.S.	20,941,681	20,941,681			2.416%	2.416%	0.000%	0.000%	0.468%	0.468%	0.000%	0.000%	0.530%
2012	WECC		Page Electric Utility	U.S.	10,986	10,986			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Parkland Light and Water Company	U.S.	120,353	120,353			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2012	WECC		Pend Oreille County PUD No. 1	U.S.	1,040,915	1,040,915			0.120%	0.120%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2012	WECC		Peninsula Light Company, Inc.	U.S.	607,163	607,163			0.070%	0.070%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.015%
2012	WECC		Platte River Power Authority	U.S.	3,244,772	3,244,772			0.374%	0.374%	0.000%	0.000%	0.072%	0.072%	0.000%	0.000%	0.082%
2012	WECC		Port of Seattle - Seattle-Tacoma International Airport	U.S.	144,541	144,541			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2012	WECC		Port Townsend Paper Corporation	U.S.	205,020	205,020			0.024%	0.024%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2012	WECC		Portland General Electric Company	U.S.	45,375	45,375			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Portland General Electric Company	U.S.	18,694,794	18,694,794			2.157%	2.157%	0.000%	0.000%	0.418%	0.418%	0.000%	0.000%	0.473%
2012	WECC		Public Service Company of Colorado (Xcel)	U.S.	35,278	35,278			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Public Service Company of Colorado (Xcel)	U.S.	31,152,666	31,152,666			3.594%	3.594%	0.000%	0.000%	0.696%	0.696%	0.000%	0.000%	0.789%
2012	WECC		Public Service Company of New Mexico	U.S.	10,775,114	10,775,114			1.243%	1.243%	0.000%	0.000%	0.241%	0.241%	0.000%	0.000%	0.273%
2012	WECC		Public Utility District No. 1 of Chelan County	U.S.	3,976,046	3,976,046			0.459%	0.459%	0.000%	0.000%	0.089%	0.089%	0.000%	0.000%	0.101%
2012	WECC		PUD No. 1 of Asotin County	U.S.	308	308			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		PUD No. 1 of Asotin County	U.S.	4,867	4,867			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		PUD No. 1 of Benton County	U.S.	1,696,614	1,696,614			0.196%	0.196%	0.000%	0.000%	0.038%	0.038%	0.000%	0.000%	0.043%
2012	WECC		PUD No. 1 of Clallam County	U.S.	683,391	683,391			0.079%	0.079%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2012	WECC		PUD No. 1 of Cowlitz County	U.S.	5,189,414	5,189,414			0.599%	0.599%	0.000%	0.000%	0.116%	0.116%	0.000%	0.000%	0.131%
2012	WECC		PUD No. 1 of Douglas County	U.S.	7,610	7,610			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		PUD No. 1 of Douglas County	U.S.	1,433,750	1,433,750			0.165%	0.165%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.036%
2012	WECC		PUD No. 1 of Ferry County	U.S.	106,187	106,187			0.012%	0.012%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2012	WECC		PUD No. 1 of Franklin County	U.S.	1,017,782	1,017,782			0.117%	0.117%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2012	WECC		PUD No. 1 of Grays Harbor	U.S.	1,215,161	1,215,161			0.140%	0.140%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.031%
2012	WECC		PUD No. 1 of Kittitas County	U.S.	16,386	16,386			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		PUD No. 1 of Kittitas County	U.S.	72,707	72,707			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		PUD No. 1 of Klickitat County	U.S.	281,076	281,076			0.032%	0.032%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2012	WECC		PUD No. 1 of Lewis County	U.S.	932,733	932,733			0.108%	0.108%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%
2012	WECC		PUD No. 1 of Mason County	U.S.	78,858	78,858			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		PUD No. 1 of Skamania County	U.S.	132,923	132,923			0.015%	0.015%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2012	WECC		PUD No. 1 of Snohomish County	U.S.	6,807,290	6,807,290			0.785%	0.785%	0.000%	0.000%	0.152%	0.152%	0.000%	0.000%	0.172%
2012	WECC		PUD No. 1 of Wahkiakum County	U.S.	44,119	44,119			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		PUD No. 1 of Whatcom County	U.S.	5,326	5,326			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		PUD No. 1 of Whatcom County	U.S.	199,266	199,266			0.023%	0.023%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2012	WECC		PUD No. 2 of Grant County	U.S.	48,354	48,354			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		PUD No. 2 of Grant County	U.S.	90,549	90,549			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		PUD No. 2 of Grant County	U.S.	3,840,259	3,840,259			0.443%	0.443%	0.000%	0.000%	0.086%	0.086%	0.000%	0.000%	0.097%
2012	WECC		PUD No. 2 of Pacific County	U.S.	303,584	303,584			0.035%	0.035%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	WECC		PUD No. 3 of Mason County	U.S.	699,975	699,975			0.081%	0.081%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2012	WECC		Puget Sound Energy, Inc.	U.S.	24,346,006	24,346,006			2.809%	2.809%	0.000%	0.000%	0.544%	0.544%	0.000%	0.000%	0.616%
2012	WECC		Raft River Electric Cooperative	U.S.	85	85			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Roosevelt Irrigation District - APS	U.S.	41,177	41,177			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Sacramento Municipal Utility District	U.S.	11,239,860	11,239,860			1.297%	0.000%	1.297%	0.000%	0.251%	0.251%	0.000%	0.000%	0.285%
2012	WECC		Salem Electric	U.S.	323,230	323,230			0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	WECC		Salt River Project	U.S.	28,531,895	28,531,895			3.292%	0.000%	0.000%	3.292%	0.637%	0.637%	0.000%	0.000%	0.722%
2012	WECC		San Carlos Indian Irrigation Project	U.S.	59	59			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Seattle City Light	U.S.	10,068,899	10,068,899			1.162%	1.162%	0.000%	0.000%	0.225%	0.225%	0.000%	0.000%	0.255%
2012	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	9,038,551	9,038,551			1.043%	1.043%	0.000%	0.000%	0.202%	0.202%	0.000%	0.000%	0.229%
2012	WECC		Southern Montana Electric Generation & Transmission	U.S.	628,240	628,240			0.072%	0.072%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2012	WECC		Southern Nevada Water Authority	U.S.	679,028	679,028			0.078%	0.078%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2012	WECC		Southwest Transmission Cooperative, Inc.	U.S.	2,624,888	2,624,888			0.303%	0.000%	0.303%	0.000%	0.059%	0.000%	0.059%	0.000%	0.066%
2012	WECC		Springfield Utility Board	U.S.	840,678	840,678			0.097%	0.097%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.021%
2012	WECC		Surprise Valley Electrification Corporation	U.S.	38,293	38,293			0.004%	0.000%	0.000%	0.004%	0.001%	0.000%	0.000%	0.001%	0.001%
2012	WECC		Tanner Electric Cooperative	U.S.	95,182	95,182			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		The Incorporated County of Los Alamos	U.S.	383,796	383,796			0.044%	0.044%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2012	WECC		Tillamook People's Utility District	U.S.	372,060	372,060			0.043%	0.043%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2012	WECC		Tohono O'Odham Utility Authority	U.S.	67,825	67,825			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Tonopah Irrigation District - APS	U.S.	26,197	26,197			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Town of Fredonia	U.S.	776	776			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Town of Steilacoom	U.S.	41,343	41,343			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Town of Wickenburg	U.S.	27,250	27,250			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	21,787	21,787			0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	2,118,103	2,118,103			0.244%	0.244%	0.000%	0.000%	0.047%	0.047%	0.000%	0.000%	0.054%
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	7,531,559	7,531,559			0.869%	0.869%	0.000%	0.000%	0.168%	0.168%	0.000%	0.000%	0.191%
2012	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	2,774,540	2,774,540			0.320%	0.320%	0.000%	0.000%	0.062%	0.062%	0.000%	0.000%	0.070%
2012	WECC		Truckee Donner Public Utility District	U.S.	148,646	148,646			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2012	WECC		Tucson Electric Power Company	U.S.	14,155,948	14,155,948			1.633%	1.633%	0.000%	0.000%	0.316%	0.316%	0.000%	0.000%	0.358%
2012	WECC		Turlock Irrigation District	U.S.	2,112,514	2,112,514			0.244%	0.244%	0.000%	0.000%	0.047%	0.047%	0.000%	0.000%	0.053%
2012	WECC		U.S. Army Yuma Proving Ground	U.S.	20,743	20,743			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2012	WECC		U.S. BOR Columbia Basin	U.S.	30,459	30,459			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	3,306	3,306			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		U.S. Bor Spokane Indian Development'	U.S.	3,126	3,126			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		U.S. BOR The Dalles Project	U.S.	18,193	18,193			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	4,555	4,555			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Umatilla Electric Cooperative Association	U.S.	1,021,091	1,021,091			0.118%	0.118%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2012	WECC		Unit B Irrigation District	U.S.	23	23			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		US Air Force Base, Fairchild	U.S.	50,233	50,233			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		US Dept of Energy - Kirtland AFB	U.S.	425,159	425,159			0.049%	0.049%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2012	WECC		USDOE Richland	U.S.	182,352	182,352			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2012	WECC		USN Naval Station, Bremerton	U.S.	274,291	274,291			0.032%	0.032%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2012	WECC		USN Naval Station, Everett	U.S.	10,447	10,447			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		USN Submarine Base, Bangor	U.S.	174,768	174,768			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2012	WECC		Valley Electric Association, Inc.	U.S.	473,273	473,273			0.055%	0.055%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2012	WECC		Vera Water and Power	U.S.	230,012	230,012			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2012	WECC		Vigilante Electric Cooperative, Inc.	U.S.	15,801	15,801			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Wasco Electric Cooperative	U.S.	94,790	94,790			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Wells Rural Electric Cooperative	U.S.	667,128	667,128			0.077%	0.077%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2012	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	7,129	7,129			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		West Oregon Electric Cooperative, Inc.	U.S.	12,706	12,706			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Western Area Power - Loveland, CO	U.S.	239,860	239,860			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2012	WECC		Western Area Power - Loveland, CO	U.S.	1,590,635	1,590,635			0.184%	0.184%	0.000%	0.000%	0.036%	0.036%	0.000%	0.000%	0.040%
2012	WECC		Western Area Power Administration - CRSP	U.S.	1,367,212	1,367,212			0.158%	0.158%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%
2012	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	1,557,395	1,557,395			0.180%	0.180%	0.000%	0.000%	0.035%	0.035%	0.000%	0.000%	0.039%
2012	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	2,159,853	2,159,853			0.249%	0.249%	0.000%	0.000%	0.048%	0.048%	0.000%	0.000%	0.055%
2012	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	7,448	7,448			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2012	WECC		Western Area Power Administration-Upper Great Plains Regi	U.S.	231,184	231,184			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2012	WECC		Yakama Power	U.S.	21,869	21,869			0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2012	WECC		Yampa Valley Electric Association	U.S.	578,293	578,293			0.067%	0.067%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2012	WECC		Yuma Irrigation District	U.S.	3,246	3,246			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Yuma-Mesa Irrigation District	U.S.	178	178			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
TOTAL WECC					866,703,757	735,082,752	120,014,087	11,606,918	100.000%	79.917%	15.447%	4.636%	19.360%	16.361%	2.740%	0.260%	18.611%
TOTAL ERO					4,476,669,439	3,949,655,760	515,406,761	11,606,918	800.000%	709.483%	85.881%	4.636%	100.000%	88.168%	11.572%	0.260%	100.000%
Summary by Regional Entity					Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL									
2012	FRCC				220,684,104	220,684,104	-	-	100.000%	100.000%	0.000%	0.000%	4.930%	4.930%	0.000%	0.000%	5.587%
2012	MRO				284,519,075	239,585,401	44,933,674	-	100.000%	84.207%	15.793%	0.000%	6.356%	5.352%	1.004%	0.000%	6.066%
2012	NPCC				641,382,000	290,923,000	350,459,000	-	100.000%	45.359%	54.641%	0.000%	14.327%	6.499%	7.829%	0.000%	7.366%
2012	RFC				902,132,116	902,132,116	-	-	100.000%	100.000%	0.000%	0.000%	20.152%	20.152%	0.000%	0.000%	22.841%
2012	SERC				1,018,699,975	1,018,699,975	-	-	100.000%	100.000%	0.000%	0.000%	22.756%	22.756%	0.000%	0.000%	25.792%
2012	SPP				217,688,710	217,688,710	-	-	100.000%	100.000%	0.000%	0.000%	4.863%	4.863%	0.000%	0.000%	5.512%
2012	TRE				324,859,701	324,859,701	-	-	100.000%	100.000%	0.000%	0.000%	7.257%	7.257%	0.000%	0.000%	8.225%
2012	WECC				866,703,757	735,082,752	120,014,087	11,606,918	100.000%	79.917%	15.447%	4.636%	19.360%	16.361%	2.740%	0.260%	18.611%
Total					4,476,669,439	3,949,655,760	515,406,761	11,606,918	800.000%	709.483%	85.881%	4.636%	100.000%	88.168%	11.572%	0.260%	100.000%

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE, RCCo, & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB & RCCo Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2012	FRCC	1074	Alachua, City of	U.S.	4,495	4,495	-	-	1,449	1,449	-	-	3,047	3,047	-	-
2012	FRCC	1075	Bartow, City of	U.S.	10,069	10,069	-	-	3,245	3,245	-	-	6,824	6,824	-	-
2012	FRCC	1076	Chattahoochee, City of	U.S.	1,402	1,402	-	-	452	452	-	-	950	950	-	-
2012	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	25,026	25,026	-	-	8,065	8,065	-	-	16,960	16,960	-	-
2012	FRCC	1078	Florida Power & Light Co.	U.S.	3,986,285	3,986,285	-	-	1,284,716	1,284,716	-	-	2,701,569	2,701,569	-	-
2012	FRCC	1079	Florida Public Utilities Company	U.S.	13,742	13,742	-	-	4,429	4,429	-	-	9,313	9,313	-	-
2012	FRCC	1080	Gainesville Regional Utilities	U.S.	65,079	65,079	-	-	20,974	20,974	-	-	44,105	44,105	-	-
2012	FRCC	1081	Homestead, City of	U.S.	18,788	18,788	-	-	6,055	6,055	-	-	12,733	12,733	-	-
2012	FRCC	1082	JEA	U.S.	441,610	441,610	-	-	142,324	142,324	-	-	299,286	299,286	-	-
2012	FRCC	1083	Lakeland Electric	U.S.	105,423	105,423	-	-	33,976	33,976	-	-	71,447	71,447	-	-
2012	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	133,986	133,986	-	-	43,182	43,182	-	-	90,804	90,804	-	-
2012	FRCC	1661	City of Lake Worth	U.S.	15,516	15,516	-	-	5,001	5,001	-	-	10,515	10,515	-	-
2012	FRCC	1084	Mount Dora, City of	U.S.	3,278	3,278	-	-	1,056	1,056	-	-	2,222	2,222	-	-
2012	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	13,907	13,907	-	-	4,482	4,482	-	-	9,425	9,425	-	-
2012	FRCC	1086	Orlando Utilities Commission	U.S.	208,813	208,813	-	-	67,297	67,297	-	-	141,516	141,516	-	-
2012	FRCC	1087	Progress Energy Florida	U.S.	1,446,332	1,446,332	-	-	466,130	466,130	-	-	980,202	980,202	-	-
2012	FRCC	1088	Quincy, City of	U.S.	4,836	4,836	-	-	1,558	1,558	-	-	3,277	3,277	-	-
2012	FRCC	1089	Reedy Creek Improvement District	U.S.	44,290	44,290	-	-	14,274	14,274	-	-	30,016	30,016	-	-
2012	FRCC	1090	St. Cloud, City of (OUC)	U.S.	21,723	21,723	-	-	7,001	7,001	-	-	14,722	14,722	-	-
2012	FRCC	1091	Tallahassee, City of	U.S.	99,442	99,442	-	-	32,049	32,049	-	-	67,393	67,393	-	-
2012	FRCC	1092	Tampa Electric Company	U.S.	706,294	706,294	-	-	227,627	227,627	-	-	478,667	478,667	-	-
2012	FRCC	1603	City of Vero Beach	U.S.	26,934	26,934	-	-	8,680	8,680	-	-	18,253	18,253	-	-
2012	FRCC	1093	Wauchula, City of	U.S.	2,262	2,262	-	-	729	729	-	-	1,533	1,533	-	-
2012	FRCC	1094	Williston, City of	U.S.	1,220	1,220	-	-	393	393	-	-	827	827	-	-
2012	FRCC	1095	Winter Park, City of	U.S.	16,083	16,083	-	-	5,183	5,183	-	-	10,900	10,900	-	-
2012	FRCC	1072	Florida Municipal Power Agency	U.S.	203,305	203,305	-	-	65,522	65,522	-	-	137,783	137,783	-	-
2012	FRCC	1073	Seminole Electric Cooperative	U.S.	477,732	477,732	-	-	153,965	153,965	-	-	323,766	323,766	-	-
			TOTAL FRCC		8,097,871	8,097,871	-	-	2,609,814	2,609,814	-	-	5,488,057	5,488,057	-	-
2012	MRO	1199	Basin Electric Power Cooperative	U.S.	544,077	544,077	-	-	151,539	151,539	-	-	392,539	392,539	-	-
2012	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	117,115	117,115	-	-	32,619	32,619	-	-	84,496	84,496	-	-
2012	MRO	1204	Corn Belt Power Cooperative	U.S.	74,619	74,619	-	-	20,783	20,783	-	-	53,836	53,836	-	-
2012	MRO	1207	Dairyland Power Cooperative	U.S.	222,505	222,505	-	-	61,973	61,973	-	-	160,532	160,532	-	-
2012	MRO	1210	Great River Energy	U.S.	573,184	573,184	-	-	159,645	159,645	-	-	413,539	413,539	-	-
2012	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	171,023	171,023	-	-	47,634	47,634	-	-	123,389	123,389	-	-
2012	MRO	1230	Nebraska Public Power District	U.S.	575,574	575,574	-	-	160,311	160,311	-	-	415,263	415,263	-	-
2012	MRO	1232	Omaha Public Power District	U.S.	483,631	483,631	-	-	134,703	134,703	-	-	348,928	348,928	-	-
2012	MRO	1237	Southern Montana Generation and Transmission	U.S.	224	224	-	-	62	62	-	-	162	162	-	-
2012	MRO	1240	Western Area Power Administration (UM)	U.S.	407,035	407,035	-	-	113,369	113,369	-	-	293,666	293,666	-	-
2012	MRO	1239	Western Area Power Administration (LM)	U.S.	5,387	5,387	-	-	1,501	1,501	-	-	3,887	3,887	-	-
2012	MRO	1217	Manitoba Hydro	CAN	982,945	-	982,945	-	271,363	-	271,363	-	711,582	-	711,582	-
2012	MRO	1235	SaskPower	CAN	953,821	-	953,821	-	263,323	-	263,323	-	690,499	-	690,499	-
2012	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	1,223,806	1,223,806	-	-	340,859	340,859	-	-	882,947	882,947	-	-
2012	MRO	1216	Madison, Gas and Electric	U.S.	147,419	147,419	-	-	41,060	41,060	-	-	106,359	106,359	-	-
2012	MRO	1220	MidAmerican Energy Company	U.S.	1,177,832	1,177,832	-	-	328,054	328,054	-	-	849,777	849,777	-	-
2012	MRO	1221	Minnesota Power	U.S.	559,691	559,691	-	-	155,887	155,887	-	-	403,804	403,804	-	-
2012	MRO	1226	Montana-Dakota Utilities Co.	U.S.	123,972	123,972	-	-	34,529	34,529	-	-	89,443	89,443	-	-
2012	MRO	1231	NorthWestern Energy	U.S.	63,751	63,751	-	-	17,756	17,756	-	-	45,995	45,995	-	-
2012	MRO	1233	Otter Tail Power Company	U.S.	182,784	182,784	-	-	50,910	50,910	-	-	131,874	131,874	-	-
2012	MRO	1243	Integrus Energy Group (WPS and UPPCO)	U.S.	572,195	572,195	-	-	159,370	159,370	-	-	412,825	412,825	-	-
2012	MRO	1244	Xcel Energy Company (NSP)	U.S.	1,934,011	1,934,011	-	-	538,668	538,668	-	-	1,395,343	1,395,343	-	-
2012	MRO	1196	Ames Municipal Electric System	U.S.	32,417	32,417	-	-	9,029	9,029	-	-	23,388	23,388	-	-
2012	MRO	1604	Atlantic Municipal Utilities	U.S.	3,180	3,180	-	-	886	886	-	-	2,294	2,294	-	-
2012	MRO	1476	Badger Power Marketing Authority of Wisconsin, Inc.	U.S.	17,428	17,428	-	-	4,854	4,854	-	-	12,574	12,574	-	-
2012	MRO	1200	Cedar Falls Municipal Utilities	U.S.	22,165	22,165	-	-	6,173	6,173	-	-	15,991	15,991	-	-
2012	MRO	1477	Central Minnesota Municipal Power Agency (CMMMPA)	U.S.	20,096	20,096	-	-	5,597	5,597	-	-	14,499	14,499	-	-
2012	MRO	1203	Escanaba Municipal Electric Utility	U.S.	6,296	6,296	-	-	1,754	1,754	-	-	4,542	4,542	-	-
2012	MRO	1205	Falls City Water & Light Department	U.S.	2,392	2,392	-	-	666	666	-	-	1,726	1,726	-	-
2012	MRO	1206	Fremont Department of Utilities	U.S.	18,790	18,790	-	-	5,233	5,233	-	-	13,556	13,556	-	-
2012	MRO	1208	Geneseo Municipal Utilities	U.S.	2,827	2,827	-	-	787	787	-	-	2,040	2,040	-	-

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE, RCo, & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB & RCo Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2012	SERC	1466	Durant, MS	U.S.	711	711	-	-	332	332	-	-	379	379	-	-
2012	SERC	1478	E.ON U.S. Services Inc.	U.S.	878,907	878,907	-	-	410,692	410,692	-	-	468,214	468,214	-	-
2012	SERC	1297	East Kentucky Power Cooperative	U.S.	308,119	308,119	-	-	143,977	143,977	-	-	164,142	164,142	-	-
2012	SERC	1298	East Mississippi Electric Power Association	U.S.	10,983	10,983	-	-	5,132	5,132	-	-	5,851	5,851	-	-
2012	SERC	1629	East Texas Electric Cooperative Inc	U.S.	49,505	49,505	-	-	23,133	23,133	-	-	26,373	26,373	-	-
2012	SERC	1299	Electric Energy Inc.	U.S.	639	639	-	-	299	299	-	-	341	341	-	-
2012	SERC	1300	EnergyUnited EMC	U.S.	63,490	63,490	-	-	29,667	29,667	-	-	33,823	33,823	-	-
2012	SERC	1301	Entergy	U.S.	2,914,210	2,914,210	-	-	1,361,742	1,361,742	-	-	1,552,468	1,552,468	-	-
2012	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	53,996	53,996	-	-	25,231	25,231	-	-	28,765	28,765	-	-
2012	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	8,189	8,189	-	-	3,826	3,826	-	-	4,362	4,362	-	-
2012	SERC	1304	French Broad EMC	U.S.	13,227	13,227	-	-	6,180	6,180	-	-	7,046	7,046	-	-
2012	SERC	1305	Georgia Power Company	U.S.	2,160,277	2,160,277	-	-	1,009,446	1,009,446	-	-	1,150,830	1,150,830	-	-
2012	SERC	1306	Georgia System Optns Corporation	U.S.	950,976	950,976	-	-	444,369	444,369	-	-	506,607	506,607	-	-
2012	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	7,224	7,224	-	-	3,376	3,376	-	-	3,849	3,849	-	-
2012	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	6,838	6,838	-	-	3,195	3,195	-	-	3,643	3,643	-	-
2012	SERC	1308	Gulf Power Company	U.S.	284,653	284,653	-	-	133,012	133,012	-	-	151,641	151,641	-	-
2012	SERC	1586	Haywood EMC	U.S.	7,375	7,375	-	-	3,446	3,446	-	-	3,929	3,929	-	-
2012	SERC	1309	Illinois Municipal Electric Agency	U.S.	48,800	48,800	-	-	22,803	22,803	-	-	25,997	25,997	-	-
2012	SERC	1480	Itta Bena, MS	U.S.	405	405	-	-	189	189	-	-	216	216	-	-
2012	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	6,884	6,884	-	-	3,217	3,217	-	-	3,667	3,667	-	-
2012	SERC	1617	Kentucky Municipal Power	U.S.	18,890	18,890	-	-	8,827	8,827	-	-	10,063	10,063	-	-
2012	SERC	1481	Kosciusko, MS	U.S.	1,906	1,906	-	-	890	890	-	-	1,015	1,015	-	-
2012	SERC	1482	Leland, MS	U.S.	843	843	-	-	394	394	-	-	449	449	-	-
2012	SERC	1313	McCormick Commission of Public Works	U.S.	516	516	-	-	241	241	-	-	275	275	-	-
2012	SERC	1314	Mississippi Power Company	U.S.	332,581	332,581	-	-	155,407	155,407	-	-	177,174	177,174	-	-
2012	SERC	1630	Mt. Carmel Public Utility	U.S.	2,801	2,801	-	-	1,309	1,309	-	-	1,492	1,492	-	-
2012	SERC	1315	Municipal Electric Authority of Georgia	U.S.	274,039	274,039	-	-	128,052	128,052	-	-	145,987	145,987	-	-
2012	SERC	1316	N.C. Electric Membership Corp.	U.S.	304,620	304,620	-	-	142,342	142,342	-	-	162,278	162,278	-	-
2012	SERC	1317	North Carolina Eastern Municipal Power Agency	U.S.	187,070	187,070	-	-	87,414	87,414	-	-	99,657	99,657	-	-
2012	SERC	1318	North Carolina Municipal Power Agency #1	U.S.	119,126	119,126	-	-	55,665	55,665	-	-	63,461	63,461	-	-
2012	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	8,216	8,216	-	-	3,839	3,839	-	-	4,377	4,377	-	-
2012	SERC	1574	Northern Virginia Electric Cooperative	U.S.	98,753	98,753	-	-	46,145	46,145	-	-	52,608	52,608	-	-
2012	SERC	1319	Old Dominion Electric Cooperative	U.S.	148,478	148,478	-	-	69,380	69,380	-	-	79,098	79,098	-	-
2012	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	4,543	4,543	-	-	2,123	2,123	-	-	2,420	2,420	-	-
2012	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	23,383	23,383	-	-	10,927	10,927	-	-	12,457	12,457	-	-
2012	SERC	1322	Piedmont EMC in Duke and Progress Areas	U.S.	12,418	12,418	-	-	5,803	5,803	-	-	6,615	6,615	-	-
2012	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	57,808	57,808	-	-	27,012	27,012	-	-	30,796	30,796	-	-
2012	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	6,748	6,748	-	-	3,153	3,153	-	-	3,595	3,595	-	-
2012	SERC	1266	PowerSouth Energy	U.S.	201,833	201,833	-	-	94,312	94,312	-	-	107,521	107,521	-	-
2012	SERC	1330	Prairie Power, Inc.	U.S.	39,001	39,001	-	-	18,224	18,224	-	-	20,777	20,777	-	-
2012	SERC	1324	Progress Energy Carolinas	U.S.	1,142,649	1,142,649	-	-	533,933	533,933	-	-	608,716	608,716	-	-
2012	SERC	1325	Rutherford EMC	U.S.	31,948	31,948	-	-	14,929	14,929	-	-	17,020	17,020	-	-
2012	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	44,738	44,738	-	-	20,905	20,905	-	-	23,833	23,833	-	-
2012	SERC	1326	South Carolina Electric & Gas Company	U.S.	567,482	567,482	-	-	265,171	265,171	-	-	302,311	302,311	-	-
2012	SERC	1327	South Carolina Public Service Authority	U.S.	283,308	283,308	-	-	132,383	132,383	-	-	150,925	150,925	-	-
2012	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	15,907	15,907	-	-	7,433	7,433	-	-	8,474	8,474	-	-
2012	SERC	1328	South Mississippi Electric Power Association	U.S.	253,422	253,422	-	-	118,418	118,418	-	-	135,004	135,004	-	-
2012	SERC	1329	Southern Illinois Power Cooperative	U.S.	38,179	38,179	-	-	17,840	17,840	-	-	20,339	20,339	-	-
2012	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	63,994	63,994	-	-	29,903	29,903	-	-	34,091	34,091	-	-
2012	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	11,444	11,444	-	-	5,347	5,347	-	-	6,096	6,096	-	-
2012	SERC	1331	Tennessee Valley Authority	U.S.	4,235,554	4,235,554	-	-	1,979,175	1,979,175	-	-	2,256,379	2,256,379	-	-
2012	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	4,768	4,768	-	-	2,228	2,228	-	-	2,540	2,540	-	-
2012	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	3,185	3,185	-	-	1,488	1,488	-	-	1,696	1,696	-	-
2012	SERC	1592	Town of Black Creek, N.C.	U.S.	327	327	-	-	153	153	-	-	174	174	-	-
2012	SERC	1593	Town of Lucama, N.C.	U.S.	524	524	-	-	245	245	-	-	279	279	-	-
2012	SERC	1594	Town of Sharpsburg, N.C.	U.S.	489	489	-	-	229	229	-	-	261	261	-	-
2012	SERC	1595	Town of Stantonburg, N.C.	U.S.	582	582	-	-	272	272	-	-	310	310	-	-
2012	SERC	1333	Town of Waynesville NC	U.S.	2,388	2,388	-	-	1,116	1,116	-	-	1,272	1,272	-	-
2012	SERC	1334	Town of Wintboro SC	U.S.	1,256	1,256	-	-	587	587	-	-	669	669	-	-
2012	SERC	1335	Town of Winterville NC	U.S.	1,309	1,309	-	-	612	612	-	-	697	697	-	-

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE, RCo, & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB & RCo Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
					14,351,105	14,351,105	-	-	3,841,797	3,841,797	-	-	10,509,308	10,509,308	-	-
2012	WECC		Alberta Electric System Operator	Canada	2,938,257	-	2,938,257	-	443,202	-	443,202	-	2,495,056	-	2,495,056	-
2012	WECC		British Columbia Hydro & Power Authority	Canada	4,202,422	-	4,202,422	-	723,192	-	723,192	-	3,479,230	-	3,479,230	-
2012	WECC		Comision Federal de Electricidad	Mexico	802,582	-	-	802,582	138,116	-	-	138,116	664,466	-	-	664,466
2012	WECC		Aguila Irrigation District - APS	U.S.	2,834	2,834	-	-	515	515	-	-	2,319	2,319	-	-
2012	WECC		Aha Macav Power Service	U.S.	1,787	1,787	-	-	325	325	-	-	1,462	1,462	-	-
2012	WECC		Ajo Improvement District	U.S.	892	892	-	-	162	162	-	-	730	730	-	-
2012	WECC		Ak-Chin	U.S.	2,335	2,335	-	-	424	424	-	-	1,911	1,911	-	-
2012	WECC		Alcoa Inc	U.S.	221,072	221,072	-	-	40,170	40,170	-	-	180,902	180,902	-	-
2012	WECC		Arizona Public Service Company	U.S.	1,961,014	1,961,014	-	-	356,328	356,328	-	-	1,604,687	1,604,687	-	-
2012	WECC		Arkansas River Power Authority (ARPA)	U.S.	19,707	19,707	-	-	3,581	3,581	-	-	16,127	16,127	-	-
2012	WECC		Avista Corporation	U.S.	4,242	4,242	-	-	771	771	-	-	3,471	3,471	-	-
2012	WECC		Avista Corporation	U.S.	605,867	605,867	-	-	110,089	110,089	-	-	495,777	495,777	-	-
2012	WECC		Barrick Goldstrike Mines Inc.	U.S.	80,227	80,227	-	-	14,578	14,578	-	-	65,649	65,649	-	-
2012	WECC		Basin Electric Power Cooperative	U.S.	4,042	4,042	-	-	734	734	-	-	3,307	3,307	-	-
2012	WECC		Basin Electric Power Cooperative	U.S.	208,059	208,059	-	-	37,805	37,805	-	-	170,253	170,253	-	-
2012	WECC		Benton REA	U.S.	35,385	35,385	-	-	6,430	6,430	-	-	28,955	28,955	-	-
2012	WECC		Big Bend Electric Cooperative, Inc.	U.S.	8,724	8,724	-	-	1,585	1,585	-	-	7,139	7,139	-	-
2012	WECC		Big Bend Electric Cooperative, Inc.	U.S.	9,040	9,040	-	-	1,643	1,643	-	-	7,398	7,398	-	-
2012	WECC		Big Bend Electric Cooperative, Inc.	U.S.	22,768	22,768	-	-	4,137	4,137	-	-	18,631	18,631	-	-
2012	WECC		Blachly-Lane Electric Cooperative	U.S.	10,778	10,778	-	-	1,958	1,958	-	-	8,820	8,820	-	-
2012	WECC		Black Hills Power	U.S.	125,466	125,466	-	-	22,798	22,798	-	-	102,668	102,668	-	-
2012	WECC		Black Hills Power/Cheyenne Light Fuel & Power	U.S.	242,570	242,570	-	-	44,076	44,076	-	-	198,493	198,493	-	-
2012	WECC		Black Hills State University South Dakota	U.S.	1,276	1,276	-	-	232	232	-	-	1,044	1,044	-	-
2012	WECC		Bonneville Power Administration	U.S.	435	435	-	-	79	79	-	-	356	356	-	-
2012	WECC		Bonneville Power Administration	U.S.	1,213	1,213	-	-	220	220	-	-	993	993	-	-
2012	WECC		Bonneville Power Administration	U.S.	49,921	49,921	-	-	9,071	9,071	-	-	40,850	40,850	-	-
2012	WECC		Bonneville Power Administration	U.S.	116,624	116,624	-	-	21,191	21,191	-	-	95,433	95,433	-	-
2012	WECC		Bonneville Power Administration	U.S.	301,247	301,247	-	-	54,738	54,738	-	-	246,509	246,509	-	-
2012	WECC		BPA - Big Bend/Schrag Load	U.S.	2,478	2,478	-	-	450	450	-	-	2,028	2,028	-	-
2012	WECC		BPA - USBR Load	U.S.	475	475	-	-	86	86	-	-	388	388	-	-
2012	WECC		Buckeye Water Conservation and Drainage District - APS	U.S.	1,333	1,333	-	-	242	242	-	-	1,091	1,091	-	-
2012	WECC		Bureau of Reclamation (Desalter) - c/o DSW EMMO	U.S.	52	52	-	-	9	9	-	-	42	42	-	-
2012	WECC		Bureau of Reclamation (Wellfield) - c/o DSW EMMO	U.S.	333	333	-	-	60	60	-	-	272	272	-	-
2012	WECC		Burlington	U.S.	2,142	2,142	-	-	389	389	-	-	1,753	1,753	-	-
2012	WECC		California Independent System Operator	U.S.	15,271,826	15,271,826	-	-	2,774,979	2,774,979	-	-	12,496,847	12,496,847	-	-
2012	WECC		Canby Public Utility Board	U.S.	11,543	11,543	-	-	2,097	2,097	-	-	9,445	9,445	-	-
2012	WECC		Central Arizona Water Conservation District	U.S.	323,357	323,357	-	-	58,756	58,756	-	-	264,602	264,602	-	-
2012	WECC		Central Electric Cooperative	U.S.	32,535	32,535	-	-	5,912	5,912	-	-	26,623	26,623	-	-
2012	WECC		Central Lincoln PUD	U.S.	87,554	87,554	-	-	15,909	15,909	-	-	71,645	71,645	-	-
2012	WECC		Central Montana Electric Power Cooperative	U.S.	23,093	23,093	-	-	4,196	4,196	-	-	18,897	18,897	-	-
2012	WECC		City of Aztec Electric Dept	U.S.	2,448	2,448	-	-	445	445	-	-	2,003	2,003	-	-
2012	WECC		City of Bandon	U.S.	4,415	4,415	-	-	802	802	-	-	3,613	3,613	-	-
2012	WECC		City of Blaine	U.S.	5,061	5,061	-	-	920	920	-	-	4,142	4,142	-	-
2012	WECC		City of Bonners Ferry	U.S.	4,519	4,519	-	-	821	821	-	-	3,698	3,698	-	-
2012	WECC		City of Boulder City	U.S.	10,895	10,895	-	-	1,980	1,980	-	-	8,915	8,915	-	-
2012	WECC		City of Cascade Locks	U.S.	1,235	1,235	-	-	224	224	-	-	1,011	1,011	-	-
2012	WECC		City of Centralia	U.S.	17,651	17,651	-	-	3,207	3,207	-	-	14,444	14,444	-	-
2012	WECC		City of Cheney	U.S.	9,361	9,361	-	-	1,701	1,701	-	-	7,660	7,660	-	-
2012	WECC		City of Chewelah	U.S.	1,550	1,550	-	-	282	282	-	-	1,268	1,268	-	-
2012	WECC		City of Drain	U.S.	1,073	1,073	-	-	195	195	-	-	878	878	-	-
2012	WECC		City of Ellensburg	U.S.	13,574	13,574	-	-	2,467	2,467	-	-	11,108	11,108	-	-
2012	WECC		City of Fallon	U.S.	7,990	7,990	-	-	1,452	1,452	-	-	6,538	6,538	-	-
2012	WECC		City of Farmington	U.S.	17,976	17,976	-	-	3,266	3,266	-	-	14,709	14,709	-	-
2012	WECC		City of Forest Grove	U.S.	15,732	15,732	-	-	2,859	2,859	-	-	12,873	12,873	-	-
2012	WECC		City of Gallup	U.S.	12,886	12,886	-	-	2,342	2,342	-	-	10,545	10,545	-	-
2012	WECC		City of Henderson	U.S.	2,761	2,761	-	-	502	502	-	-	2,259	2,259	-	-
2012	WECC		City of Hermiston, DBA Hermiston Energy Services	U.S.	6,927	6,927	-	-	1,259	1,259	-	-	5,669	5,669	-	-
2012	WECC		City of Las Vegas	U.S.	2,791	2,791	-	-	507	507	-	-	2,284	2,284	-	-

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE, RCCo, & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB & RCCo Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2012	WECC		City of McCleary	U.S.	2,036	2,036	-	-	370	370	-	-	1,666	1,666	-	-
2012	WECC		City of McMinnville	U.S.	47,671	47,671	-	-	8,662	8,662	-	-	39,009	39,009	-	-
2012	WECC		City of Mesa	U.S.	17,186	17,186	-	-	3,123	3,123	-	-	14,063	14,063	-	-
2012	WECC		City of Milton	U.S.	3,993	3,993	-	-	726	726	-	-	3,268	3,268	-	-
2012	WECC		City of Milton-Freewater	U.S.	7,048	7,048	-	-	1,281	1,281	-	-	5,767	5,767	-	-
2012	WECC		City of Monmouth	U.S.	4,648	4,648	-	-	844	844	-	-	3,803	3,803	-	-
2012	WECC		City of Needles	U.S.	2,049	2,049	-	-	372	372	-	-	1,677	1,677	-	-
2012	WECC		City of Plummer	U.S.	2,314	2,314	-	-	421	421	-	-	1,894	1,894	-	-
2012	WECC		City of Port Angeles	U.S.	47,554	47,554	-	-	8,641	8,641	-	-	38,913	38,913	-	-
2012	WECC		City of Redding	U.S.	53,128	53,128	-	-	9,654	9,654	-	-	43,474	43,474	-	-
2012	WECC		City of Richland	U.S.	56,189	56,189	-	-	10,210	10,210	-	-	45,979	45,979	-	-
2012	WECC		City of Roseville	U.S.	80,766	80,766	-	-	14,676	14,676	-	-	66,090	66,090	-	-
2012	WECC		City of Shasta Lake	U.S.	12,145	12,145	-	-	2,207	2,207	-	-	9,938	9,938	-	-
2012	WECC		City of Sumas	U.S.	1,920	1,920	-	-	349	349	-	-	1,571	1,571	-	-
2012	WECC		City of Tacoma DBA Tacoma Power	U.S.	323,742	323,742	-	-	58,826	58,826	-	-	264,916	264,916	-	-
2012	WECC		City of Troy	U.S.	1,125	1,125	-	-	204	204	-	-	921	921	-	-
2012	WECC		City of Williams	U.S.	2,613	2,613	-	-	475	475	-	-	2,138	2,138	-	-
2012	WECC		Clark County Water Resources	U.S.	5,078	5,078	-	-	923	923	-	-	4,155	4,155	-	-
2012	WECC		Clark Public Utilities	U.S.	286,641	286,641	-	-	52,084	52,084	-	-	234,557	234,557	-	-
2012	WECC		Clatskanie PUD	U.S.	63,635	63,635	-	-	11,563	11,563	-	-	52,072	52,072	-	-
2012	WECC		Clearwater Cooperative, Inc	U.S.	10,638	10,638	-	-	1,933	1,933	-	-	8,705	8,705	-	-
2012	WECC		Colorado River Commission of Nevada	U.S.	54,358	54,358	-	-	9,877	9,877	-	-	44,481	44,481	-	-
2012	WECC		Colorado Springs Utilities	U.S.	6,161	6,161	-	-	1,119	1,119	-	-	5,041	5,041	-	-
2012	WECC		Colorado Springs Utilities	U.S.	298,228	298,228	-	-	54,190	54,190	-	-	244,039	244,039	-	-
2012	WECC		Columbia Basin Electric Cooperative, Inc.	U.S.	7,203	7,203	-	-	1,309	1,309	-	-	5,894	5,894	-	-
2012	WECC		Columbia Falls Aluminum Company	U.S.	265	265	-	-	48	48	-	-	217	217	-	-
2012	WECC		Columbia Power Cooperative Association	U.S.	1,561	1,561	-	-	284	284	-	-	1,277	1,277	-	-
2012	WECC		Columbia River PUD	U.S.	19,785	19,785	-	-	3,595	3,595	-	-	16,190	16,190	-	-
2012	WECC		Columbia Rural Electric Association (REA)	U.S.	19,716	19,716	-	-	3,583	3,583	-	-	16,134	16,134	-	-
2012	WECC		Consolidated Irrigation District No. 19	U.S.	392	392	-	-	71	71	-	-	321	321	-	-
2012	WECC		Constellation New Energy, Inc.	U.S.	4,573	4,573	-	-	831	831	-	-	3,742	3,742	-	-
2012	WECC		Consumers Power, Inc.	U.S.	27,298	27,298	-	-	4,960	4,960	-	-	22,338	22,338	-	-
2012	WECC		Deseret Generation & Transmission Cooperative	U.S.	4,505	4,505	-	-	819	819	-	-	3,686	3,686	-	-
2012	WECC		Deseret Generation & Transmission Cooperative	U.S.	4,842	4,842	-	-	880	880	-	-	3,962	3,962	-	-
2012	WECC		Douglas Electric Cooperative, Inc.	U.S.	6,104	6,104	-	-	1,109	1,109	-	-	4,995	4,995	-	-
2012	WECC		Douglas Palisades	U.S.	1,196	1,196	-	-	217	217	-	-	978	978	-	-
2012	WECC		El Paso Electric Company	U.S.	546,565	546,565	-	-	99,314	99,314	-	-	447,251	447,251	-	-
2012	WECC		Electrical District #2	U.S.	12,746	12,746	-	-	2,316	2,316	-	-	10,430	10,430	-	-
2012	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	564	564	-	-	103	103	-	-	462	462	-	-
2012	WECC		Electrical District No. 6 of Pinal County - APS	U.S.	204	204	-	-	37	37	-	-	167	167	-	-
2012	WECC		Electrical District No. 7 of Maricopa County - APS	U.S.	3,600	3,600	-	-	654	654	-	-	2,946	2,946	-	-
2012	WECC		Electrical District No. 8 of Maricopa County - APS	U.S.	19,190	19,190	-	-	3,487	3,487	-	-	15,703	15,703	-	-
2012	WECC		Electrical Districts 1 & 3	U.S.	41,846	41,846	-	-	7,604	7,604	-	-	34,243	34,243	-	-
2012	WECC		Elmhurst Mutual Power & Light Company	U.S.	17,778	17,778	-	-	3,230	3,230	-	-	14,548	14,548	-	-
2012	WECC		Emerald PUD	U.S.	33,124	33,124	-	-	6,019	6,019	-	-	27,106	27,106	-	-
2012	WECC		Energy Northwest	U.S.	2,052	2,052	-	-	373	373	-	-	1,679	1,679	-	-
2012	WECC		Eugene Water & Electric Board	U.S.	160,725	160,725	-	-	29,205	29,205	-	-	131,520	131,520	-	-
2012	WECC		Fall River Rural Electric Cooperative, Inc.	U.S.	3	3	-	-	1	1	-	-	3	3	-	-
2012	WECC		Farmington Electric Utility System	U.S.	89,888	89,888	-	-	16,333	16,333	-	-	73,555	73,555	-	-
2012	WECC		Flathead Electric Cooperative, Inc	U.S.	94,539	94,539	-	-	17,178	17,178	-	-	77,361	77,361	-	-
2012	WECC		Frederickson Power LP	U.S.	346	346	-	-	63	63	-	-	283	283	-	-
2012	WECC		Grand Valley Power	U.S.	15,114	15,114	-	-	2,746	2,746	-	-	12,368	12,368	-	-
2012	WECC		Harney Electric Cooperative, Inc.	U.S.	6,295	6,295	-	-	1,144	1,144	-	-	5,152	5,152	-	-
2012	WECC		Harney Electric Cooperative, Inc.	U.S.	8,095	8,095	-	-	1,471	1,471	-	-	6,624	6,624	-	-
2012	WECC		Harquahala Valley Power Districts - APS	U.S.	5,351	5,351	-	-	972	972	-	-	4,378	4,378	-	-
2012	WECC		Hermiston Power LLC	U.S.	314	314	-	-	57	57	-	-	257	257	-	-
2012	WECC		Hood River Electric Cooperative	U.S.	2,586	2,586	-	-	470	470	-	-	2,116	2,116	-	-
2012	WECC		Idaho County Light and Power Cooperative Association, Inc	U.S.	3,667	3,667	-	-	666	666	-	-	3,001	3,001	-	-
2012	WECC		Idaho Power Company	U.S.	966,212	966,212	-	-	175,566	175,566	-	-	790,646	790,646	-	-
2012	WECC		Imperial Irrigation District	U.S.	242,166	242,166	-	-	44,003	44,003	-	-	198,163	198,163	-	-

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE, RCCo, & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB & RCCo Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2012	WECC		Inland Power and Light Company	U.S.	30,154	30,154	-	-	5,479	5,479	-	-	24,675	24,675	-	-
2012	WECC		Inland Power and Light Company	U.S.	31,151	31,151	-	-	5,660	5,660	-	-	25,490	25,490	-	-
2012	WECC		Intermountain Rural Electric Association	U.S.	58,318	58,318	-	-	10,597	10,597	-	-	47,721	47,721	-	-
2012	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	21,130	21,130	-	-	3,839	3,839	-	-	17,290	17,290	-	-
2012	WECC		Lakeview Light & Power	U.S.	17,767	17,767	-	-	3,228	3,228	-	-	14,539	14,539	-	-
2012	WECC		Lane Electric Cooperative, Inc.	U.S.	14,435	14,435	-	-	2,623	2,623	-	-	11,812	11,812	-	-
2012	WECC		Las Vegas Valley Water District	U.S.	14,241	14,241	-	-	2,588	2,588	-	-	11,653	11,653	-	-
2012	WECC		Lincoln Electric Cooperative, Inc.	U.S.	7,652	7,652	-	-	1,390	1,390	-	-	6,262	6,262	-	-
2012	WECC		Los Angeles Department of Water and Power	U.S.	1,919,668	1,919,668	-	-	348,815	348,815	-	-	1,570,853	1,570,853	-	-
2012	WECC		Lost River Electric Cooperative, Inc.	U.S.	3	3	-	-	0	0	-	-	2	2	-	-
2012	WECC		Lower Valley Energy, Inc.	U.S.	10	10	-	-	2	2	-	-	9	9	-	-
2012	WECC		Maricopa County Municipal Water Conservation Dist No. 1	U.S.	3,678	3,678	-	-	668	668	-	-	3,009	3,009	-	-
2012	WECC		McMullen Valley Water Conservation & Drainage District -)	U.S.	4,770	4,770	-	-	867	867	-	-	3,904	3,904	-	-
2012	WECC		Merced Irrigation District	U.S.	29,890	29,890	-	-	5,431	5,431	-	-	24,459	24,459	-	-
2012	WECC		Midstate Electric Cooperative, Inc.	U.S.	26,052	26,052	-	-	4,734	4,734	-	-	21,318	21,318	-	-
2012	WECC		Mission Valley Power	U.S.	25,502	25,502	-	-	4,634	4,634	-	-	20,868	20,868	-	-
2012	WECC		Modern Electric Water Company	U.S.	14,918	14,918	-	-	2,711	2,711	-	-	12,208	12,208	-	-
2012	WECC		Modesto Irrigation District	U.S.	166,918	166,918	-	-	30,330	30,330	-	-	136,588	136,588	-	-
2012	WECC		Montana-Dakota Utilities Co.	U.S.	895	895	-	-	163	163	-	-	733	733	-	-
2012	WECC		Mt. Wheeler Power	U.S.	36,341	36,341	-	-	6,603	6,603	-	-	29,738	29,738	-	-
2012	WECC		Municipal Energy Agency of Nebraska	U.S.	12,746	12,746	-	-	2,316	2,316	-	-	10,430	10,430	-	-
2012	WECC		Municipal Energy Agency of Nebraska	U.S.	42,219	42,219	-	-	7,671	7,671	-	-	34,547	34,547	-	-
2012	WECC		Navajo Agricultural Products Industry (NAPI)	U.S.	253	253	-	-	46	46	-	-	207	207	-	-
2012	WECC		Navajo Tribal Utility Authority	U.S.	2,752	2,752	-	-	500	500	-	-	2,252	2,252	-	-
2012	WECC		Navajo Tribal Utility Authority	U.S.	19,882	19,882	-	-	3,613	3,613	-	-	16,269	16,269	-	-
2012	WECC		Navopache Electric Cooperative, Inc.	U.S.	26,417	26,417	-	-	4,800	4,800	-	-	21,617	21,617	-	-
2012	WECC		Nebraska Public Power Marketing	U.S.	244	244	-	-	44	44	-	-	200	200	-	-
2012	WECC		Nespelem Valley Electric Cooperative, Inc.	U.S.	3,467	3,467	-	-	630	630	-	-	2,837	2,837	-	-
2012	WECC		Nevada Power Company dba NV Energy	U.S.	1,450,594	1,450,594	-	-	263,581	263,581	-	-	1,187,013	1,187,013	-	-
2012	WECC		Noble Americas Energy Solutions, LLC	U.S.	78,303	78,303	-	-	14,228	14,228	-	-	64,075	64,075	-	-
2012	WECC		Northern Lights, Inc.	U.S.	2,206	2,206	-	-	401	401	-	-	1,805	1,805	-	-
2012	WECC		Northern Wasco County PUD	U.S.	36,328	36,328	-	-	6,601	6,601	-	-	29,727	29,727	-	-
2012	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	19,689	19,689	-	-	3,578	3,578	-	-	16,111	16,111	-	-
2012	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	592,566	592,566	-	-	107,673	107,673	-	-	484,894	484,894	-	-
2012	WECC		Ohop Mutual Light Company	U.S.	5,455	5,455	-	-	991	991	-	-	4,464	4,464	-	-
2012	WECC		Orcas Power and Light Cooperative	U.S.	14,025	14,025	-	-	2,548	2,548	-	-	11,477	11,477	-	-
2012	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	20,872	20,872	-	-	3,793	3,793	-	-	17,079	17,079	-	-
2012	WECC		Overton Power District No. 5	U.S.	24,662	24,662	-	-	4,481	4,481	-	-	20,181	20,181	-	-
2012	WECC		PacifiCorp	U.S.	128	128	-	-	23	23	-	-	105	105	-	-
2012	WECC		PacifiCorp	U.S.	178	178	-	-	32	32	-	-	145	145	-	-
2012	WECC		PacifiCorp	U.S.	3,927	3,927	-	-	714	714	-	-	3,214	3,214	-	-
2012	WECC		PacifiCorp	U.S.	7,614	7,614	-	-	1,383	1,383	-	-	6,230	6,230	-	-
2012	WECC		PacifiCorp	U.S.	3,219,370	3,219,370	-	-	584,978	584,978	-	-	2,634,392	2,634,392	-	-
2012	WECC		PacifiCorp West (PACW)	U.S.	1,362,955	1,362,955	-	-	247,657	247,657	-	-	1,115,298	1,115,298	-	-
2012	WECC		Page Electric Utility	U.S.	715	715	-	-	130	130	-	-	585	585	-	-
2012	WECC		Parkland Light and Water Company	U.S.	7,833	7,833	-	-	1,423	1,423	-	-	6,410	6,410	-	-
2012	WECC		Pend Oreille County PUD No. 1	U.S.	67,746	67,746	-	-	12,310	12,310	-	-	55,436	55,436	-	-
2012	WECC		Peninsula Light Company, Inc.	U.S.	39,516	39,516	-	-	7,180	7,180	-	-	32,336	32,336	-	-
2012	WECC		Platte River Power Authority	U.S.	211,181	211,181	-	-	38,373	38,373	-	-	172,808	172,808	-	-
2012	WECC		Port of Seattle - Seattle-Tacoma International Airport	U.S.	9,407	9,407	-	-	1,709	1,709	-	-	7,698	7,698	-	-
2012	WECC		Port Townsend Paper Corporation	U.S.	13,343	13,343	-	-	2,425	2,425	-	-	10,919	10,919	-	-
2012	WECC		Portland General Electric Company	U.S.	2,953	2,953	-	-	537	537	-	-	2,417	2,417	-	-
2012	WECC		Portland General Electric Company	U.S.	1,216,720	1,216,720	-	-	221,085	221,085	-	-	995,635	995,635	-	-
2012	WECC		Public Service Company of Colorado (Xcel)	U.S.	2,296	2,296	-	-	417	417	-	-	1,879	1,879	-	-
2012	WECC		Public Service Company of Colorado (Xcel)	U.S.	2,027,520	2,027,520	-	-	368,412	368,412	-	-	1,659,108	1,659,108	-	-
2012	WECC		Public Service Company of New Mexico	U.S.	701,280	701,280	-	-	127,427	127,427	-	-	573,854	573,854	-	-
2012	WECC		Public Utility District No. 1 of Chelan County	U.S.	258,774	258,774	-	-	47,021	47,021	-	-	211,754	211,754	-	-
2012	WECC		PUD No. 1 of Asotin County	U.S.	20	20	-	-	4	4	-	-	16	16	-	-
2012	WECC		PUD No. 1 of Asotin County	U.S.	317	317	-	-	58	58	-	-	259	259	-	-
2012	WECC		PUD No. 1 of Benton County	U.S.	110,421	110,421	-	-	20,064	20,064	-	-	90,357	90,357	-	-

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE, RCo, & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB & RCo Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2012	WECC		PUD No. 1 of Clallam County	U.S.	44,477	44,477	-	-	8,082	8,082	-	-	36,396	36,396	-	-
2012	WECC		PUD No. 1 of Cowlitz County	U.S.	337,744	337,744	-	-	61,370	61,370	-	-	276,374	276,374	-	-
2012	WECC		PUD No. 1 of Douglas County	U.S.	495	495	-	-	90	90	-	-	405	405	-	-
2012	WECC		PUD No. 1 of Douglas County	U.S.	93,313	93,313	-	-	16,956	16,956	-	-	76,358	76,358	-	-
2012	WECC		PUD No. 1 of Ferry County	U.S.	6,911	6,911	-	-	1,256	1,256	-	-	5,655	5,655	-	-
2012	WECC		PUD No. 1 of Franklin County	U.S.	66,241	66,241	-	-	12,036	12,036	-	-	54,204	54,204	-	-
2012	WECC		PUD No. 1 of Grays Harbor	U.S.	79,087	79,087	-	-	14,371	14,371	-	-	64,716	64,716	-	-
2012	WECC		PUD No. 1 of Kittitas County	U.S.	1,066	1,066	-	-	194	194	-	-	873	873	-	-
2012	WECC		PUD No. 1 of Kittitas County	U.S.	4,732	4,732	-	-	860	860	-	-	3,872	3,872	-	-
2012	WECC		PUD No. 1 of Klickitat County	U.S.	18,293	18,293	-	-	3,324	3,324	-	-	14,969	14,969	-	-
2012	WECC		PUD No. 1 of Lewis County	U.S.	60,705	60,705	-	-	11,031	11,031	-	-	49,675	49,675	-	-
2012	WECC		PUD No. 1 of Mason County	U.S.	5,132	5,132	-	-	933	933	-	-	4,200	4,200	-	-
2012	WECC		PUD No. 1 of Skamania County	U.S.	8,651	8,651	-	-	1,572	1,572	-	-	7,079	7,079	-	-
2012	WECC		PUD No. 1 of Snohomish County	U.S.	443,041	443,041	-	-	80,503	80,503	-	-	362,538	362,538	-	-
2012	WECC		PUD No. 1 of Wahkiakum County	U.S.	2,871	2,871	-	-	522	522	-	-	2,350	2,350	-	-
2012	WECC		PUD No. 1 of Whatcom County	U.S.	347	347	-	-	63	63	-	-	284	284	-	-
2012	WECC		PUD No. 1 of Whatcom County	U.S.	12,969	12,969	-	-	2,357	2,357	-	-	10,612	10,612	-	-
2012	WECC		PUD No. 2 of Grant County	U.S.	3,147	3,147	-	-	572	572	-	-	2,575	2,575	-	-
2012	WECC		PUD No. 2 of Grant County	U.S.	5,893	5,893	-	-	1,071	1,071	-	-	4,822	4,822	-	-
2012	WECC		PUD No. 2 of Grant County	U.S.	249,937	249,937	-	-	45,415	45,415	-	-	204,522	204,522	-	-
2012	WECC		PUD No. 2 of Pacific County	U.S.	19,758	19,758	-	-	3,590	3,590	-	-	16,168	16,168	-	-
2012	WECC		PUD No. 3 of Mason County	U.S.	45,557	45,557	-	-	8,278	8,278	-	-	37,279	37,279	-	-
2012	WECC		Puget Sound Energy, Inc.	U.S.	1,584,519	1,584,519	-	-	287,916	287,916	-	-	1,296,603	1,296,603	-	-
2012	WECC		Raft River Electric Cooperative	U.S.	6	6	-	-	1	1	-	-	5	5	-	-
2012	WECC		Roosevelt Irrigation District - APS	U.S.	2,680	2,680	-	-	487	487	-	-	2,193	2,193	-	-
2012	WECC		Sacramento Municipal Utility District	U.S.	731,528	731,528	-	-	132,923	132,923	-	-	598,605	598,605	-	-
2012	WECC		Salem Electric	U.S.	21,037	21,037	-	-	3,823	3,823	-	-	17,214	17,214	-	-
2012	WECC		Salt River Project	U.S.	1,856,951	1,856,951	-	-	337,419	337,419	-	-	1,519,532	1,519,532	-	-
2012	WECC		San Carlos Indian Irrigation Project	U.S.	4	4	-	-	1	1	-	-	3	3	-	-
2012	WECC		Seattle City Light	U.S.	655,318	655,318	-	-	119,075	119,075	-	-	536,243	536,243	-	-
2012	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	588,259	588,259	-	-	106,890	106,890	-	-	481,369	481,369	-	-
2012	WECC		Southern Montana Electric Generation & Transmission	U.S.	40,888	40,888	-	-	7,430	7,430	-	-	33,458	33,458	-	-
2012	WECC		Southern Nevada Water Authority	U.S.	44,193	44,193	-	-	8,030	8,030	-	-	36,163	36,163	-	-
2012	WECC		Southwest Transmission Cooperative, Inc.	U.S.	170,836	170,836	-	-	31,042	31,042	-	-	139,795	139,795	-	-
2012	WECC		Springfield Utility Board	U.S.	54,714	54,714	-	-	9,942	9,942	-	-	44,772	44,772	-	-
2012	WECC		Surprise Valley Electrification Corporation	U.S.	2,492	2,492	-	-	453	453	-	-	2,039	2,039	-	-
2012	WECC		Tanner Electric Cooperative	U.S.	6,195	6,195	-	-	1,126	1,126	-	-	5,069	5,069	-	-
2012	WECC		The Incorporated County of Los Alamos	U.S.	24,979	24,979	-	-	4,539	4,539	-	-	20,440	20,440	-	-
2012	WECC		Tillamook People's Utility District	U.S.	24,215	24,215	-	-	4,400	4,400	-	-	19,815	19,815	-	-
2012	WECC		Tohono O'Odham Utility Authority	U.S.	4,414	4,414	-	-	802	802	-	-	3,612	3,612	-	-
2012	WECC		Tonopah Irrigation District - APS	U.S.	1,705	1,705	-	-	310	310	-	-	1,395	1,395	-	-
2012	WECC		Town of Fredonia	U.S.	51	51	-	-	9	9	-	-	41	41	-	-
2012	WECC		Town of Steilacoom	U.S.	2,691	2,691	-	-	489	489	-	-	2,202	2,202	-	-
2012	WECC		Town of Wickenburg	U.S.	1,774	1,774	-	-	322	322	-	-	1,451	1,451	-	-
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	1,418	1,418	-	-	258	258	-	-	1,160	1,160	-	-
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	137,853	137,853	-	-	25,049	25,049	-	-	112,804	112,804	-	-
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	490,179	490,179	-	-	89,068	89,068	-	-	401,111	401,111	-	-
2012	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	180,576	180,576	-	-	32,812	32,812	-	-	147,765	147,765	-	-
2012	WECC		Truckee Donner Public Utility District	U.S.	9,674	9,674	-	-	1,758	1,758	-	-	7,916	7,916	-	-
2012	WECC		Tucson Electric Power Company	U.S.	921,316	921,316	-	-	167,408	167,408	-	-	753,908	753,908	-	-
2012	WECC		Turlock Irrigation District	U.S.	137,489	137,489	-	-	24,983	24,983	-	-	112,507	112,507	-	-
2012	WECC		U.S. Army Yuma Proving Ground	U.S.	1,350	1,350	-	-	245	245	-	-	1,105	1,105	-	-
2012	WECC		U.S. BOR Columbia Basin	U.S.	1,982	1,982	-	-	360	360	-	-	1,622	1,622	-	-
2012	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	215	215	-	-	39	39	-	-	176	176	-	-
2012	WECC		U.S. Bor Spokane Indian Development`	U.S.	203	203	-	-	37	37	-	-	166	166	-	-
2012	WECC		U.S. BOR The Dalles Project	U.S.	1,184	1,184	-	-	215	215	-	-	969	969	-	-
2012	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	296	296	-	-	54	54	-	-	243	243	-	-
2012	WECC		Umatilla Electric Cooperative Association	U.S.	66,456	66,456	-	-	12,075	12,075	-	-	54,381	54,381	-	-
2012	WECC		Unit B Irrigation District	U.S.	1	1	-	-	0	0	-	-	1	1	-	-
2012	WECC		US Air Force Base, Fairchild	U.S.	3,269	3,269	-	-	594	594	-	-	2,675	2,675	-	-

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE, RCCo, & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB & RCCo Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2012	WECC		US Dept of Energy - Kirtland AFB	U.S.	27,671	27,671	-	-	5,028	5,028	-	-	22,643	22,643	-	-
2012	WECC		USDOE Richland	U.S.	11,868	11,868	-	-	2,156	2,156	-	-	9,712	9,712	-	-
2012	WECC		USN Naval Station, Bremerton	U.S.	17,852	17,852	-	-	3,244	3,244	-	-	14,608	14,608	-	-
2012	WECC		USN Naval Station, Everett	U.S.	680	680	-	-	124	124	-	-	556	556	-	-
2012	WECC		USN Submarine Base, Bangor	U.S.	11,374	11,374	-	-	2,067	2,067	-	-	9,308	9,308	-	-
2012	WECC		Valley Electric Association, Inc.	U.S.	30,802	30,802	-	-	5,597	5,597	-	-	25,205	25,205	-	-
2012	WECC		Vera Water and Power	U.S.	14,970	14,970	-	-	2,720	2,720	-	-	12,250	12,250	-	-
2012	WECC		Vigilante Electric Cooperative, Inc.	U.S.	1,028	1,028	-	-	187	187	-	-	842	842	-	-
2012	WECC		Wasco Electric Cooperative	U.S.	6,169	6,169	-	-	1,121	1,121	-	-	5,048	5,048	-	-
2012	WECC		Wells Rural Electric Cooperative	U.S.	43,419	43,419	-	-	7,889	7,889	-	-	35,529	35,529	-	-
2012	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	464	464	-	-	84	84	-	-	380	380	-	-
2012	WECC		West Oregon Electric Cooperative, Inc.	U.S.	827	827	-	-	150	150	-	-	677	677	-	-
2012	WECC		Western Area Power - Loveland, CO	U.S.	15,611	15,611	-	-	2,837	2,837	-	-	12,774	12,774	-	-
2012	WECC		Western Area Power - Loveland, CO	U.S.	103,524	103,524	-	-	18,811	18,811	-	-	84,713	84,713	-	-
2012	WECC		Western Area Power Administration - CRSP	U.S.	88,983	88,983	-	-	16,169	16,169	-	-	72,814	72,814	-	-
2012	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	101,360	101,360	-	-	18,418	18,418	-	-	82,943	82,943	-	-
2012	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	140,570	140,570	-	-	25,542	25,542	-	-	115,028	115,028	-	-
2012	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	485	485	-	-	88	88	-	-	397	397	-	-
2012	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	15,046	15,046	-	-	2,734	2,734	-	-	12,312	12,312	-	-
2012	WECC		Yakama Power	U.S.	1,423	1,423	-	-	259	259	-	-	1,165	1,165	-	-
2012	WECC		Yampa Valley Electric Association	U.S.	37,637	37,637	-	-	6,839	6,839	-	-	30,798	30,798	-	-
2012	WECC		Yuma Irrigation District	U.S.	211	211	-	-	38	38	-	-	173	173	-	-
2012	WECC		Yuma-Mesa Irrigation District	U.S.	12	12	-	-	2	2	-	-	9	9	-	-
TOTAL WECC					55,784,902	47,841,641	7,140,680	802,582	9,997,611	8,693,102	1,166,394	138,116	45,787,291	39,148,539	5,974,286	664,466
TOTAL ERO					173,652,769	155,755,294	17,094,893	802,582	51,401,382	46,708,699	4,554,567	138,116	122,251,387	109,046,595	12,540,326	664,466
Summary by Regional Entity																
2012	FRCC				8,097,871	8,097,871	-	-	2,609,814	2,609,814	-	-	5,488,057	5,488,057	-	-
2012	MRO				12,109,471	10,172,705	1,936,766	-	3,368,027	2,833,341	534,686	-	8,741,444	7,339,364	1,402,080	-
2012	NPCC				19,905,829	11,888,382	8,017,447	-	6,293,948	3,440,461	2,853,487	-	13,611,881	8,447,921	5,163,960	-
2012	RFC				25,828,414	25,828,414	-	-	10,668,630	10,668,630	-	-	15,159,784	15,159,784	-	-
2012	SERC				25,781,663	25,781,663	-	-	12,047,164	12,047,164	-	-	13,734,499	13,734,499	-	-
2012	SPP				11,793,514	11,793,514	-	-	2,574,391	2,574,391	-	-	9,219,123	9,219,123	-	-
2012	TRE				14,351,105	14,351,105	-	-	3,841,797	3,841,797	-	-	10,509,308	10,509,308	-	-
2012	WECC				55,784,902	47,841,641	7,140,680	802,582	9,997,611	8,693,102	1,166,394	138,116	45,787,291	39,148,539	5,974,286	664,466
Total					173,652,769	155,755,294	17,094,893	802,582	51,401,382	46,708,699	4,554,567	138,116	122,251,387	109,046,595	12,540,326	664,466

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

APPENDIX 2-C

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total	
2012	SERC	1304	French Broad EMC	U.S.		6,180	6,180	-	-	6,035	6,035	-	-	(38)	(38)	184	184		
2012	SERC	1305	Georgia Power Company	U.S.		1,009,446	1,009,446	-	-	985,616	985,616	-	-	(6,267)	(6,267)	30,098	30,098		
2012	SERC	1306	Georgia System Optns Corporation	U.S.		444,369	444,369	-	-	433,878	433,878	-	-	(2,759)	(2,759)	13,249	13,249		
2012	SERC	1479	Greenwood (MS) Utilities Commission	U.S.		3,376	3,376	-	-	3,296	3,296	-	-	(21)	(21)	101	101		
2012	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.		3,195	3,195	-	-	3,120	3,120	-	-	(20)	(20)	95	95		
2012	SERC	1308	Gulf Power Company	U.S.		133,012	133,012	-	-	129,872	129,872	-	-	(826)	(826)	3,966	3,966		
2012	SERC	1586	Haywood EMC	U.S.		3,446	3,446	-	-	3,365	3,365	-	-	(21)	(21)	103	103		
2012	SERC	1309	Illinois Municipal Electric Agency	U.S.		22,803	22,803	-	-	22,265	22,265	-	-	(142)	(142)	680	680		
2012	SERC	1480	Itta Bena, MS	U.S.		189	189	-	-	185	185	-	-	(1)	(1)	6	6		
2012	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.		3,217	3,217	-	-	3,141	3,141	-	-	(20)	(20)	96	96		
2012	SERC	1617	Kentucky Municipal Power	U.S.		8,827	8,827	-	-	8,619	8,619	-	-	(55)	(55)	263	263		
2012	SERC	1481	Kosciusko, MS	U.S.		890	890	-	-	869	869	-	-	(6)	(6)	27	27		
2012	SERC	1482	Leland, MS	U.S.		394	394	-	-	385	385	-	-	(2)	(2)	12	12		
2012	SERC	1313	McCormick Commission of Public Works	U.S.		241	241	-	-	236	236	-	-	(1)	(1)	7	7		
2012	SERC	1314	Mississippi Power Company	U.S.		155,407	155,407	-	-	151,738	151,738	-	-	(965)	(965)	4,634	4,634		
2012	SERC	1630	Mt. Carmel Public Utility	U.S.		1,309	1,309	-	-	1,278	1,278	-	-	(8)	(8)	39	39		
2012	SERC	1315	Municipal Electric Authority of Georgia	U.S.		128,052	128,052	-	-	125,029	125,029	-	-	(795)	(795)	3,818	3,818		
2012	SERC	1316	N.C. Electric Membership Corp.	U.S.		142,342	142,342	-	-	138,981	138,981	-	-	(884)	(884)	4,244	4,244		
2012	SERC	1317	North Carolina Eastern Municipal Power Agency	U.S.		87,414	87,414	-	-	85,350	85,350	-	-	(543)	(543)	2,606	2,606		
2012	SERC	1318	North Carolina Municipal Power Agency #1	U.S.		55,665	55,665	-	-	54,351	54,351	-	-	(346)	(346)	1,660	1,660		
2012	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.		3,839	3,839	-	-	3,748	3,748	-	-	(24)	(24)	114	114		
2012	SERC	1574	Northern Virginia Electric Cooperative	U.S.		46,145	46,145	-	-	45,056	45,056	-	-	(286)	(286)	1,376	1,376		
2012	SERC	1319	Old Dominion Electric Cooperative	U.S.		69,380	69,380	-	-	67,743	67,743	-	-	(431)	(431)	2,069	2,069		
2012	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.		2,123	2,123	-	-	2,073	2,073	-	-	(13)	(13)	63	63		
2012	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.		10,927	10,927	-	-	10,669	10,669	-	-	(68)	(68)	326	326		
2012	SERC	1322	Piedmont EMC in Duke and Progress Areas	U.S.		5,803	5,803	-	-	5,666	5,666	-	-	(36)	(36)	173	173		
2012	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.		27,012	27,012	-	-	26,375	26,375	-	-	(168)	(168)	805	805		
2012	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.		3,153	3,153	-	-	3,079	3,079	-	-	(20)	(20)	94	94		
2012	SERC	1266	PowerSouth Energy	U.S.		94,312	94,312	-	-	92,085	92,085	-	-	(586)	(586)	2,812	2,812		
2012	SERC	1330	Prairie Power, Inc.	U.S.		18,224	18,224	-	-	17,794	17,794	-	-	(113)	(113)	543	543		
2012	SERC	1324	Progress Energy Carolinas	U.S.		533,933	533,933	-	-	521,328	521,328	-	-	(3,315)	(3,315)	15,920	15,920		
2012	SERC	1325	Rutherford EMC	U.S.		14,929	14,929	-	-	14,576	14,576	-	-	(93)	(93)	445	445		
2012	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.		20,905	20,905	-	-	20,411	20,411	-	-	(130)	(130)	623	623		
2012	SERC	1326	South Carolina Electric & Gas Company	U.S.		265,171	265,171	-	-	258,911	258,911	-	-	(1,646)	(1,646)	7,906	7,906		
2012	SERC	1327	South Carolina Public Service Authority	U.S.		132,383	132,383	-	-	129,258	129,258	-	-	(822)	(822)	3,947	3,947		
2012	SERC	1590	South Louisiana Electric Cooperative Association	U.S.		7,433	7,433	-	-	7,257	7,257	-	-	(46)	(46)	222	222		
2012	SERC	1328	South Mississippi Electric Power Association	U.S.		118,418	118,418	-	-	115,623	115,623	-	-	(735)	(735)	3,531	3,531		
2012	SERC	1329	Southern Illinois Power Cooperative	U.S.		17,840	17,840	-	-	17,419	17,419	-	-	(111)	(111)	532	532		
2012	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.		29,903	29,903	-	-	29,197	29,197	-	-	(186)	(186)	892	892		
2012	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.		5,347	5,347	-	-	5,221	5,221	-	-	(33)	(33)	159	159		
2012	SERC	1331	Tennessee Valley Authority	U.S.		1,979,175	1,979,175	-	-	1,932,452	1,932,452	-	-	(12,288)	(12,288)	59,011	59,011		
2012	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.		2,228	2,228	-	-	2,175	2,175	-	-	(14)	(14)	66	66		
2012	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.		1,488	1,488	-	-	1,453	1,453	-	-	(9)	(9)	44	44		
2012	SERC	1592	Town of Black Creek, N.C.	U.S.		153	153	-	-	149	149	-	-	(1)	(1)	5	5		
2012	SERC	1593	Town of Lucama, N.C.	U.S.		245	245	-	-	239	239	-	-	(2)	(2)	7	7		
2012	SERC	1594	Town of Sharpsburg, N.C.	U.S.		229	229	-	-	223	223	-	-	(1)	(1)	7	7		
2012	SERC	1595	Town of Stantonsburg, N.C.	U.S.		272	272	-	-	266	266	-	-	(2)	(2)	8	8		
2012	SERC	1333	Town of Waynesville NC	U.S.		1,116	1,116	-	-	1,089	1,089	-	-	(7)	(7)	33	33		
2012	SERC	1334	Town of Wintnsboro SC	U.S.		587	587	-	-	573	573	-	-	(4)	(4)	18	18		
2012	SERC	1335	Town of Winterville NC	U.S.		612	612	-	-	597	597	-	-	(4)	(4)	18	18		

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2012	WECC		City of Hermiston, DBA Hermiston Energy Services	U.S.	1,259	1,259	-	-	1,229	1,229	-	-	(8)	(8)	38	38	-	-
2012	WECC		City of Las Vegas	U.S.	507	507	-	-	495	495	-	-	(3)	(3)	15	15	-	-
2012	WECC		City of McCleary	U.S.	370	370	-	-	361	361	-	-	(2)	(2)	11	11	-	-
2012	WECC		City of McMinnville	U.S.	8,662	8,662	-	-	8,458	8,458	-	-	(54)	(54)	258	258	-	-
2012	WECC		City of Mesa	U.S.	3,123	3,123	-	-	3,049	3,049	-	-	(19)	(19)	93	93	-	-
2012	WECC		City of Milton	U.S.	726	726	-	-	708	708	-	-	(5)	(5)	22	22	-	-
2012	WECC		City of Milton-Freewater	U.S.	1,281	1,281	-	-	1,250	1,250	-	-	(8)	(8)	38	38	-	-
2012	WECC		City of Monmouth	U.S.	844	844	-	-	825	825	-	-	(5)	(5)	25	25	-	-
2012	WECC		City of Needles	U.S.	372	372	-	-	364	364	-	-	(2)	(2)	11	11	-	-
2012	WECC		City of Plummer	U.S.	421	421	-	-	411	411	-	-	(3)	(3)	13	13	-	-
2012	WECC		City of Port Angeles	U.S.	8,641	8,641	-	-	8,437	8,437	-	-	(54)	(54)	258	258	-	-
2012	WECC		City of Redding	U.S.	9,654	9,654	-	-	9,426	9,426	-	-	(60)	(60)	288	288	-	-
2012	WECC		City of Richland	U.S.	10,210	10,210	-	-	9,969	9,969	-	-	(63)	(63)	304	304	-	-
2012	WECC		City of Roseville	U.S.	14,676	14,676	-	-	14,329	14,329	-	-	(91)	(91)	438	438	-	-
2012	WECC		City of Shasta Lake	U.S.	2,207	2,207	-	-	2,155	2,155	-	-	(14)	(14)	66	66	-	-
2012	WECC		City of Sumas	U.S.	349	349	-	-	341	341	-	-	(2)	(2)	10	10	-	-
2012	WECC		City of Tacoma DBA Tacoma Power	U.S.	58,826	58,826	-	-	57,437	57,437	-	-	(365)	(365)	1,754	1,754	-	-
2012	WECC		City of Troy	U.S.	204	204	-	-	200	200	-	-	(1)	(1)	6	6	-	-
2012	WECC		City of Williams	U.S.	475	475	-	-	464	464	-	-	(3)	(3)	14	14	-	-
2012	WECC		Clark County Water Resources	U.S.	923	923	-	-	901	901	-	-	(6)	(6)	28	28	-	-
2012	WECC		Clark Public Utilities	U.S.	52,084	52,084	-	-	50,855	50,855	-	-	(323)	(323)	1,553	1,553	-	-
2012	WECC		Clatskanie PUD	U.S.	11,563	11,563	-	-	11,290	11,290	-	-	(72)	(72)	345	345	-	-
2012	WECC		Clearwater Cooperative, Inc.	U.S.	1,933	1,933	-	-	1,887	1,887	-	-	(12)	(12)	58	58	-	-
2012	WECC		Colorado River Commission of Nevada	U.S.	9,877	9,877	-	-	9,644	9,644	-	-	(61)	(61)	294	294	-	-
2012	WECC		Colorado Springs Utilities	U.S.	1,119	1,119	-	-	1,093	1,093	-	-	(7)	(7)	33	33	-	-
2012	WECC		Colorado Springs Utilities	U.S.	54,190	54,190	-	-	52,911	52,911	-	-	(336)	(336)	1,616	1,616	-	-
2012	WECC		Columbia Basin Electric Cooperative, Inc.	U.S.	1,309	1,309	-	-	1,278	1,278	-	-	(8)	(8)	39	39	-	-
2012	WECC		Columbia Falls Aluminum Company	U.S.	48	48	-	-	47	47	-	-	(0)	(0)	1	1	-	-
2012	WECC		Columbia Power Cooperative Association	U.S.	284	284	-	-	277	277	-	-	(2)	(2)	8	8	-	-
2012	WECC		Columbia River PUD	U.S.	3,595	3,595	-	-	3,510	3,510	-	-	(22)	(22)	107	107	-	-
2012	WECC		Columbia Rural Electric Association (REA)	U.S.	3,583	3,583	-	-	3,498	3,498	-	-	(22)	(22)	107	107	-	-
2012	WECC		Consolidated Irrigation District No. 19	U.S.	71	71	-	-	70	70	-	-	(0)	(0)	2	2	-	-
2012	WECC		Constellation New Energy, Inc.	U.S.	831	831	-	-	811	811	-	-	(5)	(5)	25	25	-	-
2012	WECC		Consumers Power, Inc.	U.S.	4,960	4,960	-	-	4,843	4,843	-	-	(31)	(31)	148	148	-	-
2012	WECC		Deseret Generation & Transmission Cooperative	U.S.	819	819	-	-	799	799	-	-	(5)	(5)	24	24	-	-
2012	WECC		Deseret Generation & Transmission Cooperative	U.S.	880	880	-	-	859	859	-	-	(5)	(5)	26	26	-	-
2012	WECC		Douglas Electric Cooperative, Inc.	U.S.	1,109	1,109	-	-	1,083	1,083	-	-	(7)	(7)	33	33	-	-
2012	WECC		Douglas Palisades	U.S.	217	217	-	-	212	212	-	-	(1)	(1)	6	6	-	-
2012	WECC		El Paso Electric Company	U.S.	99,314	99,314	-	-	96,969	96,969	-	-	(617)	(617)	2,961	2,961	-	-
2012	WECC		Electrical District #2	U.S.	2,316	2,316	-	-	2,261	2,261	-	-	(14)	(14)	69	69	-	-
2012	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	103	103	-	-	100	100	-	-	(1)	(1)	3	3	-	-
2012	WECC		Electrical District No. 6 of Pinal County - APS	U.S.	37	37	-	-	36	36	-	-	(0)	(0)	1	1	-	-
2012	WECC		Electrical District No. 7 of Maricopa County - APS	U.S.	654	654	-	-	639	639	-	-	(4)	(4)	20	20	-	-
2012	WECC		Electrical District No. 8 of Maricopa County - APS	U.S.	3,487	3,487	-	-	3,405	3,405	-	-	(22)	(22)	104	104	-	-
2012	WECC		Electrical Districts 1 & 3	U.S.	7,604	7,604	-	-	7,424	7,424	-	-	(47)	(47)	227	227	-	-
2012	WECC		Elmhurst Mutual Power & Light Company	U.S.	3,230	3,230	-	-	3,154	3,154	-	-	(20)	(20)	96	96	-	-
2012	WECC		Emerald PUD	U.S.	6,019	6,019	-	-	5,877	5,877	-	-	(37)	(37)	179	179	-	-
2012	WECC		Energy Northwest	U.S.	373	373	-	-	364	364	-	-	(2)	(2)	11	11	-	-
2012	WECC		Eugene Water & Electric Board	U.S.	29,205	29,205	-	-	28,515	28,515	-	-	(181)	(181)	871	871	-	-
2012	WECC		Fall River Rural Electric Cooperative, Inc.	U.S.	1	1	-	-	1	1	-	-	(0)	(0)	0	0	-	-
2012	WECC		Farmington Electric Utility System	U.S.	16,333	16,333	-	-	15,948	15,948	-	-	(101)	(101)	487	487	-	-
2012	WECC		Flathead Electric Cooperative, Inc	U.S.	17,178	17,178	-	-	16,773	16,773	-	-	(107)	(107)	512	512	-	-
2012	WECC		Frederickson Power LP	U.S.	63	63	-	-	61	61	-	-	(0)	(0)	2	2	-	-
2012	WECC		Grand Valley Power	U.S.	2,746	2,746	-	-	2,681	2,681	-	-	(17)	(17)	82	82	-	-
2012	WECC		Harney Electric Cooperative, Inc.	U.S.	1,144	1,144	-	-	1,117	1,117	-	-	(7)	(7)	34	34	-	-
2012	WECC		Harney Electric Cooperative, Inc.	U.S.	1,471	1,471	-	-	1,436	1,436	-	-	(9)	(9)	44	44	-	-
2012	WECC		Harquahala Valley Power Districts - APS	U.S.	972	972	-	-	949	949	-	-	(6)	(6)	29	29	-	-
2012	WECC		Hermiston Power LLC	U.S.	57	57	-	-	56	56	-	-	(0)	(0)	2	2	-	-
2012	WECC		Hood River Electric Cooperative	U.S.	470	470	-	-	459	459	-	-	(3)	(3)	14	14	-	-
2012	WECC		Idaho County Light and Power Cooperative Association, Inc.	U.S.	666	666	-	-	651	651	-	-	(4)	(4)	20	20	-	-

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2012	WECC		Idaho Power Company	U.S.	175,566	175,566	-	-	171,422	171,422	-	-	(1,090)	(1,090)	5,235	5,235	-	-
2012	WECC		Imperial Irrigation District	U.S.	44,003	44,003	-	-	42,964	42,964	-	-	(273)	(273)	1,312	1,312	-	-
2012	WECC		Inland Power and Light Company	U.S.	5,479	5,479	-	-	5,350	5,350	-	-	(34)	(34)	163	163	-	-
2012	WECC		Inland Power and Light Company	U.S.	5,660	5,660	-	-	5,527	5,527	-	-	(35)	(35)	169	169	-	-
2012	WECC		Intermountain Rural Electric Association	U.S.	10,597	10,597	-	-	10,346	10,346	-	-	(66)	(66)	316	316	-	-
2012	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	3,839	3,839	-	-	3,749	3,749	-	-	(24)	(24)	114	114	-	-
2012	WECC		Lakeview Light & Power	U.S.	3,228	3,228	-	-	3,152	3,152	-	-	(20)	(20)	96	96	-	-
2012	WECC		Lane Electric Cooperative, Inc.	U.S.	2,623	2,623	-	-	2,561	2,561	-	-	(16)	(16)	78	78	-	-
2012	WECC		Las Vegas Valley Water District	U.S.	2,588	2,588	-	-	2,527	2,527	-	-	(16)	(16)	77	77	-	-
2012	WECC		Lincoln Electric Cooperative, Inc.	U.S.	1,390	1,390	-	-	1,358	1,358	-	-	(9)	(9)	41	41	-	-
2012	WECC		Los Angeles Department of Water and Power	U.S.	348,815	348,815	-	-	340,580	340,580	-	-	(2,166)	(2,166)	10,400	10,400	-	-
2012	WECC		Lost River Electric Cooperative, Inc.	U.S.	0	0	-	-	0	0	-	-	(0)	(0)	0	0	-	-
2012	WECC		Lower Valley Energy, Inc.	U.S.	2	2	-	-	2	2	-	-	(0)	(0)	0	0	-	-
2012	WECC		Maricopa County Municipal Water Conservation Dist No. 1 - /	U.S.	668	668	-	-	652	652	-	-	(4)	(4)	20	20	-	-
2012	WECC		McMullen Valley Water Conservation & Drainage District - AP	U.S.	867	867	-	-	846	846	-	-	(5)	(5)	26	26	-	-
2012	WECC		Merced Irrigation District	U.S.	5,431	5,431	-	-	5,303	5,303	-	-	(34)	(34)	162	162	-	-
2012	WECC		Midstate Electric Cooperative, Inc.	U.S.	4,734	4,734	-	-	4,622	4,622	-	-	(29)	(29)	141	141	-	-
2012	WECC		Mission Valley Power	U.S.	4,634	4,634	-	-	4,524	4,524	-	-	(29)	(29)	138	138	-	-
2012	WECC		Modern Electric Water Company	U.S.	2,711	2,711	-	-	2,647	2,647	-	-	(17)	(17)	81	81	-	-
2012	WECC		Modesto Irrigation District	U.S.	30,330	30,330	-	-	29,614	29,614	-	-	(188)	(188)	904	904	-	-
2012	WECC		Montana-Dakota Utilities Co.	U.S.	163	163	-	-	159	159	-	-	(1)	(1)	5	5	-	-
2012	WECC		Mt. Wheeler Power	U.S.	6,603	6,603	-	-	6,447	6,447	-	-	(41)	(41)	197	197	-	-
2012	WECC		Municipal Energy Agency of Nebraska	U.S.	2,316	2,316	-	-	2,261	2,261	-	-	(14)	(14)	69	69	-	-
2012	WECC		Municipal Energy Agency of Nebraska	U.S.	7,671	7,671	-	-	7,490	7,490	-	-	(48)	(48)	229	229	-	-
2012	WECC		Navajo Agricultural Products Industry (NAPI)	U.S.	46	46	-	-	45	45	-	-	(0)	(0)	1	1	-	-
2012	WECC		Navajo Tribal Utility Authority	U.S.	500	500	-	-	488	488	-	-	(3)	(3)	15	15	-	-
2012	WECC		Navajo Tribal Utility Authority	U.S.	3,613	3,613	-	-	3,527	3,527	-	-	(22)	(22)	108	108	-	-
2012	WECC		Navopache Electric Cooperative, Inc.	U.S.	4,800	4,800	-	-	4,687	4,687	-	-	(30)	(30)	143	143	-	-
2012	WECC		Nebraska Public Power Marketing	U.S.	44	44	-	-	43	43	-	-	(0)	(0)	1	1	-	-
2012	WECC		Nespelem Valley Electric Cooperative, Inc.	U.S.	630	630	-	-	615	615	-	-	(4)	(4)	19	19	-	-
2012	WECC		Nevada Power Company dba NV Energy	U.S.	263,581	263,581	-	-	257,359	257,359	-	-	(1,636)	(1,636)	7,859	7,859	-	-
2012	WECC		Noble Americas Energy Solutions, LLC	U.S.	14,228	14,228	-	-	13,892	13,892	-	-	(88)	(88)	424	424	-	-
2012	WECC		Northern Lights, Inc.	U.S.	401	401	-	-	391	391	-	-	(2)	(2)	12	12	-	-
2012	WECC		Northern Wasco County PUD	U.S.	6,601	6,601	-	-	6,445	6,445	-	-	(41)	(41)	197	197	-	-
2012	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	3,578	3,578	-	-	3,493	3,493	-	-	(22)	(22)	107	107	-	-
2012	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	107,673	107,673	-	-	105,131	105,131	-	-	(669)	(669)	3,210	3,210	-	-
2012	WECC		Ohop Mutual Light Company	U.S.	991	991	-	-	968	968	-	-	(6)	(6)	30	30	-	-
2012	WECC		Orcas Power and Light Cooperative	U.S.	2,548	2,548	-	-	2,488	2,488	-	-	(16)	(16)	76	76	-	-
2012	WECC		Oregon Trail Electric Consumers Cooperative, Inc.	U.S.	3,793	3,793	-	-	3,703	3,703	-	-	(24)	(24)	113	113	-	-
2012	WECC		Overton Power District No. 5	U.S.	4,481	4,481	-	-	4,375	4,375	-	-	(28)	(28)	134	134	-	-
2012	WECC		PacifiCorp	U.S.	23	23	-	-	23	23	-	-	(0)	(0)	1	1	-	-
2012	WECC		PacifiCorp	U.S.	32	32	-	-	32	32	-	-	(0)	(0)	1	1	-	-
2012	WECC		PacifiCorp	U.S.	714	714	-	-	697	697	-	-	(4)	(4)	21	21	-	-
2012	WECC		PacifiCorp	U.S.	1,383	1,383	-	-	1,351	1,351	-	-	(9)	(9)	41	41	-	-
2012	WECC		PacifiCorp	U.S.	584,978	584,978	-	-	571,168	571,168	-	-	(3,632)	(3,632)	17,442	17,442	-	-
2012	WECC		PacifiCorp West (PACW)	U.S.	247,657	247,657	-	-	241,810	241,810	-	-	(1,538)	(1,538)	7,384	7,384	-	-
2012	WECC		Page Electric Utility	U.S.	130	130	-	-	127	127	-	-	(1)	(1)	4	4	-	-
2012	WECC		Parkland Light and Water Company	U.S.	1,423	1,423	-	-	1,390	1,390	-	-	(9)	(9)	42	42	-	-
2012	WECC		Pend Oreille County PUD No. 1	U.S.	12,310	12,310	-	-	12,019	12,019	-	-	(76)	(76)	367	367	-	-
2012	WECC		Peninsula Light Company, Inc.	U.S.	7,180	7,180	-	-	7,011	7,011	-	-	(45)	(45)	214	214	-	-
2012	WECC		Platte River Power Authority	U.S.	38,373	38,373	-	-	37,467	37,467	-	-	(238)	(238)	1,144	1,144	-	-
2012	WECC		Port of Seattle - Seattle-Tacoma International Airport	U.S.	1,709	1,709	-	-	1,669	1,669	-	-	(11)	(11)	51	51	-	-
2012	WECC		Port Townsend Paper Corporation	U.S.	2,425	2,425	-	-	2,367	2,367	-	-	(15)	(15)	72	72	-	-
2012	WECC		Portland General Electric Company	U.S.	537	537	-	-	524	524	-	-	(3)	(3)	16	16	-	-
2012	WECC		Portland General Electric Company	U.S.	221,085	221,085	-	-	215,866	215,866	-	-	(1,373)	(1,373)	6,592	6,592	-	-
2012	WECC		Public Service Company of Colorado (Xcel)	U.S.	417	417	-	-	407	407	-	-	(3)	(3)	12	12	-	-
2012	WECC		Public Service Company of Colorado (Xcel)	U.S.	368,412	368,412	-	-	359,715	359,715	-	-	(2,287)	(2,287)	10,985	10,985	-	-
2012	WECC		Public Service Company of New Mexico	U.S.	127,427	127,427	-	-	124,419	124,419	-	-	(791)	(791)	3,799	3,799	-	-
2012	WECC		Public Utility District No. 1 of Chelan County	U.S.	47,021	47,021	-	-	45,911	45,911	-	-	(292)	(292)	1,402	1,402	-	-
2012	WECC		PUD No. 1 of Asotin County	U.S.	4	4	-	-	4	4	-	-	(0)	(0)	0	0	-	-

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2012	WECC		PUD No. 1 of Asotin County	U.S.	58	58	-	-	56	56	-	-	(0)	(0)	2	2	-	-
2012	WECC		PUD No. 1 of Benton County	U.S.	20,064	20,064	-	-	19,591	19,591	-	-	(125)	(125)	598	598	-	-
2012	WECC		PUD No. 1 of Clallam County	U.S.	8,082	8,082	-	-	7,891	7,891	-	-	(50)	(50)	241	241	-	-
2012	WECC		PUD No. 1 of Cowlitz County	U.S.	61,370	61,370	-	-	59,921	59,921	-	-	(381)	(381)	1,830	1,830	-	-
2012	WECC		PUD No. 1 of Douglas County	U.S.	90	90	-	-	88	88	-	-	(1)	(1)	3	3	-	-
2012	WECC		PUD No. 1 of Douglas County	U.S.	16,956	16,956	-	-	16,555	16,555	-	-	(105)	(105)	506	506	-	-
2012	WECC		PUD No. 1 of Ferry County	U.S.	1,256	1,256	-	-	1,226	1,226	-	-	(8)	(8)	37	37	-	-
2012	WECC		PUD No. 1 of Franklin County	U.S.	12,036	12,036	-	-	11,752	11,752	-	-	(75)	(75)	359	359	-	-
2012	WECC		PUD No. 1 of Grays Harbor	U.S.	14,371	14,371	-	-	14,031	14,031	-	-	(89)	(89)	428	428	-	-
2012	WECC		PUD No. 1 of Kittitas County	U.S.	194	194	-	-	189	189	-	-	(1)	(1)	6	6	-	-
2012	WECC		PUD No. 1 of Kittitas County	U.S.	860	860	-	-	840	840	-	-	(5)	(5)	26	26	-	-
2012	WECC		PUD No. 1 of Klickitat County	U.S.	3,324	3,324	-	-	3,246	3,246	-	-	(21)	(21)	99	99	-	-
2012	WECC		PUD No. 1 of Lewis County	U.S.	11,031	11,031	-	-	10,770	10,770	-	-	(68)	(68)	329	329	-	-
2012	WECC		PUD No. 1 of Mason County	U.S.	933	933	-	-	911	911	-	-	(6)	(6)	28	28	-	-
2012	WECC		PUD No. 1 of Skamania County	U.S.	1,572	1,572	-	-	1,535	1,535	-	-	(10)	(10)	47	47	-	-
2012	WECC		PUD No. 1 of Snohomish County	U.S.	80,503	80,503	-	-	78,603	78,603	-	-	(500)	(500)	2,400	2,400	-	-
2012	WECC		PUD No. 1 of Wahkiakum County	U.S.	522	522	-	-	509	509	-	-	(3)	(3)	16	16	-	-
2012	WECC		PUD No. 1 of Whatcom County	U.S.	63	63	-	-	61	61	-	-	(0)	(0)	2	2	-	-
2012	WECC		PUD No. 1 of Whatcom County	U.S.	2,357	2,357	-	-	2,301	2,301	-	-	(15)	(15)	70	70	-	-
2012	WECC		PUD No. 2 of Grant County	U.S.	572	572	-	-	558	558	-	-	(4)	(4)	17	17	-	-
2012	WECC		PUD No. 2 of Grant County	U.S.	1,071	1,071	-	-	1,046	1,046	-	-	(7)	(7)	32	32	-	-
2012	WECC		PUD No. 2 of Grant County	U.S.	45,415	45,415	-	-	44,343	44,343	-	-	(282)	(282)	1,354	1,354	-	-
2012	WECC		PUD No. 2 of Pacific County	U.S.	3,590	3,590	-	-	3,505	3,505	-	-	(22)	(22)	107	107	-	-
2012	WECC		PUD No. 3 of Mason County	U.S.	8,278	8,278	-	-	8,082	8,082	-	-	(51)	(51)	247	247	-	-
2012	WECC		Puget Sound Energy, Inc.	U.S.	287,916	287,916	-	-	281,119	281,119	-	-	(1,788)	(1,788)	8,584	8,584	-	-
2012	WECC		Raft River Electric Cooperative	U.S.	1	1	-	-	1	1	-	-	(0)	(0)	0	0	-	-
2012	WECC		Roosevelt Irrigation District - APS	U.S.	487	487	-	-	475	475	-	-	(3)	(3)	15	15	-	-
2012	WECC		Sacramento Municipal Utility District	U.S.	132,923	132,923	-	-	129,785	129,785	-	-	(825)	(825)	3,963	3,963	-	-
2012	WECC		Salem Electric	U.S.	3,823	3,823	-	-	3,732	3,732	-	-	(24)	(24)	114	114	-	-
2012	WECC		Salt River Project	U.S.	337,419	337,419	-	-	329,453	329,453	-	-	(2,095)	(2,095)	10,060	10,060	-	-
2012	WECC		San Carlos Indian Irrigation Project	U.S.	1	1	-	-	1	1	-	-	(0)	(0)	0	0	-	-
2012	WECC		Seattle City Light	U.S.	119,075	119,075	-	-	116,264	116,264	-	-	(739)	(739)	3,550	3,550	-	-
2012	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	106,890	106,890	-	-	104,367	104,367	-	-	(664)	(664)	3,187	3,187	-	-
2012	WECC		Southern Montana Electric Generation & Transmission	U.S.	7,430	7,430	-	-	7,254	7,254	-	-	(46)	(46)	222	222	-	-
2012	WECC		Southern Nevada Water Authority	U.S.	8,030	8,030	-	-	7,841	7,841	-	-	(50)	(50)	239	239	-	-
2012	WECC		Southwest Transmission Cooperative, Inc.	U.S.	31,042	31,042	-	-	30,309	30,309	-	-	(193)	(193)	926	926	-	-
2012	WECC		Springfield Utility Board	U.S.	9,942	9,942	-	-	9,707	9,707	-	-	(62)	(62)	296	296	-	-
2012	WECC		Surprise Valley Electrification Corporation	U.S.	453	453	-	-	442	442	-	-	(3)	(3)	14	14	-	-
2012	WECC		Tanner Electric Cooperative	U.S.	1,126	1,126	-	-	1,099	1,099	-	-	(7)	(7)	34	34	-	-
2012	WECC		The Incorporated County of Los Alamos	U.S.	4,539	4,539	-	-	4,432	4,432	-	-	(28)	(28)	135	135	-	-
2012	WECC		Tillamook People's Utility District	U.S.	4,400	4,400	-	-	4,296	4,296	-	-	(27)	(27)	131	131	-	-
2012	WECC		Tohono O'Odham Utility Authority	U.S.	802	802	-	-	783	783	-	-	(5)	(5)	24	24	-	-
2012	WECC		Tonopah Irrigation District - APS	U.S.	310	310	-	-	302	302	-	-	(2)	(2)	9	9	-	-
2012	WECC		Town of Fredonia	U.S.	9	9	-	-	9	9	-	-	(0)	(0)	0	0	-	-
2012	WECC		Town of Steilacoom	U.S.	489	489	-	-	477	477	-	-	(3)	(3)	15	15	-	-
2012	WECC		Town of Wickenburg	U.S.	322	322	-	-	315	315	-	-	(2)	(2)	10	10	-	-
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	258	258	-	-	252	252	-	-	(2)	(2)	8	8	-	-
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	25,049	25,049	-	-	24,457	24,457	-	-	(156)	(156)	747	747	-	-
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	89,068	89,068	-	-	86,966	86,966	-	-	(553)	(553)	2,656	2,656	-	-
2012	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	32,812	32,812	-	-	32,037	32,037	-	-	(204)	(204)	978	978	-	-
2012	WECC		Truckee Donner Public Utility District	U.S.	1,758	1,758	-	-	1,716	1,716	-	-	(11)	(11)	52	52	-	-
2012	WECC		Tucson Electric Power Company	U.S.	167,408	167,408	-	-	163,456	163,456	-	-	(1,039)	(1,039)	4,991	4,991	-	-
2012	WECC		Turlock Irrigation District	U.S.	24,983	24,983	-	-	24,393	24,393	-	-	(155)	(155)	745	745	-	-
2012	WECC		U.S. Army Yuma Proving Ground	U.S.	245	245	-	-	240	240	-	-	(2)	(2)	7	7	-	-
2012	WECC		U.S. BOR Columbia Basin	U.S.	360	360	-	-	352	352	-	-	(2)	(2)	11	11	-	-
2012	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	39	39	-	-	38	38	-	-	(0)	(0)	1	1	-	-
2012	WECC		U.S. Bor Spokane Indian Development	U.S.	37	37	-	-	36	36	-	-	(0)	(0)	1	1	-	-
2012	WECC		U.S. BOR The Dalles Project	U.S.	215	215	-	-	210	210	-	-	(1)	(1)	6	6	-	-
2012	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	54	54	-	-	53	53	-	-	(0)	(0)	2	2	-	-
2012	WECC		Umatilla Electric Cooperative Association	U.S.	12,075	12,075	-	-	11,790	11,790	-	-	(75)	(75)	360	360	-	-
2012	WECC		Unit B Irrigation District	U.S.	0	0	-	-	0	0	-	-	(0)	(0)	0	0	-	-
2012	WECC		US Air Force Base, Fairchild	U.S.	594	594	-	-	580	580	-	-	(4)	(4)	18	18	-	-
2012	WECC		US Dept of Energy - Kirtland AFB	U.S.	5,028	5,028	-	-	4,909	4,909	-	-	(31)	(31)	150	150	-	-
2012	WECC		USDOE Richland	U.S.	2,156	2,156	-	-	2,106	2,106	-	-	(13)	(13)	64	64	-	-
2012	WECC		USN Naval Station, Bremerton	U.S.	3,244	3,244	-	-	3,167	3,167	-	-	(20)	(20)	97	97	-	-

2012 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2014 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2012	WECC		USN Naval Station, Everett	U.S.	124	124	-	-	121	121	-	-	(1)	(1)	4	4	-	-
2012	WECC		USN Submarine Base, Bangor	U.S.	2,067	2,067	-	-	2,018	2,018	-	-	(13)	(13)	62	62	-	-
2012	WECC		Valley Electric Association, Inc.	U.S.	5,597	5,597	-	-	5,465	5,465	-	-	(35)	(35)	167	167	-	-
2012	WECC		Vera Water and Power	U.S.	2,720	2,720	-	-	2,656	2,656	-	-	(17)	(17)	81	81	-	-
2012	WECC		Vigilante Electric Cooperative, Inc.	U.S.	187	187	-	-	182	182	-	-	(1)	(1)	6	6	-	-
2012	WECC		Wasco Electric Cooperative	U.S.	1,121	1,121	-	-	1,095	1,095	-	-	(7)	(7)	33	33	-	-
2012	WECC		Wells Rural Electric Cooperative	U.S.	7,889	7,889	-	-	7,703	7,703	-	-	(49)	(49)	235	235	-	-
2012	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	84	84	-	-	82	82	-	-	(1)	(1)	3	3	-	-
2012	WECC		West Oregon Electric Cooperative, Inc.	U.S.	150	150	-	-	147	147	-	-	(1)	(1)	4	4	-	-
2012	WECC		Western Area Power - Loveland, CO	U.S.	2,837	2,837	-	-	2,770	2,770	-	-	(18)	(18)	85	85	-	-
2012	WECC		Western Area Power - Loveland, CO	U.S.	18,811	18,811	-	-	18,367	18,367	-	-	(117)	(117)	561	561	-	-
2012	WECC		Western Area Power Administration - CRSP	U.S.	16,169	16,169	-	-	15,787	15,787	-	-	(100)	(100)	482	482	-	-
2012	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	18,418	18,418	-	-	17,983	17,983	-	-	(114)	(114)	549	549	-	-
2012	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	25,542	25,542	-	-	24,939	24,939	-	-	(159)	(159)	762	762	-	-
2012	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	88	88	-	-	86	86	-	-	(1)	(1)	3	3	-	-
2012	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	2,734	2,734	-	-	2,669	2,669	-	-	(17)	(17)	82	82	-	-
2012	WECC		Yakama Power	U.S.	259	259	-	-	253	253	-	-	(2)	(2)	8	8	-	-
2012	WECC		Yampa Valley Electric Association	U.S.	6,839	6,839	-	-	6,677	6,677	-	-	(42)	(42)	204	204	-	-
2012	WECC		Yuma Irrigation District	U.S.	38	38	-	-	37	37	-	-	(0)	(0)	1	1	-	-
2012	WECC		Yuma-Mesa Irrigation District	U.S.	2	2	-	-	2	2	-	-	(0)	(0)	0	0	-	-
TOTAL WECC					9,997,611	8,693,102	1,166,394	138,116	10,007,689	8,487,882	1,385,783	134,023	(53,973)	(53,973)	43,895	259,192	(219,389)	4,093
TOTAL ERO					51,401,382	46,708,699	4,554,567	138,116	51,691,382	45,606,040	5,951,319	134,023	(290,000)	(290,000)	0	1,392,660	(1,396,752)	4,093
Summary by Regional Entity																		
2012	FRCC				2,609,814	2,609,814	-	-	2,548,204	2,548,204	-	-	(16,204)	(16,204)	77,814	77,814	-	-
2012	MRO				3,368,027	2,833,341	534,686	-	3,285,296	2,766,454	518,842	-	(17,591)	(17,591)	100,322	84,478	15,844	-
2012	NPCC				6,293,948	3,440,461	2,853,487	-	7,405,935	3,359,241	4,046,694	-	(21,361)	(21,361)	(1,090,626)	102,580	(1,193,206)	-
2012	RFC				10,668,630	10,668,630	-	-	10,416,774	10,416,774	-	-	(66,238)	(66,238)	318,094	318,094	-	-
2012	SERC				12,047,164	12,047,164	-	-	11,762,765	11,762,765	-	-	(74,797)	(74,797)	359,196	359,196	-	-
2012	SPP				2,574,391	2,574,391	-	-	2,513,617	2,513,617	-	-	(15,984)	(15,984)	76,758	76,758	-	-
2012	TRE				3,841,797	3,841,797	-	-	3,751,103	3,751,103	-	-	(23,853)	(23,853)	114,546	114,546	-	-
2012	WECC				9,997,611	8,693,102	1,166,394	138,116	10,007,689	8,487,882	1,385,783	134,023	(53,973)	(53,973)	43,895	259,192	(219,389)	4,093
Total					51,401,382	46,708,699	4,554,567	138,116	51,691,382	45,606,040	5,951,319	134,023	(290,000)	(290,000)	0	1,392,660	(1,396,752)	4,093

Data Year	Regional Entity	ID	Entity	Country	Total Regional Entity Assessments (Including WIRAB & RCO Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC True Up of 2012 and 2013 Assessments			NPCC CORC Program				WECC Compliance Assessments (ex.AEISO)				WIRAB Assessments				RCO Assessments			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2012	WECC		PUD No. 2 of Grant County	U.S.	204,522	204,522	-	-	82,254	82,254	-	-	(15,323)	(15,323)	-	-	-	-	-	-	3,971	3,971	-	-	2,607	2,607	-	-	131,012	131,012	-	-	
2012	WECC		PUD No. 2 of Pacific County	U.S.	16,168	16,168	-	-	6,502	6,502	-	-	(1,211)	(1,211)	-	-	-	-	-	-	314	314	-	-	206	206	-	-	10,357	10,357	-	-	
2012	WECC		PUD No. 3 of Mason County	U.S.	37,279	37,279	-	-	14,993	14,993	-	-	(2,959)	(2,959)	-	-	-	-	-	-	724	724	-	-	475	475	-	-	23,880	23,880	-	-	
2012	WECC		Puget Sound Energy, Inc.	U.S.	1,296,603	1,296,603	-	-	521,466	521,466	-	-	(97,143)	(97,143)	-	-	-	-	-	-	25,175	25,175	-	-	16,529	16,529	-	-	830,576	830,576	-	-	
2012	WECC		Raft River Electric Cooperative	U.S.	5	5	-	-	2	2	-	-	(0)	(0)	-	-	-	-	-	-	0	0	-	-	0	0	-	-	3	3	-	-	
2012	WECC		Roosevelt Irrigation District - APS	U.S.	2,193	2,193	-	-	882	882	-	-	(164)	(164)	-	-	-	-	-	-	43	43	-	-	28	28	-	-	1,405	1,405	-	-	
2012	WECC		Sacramento Municipal Utility District	U.S.	598,605	598,605	-	-	240,746	240,746	-	-	(44,848)	(44,848)	-	-	-	-	-	-	11,623	11,623	-	-	7,631	7,631	-	-	383,453	383,453	-	-	
2012	WECC		Salem Electric	U.S.	17,214	17,214	-	-	6,923	6,923	-	-	(1,290)	(1,290)	-	-	-	-	-	-	334	334	-	-	219	219	-	-	11,027	11,027	-	-	
2012	WECC		Salt River Project	U.S.	1,519,532	1,519,532	-	-	611,124	611,124	-	-	(113,845)	(113,845)	-	-	-	-	-	-	29,503	29,503	-	-	19,370	19,370	-	-	973,380	973,380	-	-	
2012	WECC		San Carlos Indian Irrigation Project	U.S.	3	3	-	-	1	1	-	-	(0)	(0)	-	-	-	-	-	-	0	0	-	-	0	0	-	-	2	2	-	-	
2012	WECC		Seattle City Light	U.S.	536,243	536,243	-	-	215,665	215,665	-	-	(40,176)	(40,176)	-	-	-	-	-	-	10,412	10,412	-	-	6,836	6,836	-	-	343,506	343,506	-	-	
2012	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	481,369	481,369	-	-	193,596	193,596	-	-	(36,065)	(36,065)	-	-	-	-	-	-	9,346	9,346	-	-	6,136	6,136	-	-	308,355	308,355	-	-	
2012	WECC		Southern Montana Electric Generation & Transmission	U.S.	33,458	33,458	-	-	13,456	13,456	-	-	(2,507)	(2,507)	-	-	-	-	-	-	650	650	-	-	427	427	-	-	21,433	21,433	-	-	
2012	WECC		Southern Nevada Water Authority	U.S.	36,163	36,163	-	-	14,544	14,544	-	-	(2,709)	(2,709)	-	-	-	-	-	-	702	702	-	-	461	461	-	-	23,165	23,165	-	-	
2012	WECC		Southwest Transmission Cooperative, Inc.	U.S.	138,795	138,795	-	-	56,222	56,222	-	-	(10,474)	(10,474)	-	-	-	-	-	-	2,714	2,714	-	-	1,782	1,782	-	-	80,549	80,549	-	-	
2012	WECC		Springfield Utility Board	U.S.	44,772	44,772	-	-	18,006	18,006	-	-	(3,254)	(3,254)	-	-	-	-	-	-	869	869	-	-	571	571	-	-	28,680	28,680	-	-	
2012	WECC		Surprise Valley Electrification Corporation	U.S.	2,039	2,039	-	-	820	820	-	-	(153)	(153)	-	-	-	-	-	-	40	40	-	-	26	26	-	-	1,306	1,306	-	-	
2012	WECC		Tanner Electric Cooperative	U.S.	5,069	5,069	-	-	2,039	2,039	-	-	(380)	(380)	-	-	-	-	-	-	98	98	-	-	65	65	-	-	3,247	3,247	-	-	
2012	WECC		The Incorporated County of Los Alamos	U.S.	20,440	20,440	-	-	8,221	8,221	-	-	(1,531)	(1,531)	-	-	-	-	-	-	397	397	-	-	261	261	-	-	13,093	13,093	-	-	
2012	WECC		Tillamook People's Utility District	U.S.	19,815	19,815	-	-	7,969	7,969	-	-	(1,485)	(1,485)	-	-	-	-	-	-	385	385	-	-	253	253	-	-	12,693	12,693	-	-	
2012	WECC		Tohono O'Odham Utility Authority	U.S.	3,612	3,612	-	-	1,453	1,453	-	-	(271)	(271)	-	-	-	-	-	-	70	70	-	-	46	46	-	-	2,314	2,314	-	-	
2012	WECC		Tonopah Irrigation District - APS	U.S.	1,395	1,395	-	-	561	561	-	-	(105)	(105)	-	-	-	-	-	-	27	27	-	-	18	18	-	-	894	894	-	-	
2012	WECC		Town of Fredonia	U.S.	41	41	-	-	17	17	-	-	(3)	(3)	-	-	-	-	-	-	1	1	-	-	1	1	-	-	26	26	-	-	
2012	WECC		Town of Steilacoom	U.S.	2,202	2,202	-	-	886	886	-	-	(165)	(165)	-	-	-	-	-	-	43	43	-	-	28	28	-	-	1,410	1,410	-	-	
2012	WECC		Town of Wickenburg	U.S.	1,451	1,451	-	-	584	584	-	-	(109)	(109)	-	-	-	-	-	-	28	28	-	-	19	19	-	-	930	930	-	-	
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	1,160	1,160	-	-	467	467	-	-	(87)	(87)	-	-	-	-	-	-	23	23	-	-	15	15	-	-	743	743	-	-	
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	112,804	112,804	-	-	45,368	45,368	-	-	(8,451)	(8,451)	-	-	-	-	-	-	2,190	2,190	-	-	1,438	1,438	-	-	72,260	72,260	-	-	
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	401,111	401,111	-	-	161,318	161,318	-	-	(30,652)	(30,652)	-	-	-	-	-	-	7,788	7,788	-	-	5,113	5,113	-	-	256,943	256,943	-	-	
2012	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	147,765	147,765	-	-	59,428	59,428	-	-	(11,071)	(11,071)	-	-	-	-	-	-	2,869	2,869	-	-	1,884	1,884	-	-	94,655	94,655	-	-	
2012	WECC		Truckee Donner Public Utility District	U.S.	7,916	7,916	-	-	3,184	3,184	-	-	(593)	(593)	-	-	-	-	-	-	154	154	-	-	101	101	-	-	5,071	5,071	-	-	
2012	WECC		Tucson Electric Power Company	U.S.	753,908	753,908	-	-	303,206	303,206	-	-	(56,484)	(56,484)	-	-	-	-	-	-	14,638	14,638	-	-	9,611	9,611	-	-	482,937	482,937	-	-	
2012	WECC		Turlock Irrigation District	U.S.	112,507	112,507	-	-	45,248	45,248	-	-	(8,429)	(8,429)	-	-	-	-	-	-	2,184	2,184	-	-	1,434	1,434	-	-	72,069	72,069	-	-	
2012	WECC		U.S. Army Yuma Proving Ground	U.S.	1,105	1,105	-	-	444	444	-	-	(83)	(83)	-	-	-	-	-	-	21	21	-	-	14	14	-	-	708	708	-	-	
2012	WECC		U.S. BOR Columbia Basin	U.S.	1,622	1,622	-	-	652	652	-	-	(122)	(122)	-	-	-	-	-	-	31	31	-	-	21	21	-	-	1,039	1,039	-	-	
2012	WECC		U.S. BOR East Greenacres (Rahdrum)	U.S.	176	176	-	-	71	71	-	-	(13)	(13)	-	-	-	-	-	-	3	3	-	-	2	2	-	-	113	113	-	-	
2012	WECC		U.S. BOR Spokane Indian Development	U.S.	166	166	-	-	67	67	-	-	(12)	(12)	-	-	-	-	-	-	3	3	-	-	2	2	-	-	107	107	-	-	
2012	WECC		U.S. BOR The Dalles Project	U.S.	969	969	-	-	390	390	-	-	(73)	(73)	-	-	-	-	-	-	19	19	-	-	12	12	-	-	621	621	-	-	
2012	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	243	243	-	-	98	98	-	-	(18)	(18)	-	-	-	-	-	-	5	5	-	-	3	3	-	-	155	155	-	-	
2012	WECC		Umatilla Electric Cooperative Association	U.S.	54,381	54,381	-	-	21,871	21,871	-	-	(4,074)	(4,074)	-	-	-	-	-	-	1,056	1,056	-	-	693	693	-	-	34,835	34,835	-	-	
2012	WECC		Unit B Irrigation District	U.S.	1	1	-	-	0	0	-	-	(0)	(0)	-	-	-	-	-	-	0	0	-	-	0	0	-	-	1	1	-	-	
2012	WECC		US Air Force Base, Fairchild	U.S.	2,675	2,675	-	-	1,076	1,076	-	-	(200)	(200)	-	-	-	-	-	-	52	52	-	-	34	34	-	-	1,714	1,714	-	-	
2012	WECC		US Dept of Energy - Kirtland AFB	U.S.	22,643	22,643	-	-	9,106	9,106	-	-	(1,696)	(1,696)	-	-	-	-	-	-	440	440	-	-	289	289	-	-	14,505	14,505	-	-	
2012	WECC		USDOE Richland	U.S.	9,712	9,712	-	-	3,906	3,906	-	-	(728)	(728)	-	-	-	-	-	-	189	189	-	-	124	124	-	-	6,221	6,221	-	-	
2012	WECC		USN Naval Station, Bremerton	U.S.	14,608	14,608	-	-	5,875	5,875	-	-	(1,094)	(1,094)	-	-	-	-	-	-	284	284	-	-	186	186	-	-	9				

DOCKET NO. RR13-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2014 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 3

MIDWEST RELIABILITY ORGANIZATION

PROPOSED 2014 BUSINESS PLAN AND BUDGET



MIDWEST RELIABILITY ORGANIZATION

2014 Business Plan and Budget

**Approved by:
MRO Board of Directors**

**Date
June 27, 2013**

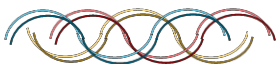


Table of Contents

Summary of Financials and Resources	4
1. <i>Organizational Overview</i>	4
2. <i>Governance</i>	5
3. <i>Statutory Functional Scope</i>	5
4. <i>Budget, Accounting, and Recordkeeping</i>	6
5. <i>Organizational Structure and Staffing</i>	7
6. <i>Financial Controls and Expense Approval</i>	8
7. <i>Compensation Process</i>	9
8. <i>Other Personnel Costs and Policies</i>	9
9. <i>2014 Key Assumptions</i>	9
10. <i>2014 Goals and Key Deliverables</i>	9
11. <i>2014 Overview of Cost Impacts</i>	10
Section A — Statutory Programs	17
1. <i>Reliability Standards, Organization Registration and Certification Program</i>	17
2. <i>Compliance Monitoring and Enforcement Program (CMEP)</i>	23
3. <i>Reliability Assessment and Performance Analysis Program</i>	30
4. <i>Training, Education, and Operator Certification Program</i>	34
5. <i>Situation Awareness and Infrastructure Security Program</i>	38
6. <i>Administrative Services</i>	42
6a. <i>Technical Committees and Member Forums</i>	43
6b. <i>General and Administrative</i>	46
6c. <i>Legal and Regulatory</i>	49

6d. Information Technology	52
6e. Human Resources	55
6f. Human Resources, Finance, and Accounting	55
Section B — Supplemental Financial Information	59
1. Supplemental Financial Information Reserve Balance	59
2. Explanation of Changes in Reserve Policy from Prior Years to Current Year	59
3. Breakdown by Statement of Activity Sections	59
4. Personnel Expenses	62
5. Consultants and Contracts.....	63
Section C — 2014 Non-Statutory Business Plan and Budget.....	70
Section D - Additional Financial Statements.....	72
1. 2014 Consolidated Statement of Activities by Program, Statutory and Non Statutory.....	72
2. Statement of Financial Position.....	74
3. Statement of Activities and Capital Expenditures.....	75
Attachment A	76

Summary of Financials and Resources

TOTAL RESOURCES (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs	40.75			
Non-statutory FTEs				
Total FTEs	40.75			
Statutory Expenses	\$ 9,845,299			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 9,845,299			
Statutory Inc(Dec) in Fixed Assets	\$ (100,500)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (100,500)			
Statutory Working Capital Requirement	\$ (866,855)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (866,855)			
Total Statutory Funding Requirement	\$ 8,877,944			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 8,877,944			
Statutory Funding Assessments	\$ 8,741,444	\$ 7,361,170	\$ 1,380,274	-
Non-Statutory Fees				
NEL	284,519,075	239,585,401	44,933,674	-
NEL%	100.00%	84.21%	15.79%	0.00%

Midwest Reliability Organization (“MRO”) 2014 Business Plan and Budget has been developed by MRO staff. The plan and budget have been approved by the MRO Board of Directors (“Board”) following stakeholder review.

1. *Organizational Overview*

Under section 215(e)(4) of the Federal Power Act (FPA), the Commission approved NERC’s delegation of certain statutory functions, i.e., functions performed pursuant to FPA section 215, to the Regional Entities. NERC executed a Delegation Agreement with MRO on May 2, 2007 for the purpose of delegating to MRO certain responsibilities and authorities of an RE as defined by FPA section 215. MRO’s delegated functions under the agreement are: Development and Proposal of Reliability Standards and Organization Registration and Certification, Compliance, Risk Assessment and Mitigation, Enforcement, Reliability Assessment and Performance Analysis, Event Analysis, Training and Education, Situation Awareness, and Infrastructure Security.

2. *Governance*

Membership in MRO is voluntary and free, affording organizations the opportunity to participate in the technical activities and governance of the organization. MRO has approximately fifty members.

The governance structure of MRO is a hybrid stakeholder board with two independent directors. No two sectors can control a vote. This governance structure is permitted under the Energy Policy Act of 2005 for Regional Entities operating under delegated authority from the Electric Reliability Organization. The Board has four committees:

- Dispute Resolution Committee
- Finance and Audit Committee (FAC)
- Governance and Personnel Committee (GPC)
- Hearing Body

The Board's primary role is to assure the organization meets its requirements under the bylaws and performs its responsibilities with due care and in an efficient manner. The Board makes no determinations on compliance or enforcement matters. The Board has adopted procedures to assure it carries out its responsibilities free of conflicts. The Hearing Body of the Board fulfills the obligations in the conduct of hearings, a mandated function under the Hearing Procedures found in the Compliance Monitoring and Enforcement Program ("CMEP").

In addition, the Board has four standing committees:

- Compliance Committee
- Operating Committee
- Planning Committee
- Standards Committee

The charters for these standing committees are published on MRO's website and the processes for all organizational groups are defined in Policy and Procedure 3 (Establishment, Responsibilities, and Procedures of Organizational Groups).¹

3. *Statutory Functional Scope*

The primary purposes of MRO are to:

1. Determine compliance with Reliability Standards, including enforcement determinations in a non-discriminatory manner consistent with the Rules of Procedure.
2. Perform seasonal, long-term, and other assessments of reliability.
3. Provide independent technical analysis of systems events and work with industry on recommendations and lessons learned.
4. Develop, propose, and/or adopt Regional Reliability Standards or variances to Reliability Standards.

¹ See Policy and Procedure 3 (Establishment, Responsibilities, and Procedures of Organizational Groups) on MRO's website at:

http://www.midwestreliability.org/01_about_mro/overview/policies_procedures/PP3_%20Organizational%20Groups.pdf

5. Other services consistent with its reliability charter, delegation agreement and the Rules of Procedure.

MRO provides a transparent, effective, and efficient reliability organization across a broad geographic region with open meetings and an inclusive standard setting process:

1. MRO is an effective Regional Entity that has a long tradition of managing within and across complex, multiple seams including an interconnection seam, structured markets to bilateral market seams, and an international border.
2. MRO creates a common forum for the region without barriers to participation.
3. The MRO Region has a tradition of working successfully on reliability matters despite the complexities in seams, diverse constituencies, and jurisdictions. Approximately half of the load in MRO is public power, including Canada. MRO is a vital link to maintain and expand existing “reliability” relationships among regulators, bulk electric users, owners, and operators.
4. Because of the seams, unique power system technical configurations, such as very long distances between load and generator, stability-limited transmission, the large percentage of hydro generation, and the diversity of its constituency, the region must have the ability and means to represent its own regional reliability interests for the benefit of the users, owners, and operators of the bulk electric system and the public it serves as a Cross Border Regional Entity (CBRE) under the final reliability rule and consistent with the Bilateral Principles.

The 2014 Business Plan and Budget fulfills MRO’s commitments related to the delegated functions, consistent with FERC and Canadian authorities to:

- Implement compliance and enforcement programs to those subject to Reliability Standards.
- Execute a non-discriminatory, consistent enforcement process to those subject to Reliability Standards.
- Adopt Reliability Standards to ensure enforceability. Canadian enforceability has been sought through agreements with Saskatchewan and in Manitoba pursuant to the Manitoba Hydro-Act (2012).
- Propose standards to benefit the reliability of the MRO Region, using an open, technically valid process.
- Provide education and resources for operators, users, and owners of the BES.
- Assess and report on regional BES reliability and adequacy.
- Analyze and report on regional BES system events.

4. Budget, Accounting, and Recordkeeping

Budgeting

MRO prepares an annual Business Plan and Budget each calendar year. The development of the Business Plan and Budget begins with an annual MRO Board strategic planning session, at which long-term goals are set for MRO. The Business Plan and Budget is then developed by MRO staff between March and June of the year preceding the budget year with input from MRO’s stakeholders (namely, the stakeholder Board members). The Business Plan and Budget is developed in conjunction with those of other REs and NERC to ensure consistency in the budgets of entities charged with FPA section 215 responsibilities. MRO staff also

participates in NERC's ERO Executive Management Group to review strategic goals and objectives for the REs, and to review common assumptions included in their business plans and budgets.

MRO's approach to budget development is an aggregation of a "top-down" and a "bottom-up" approach. The top-down approach is initiated by MRO's CEO, who determines budget figures on a big picture scale using his own estimates for MRO's needs for the current year. The bottom-up approach is coordinated among MRO's managers and vice presidents, who calculate budget amounts for their respective departments using a detailed, line-by-line approach. The bottom-up figures from all departments are then aggregated and reconciled with the CEO's top-down budget figures. Actual costs from the previous year are obtained from MRO's general ledger to help determine bottom-up budget figures for the coming year.

MRO maintains a cash reserve at all times, capable of funding MRO's operations as laid out in MRO's Operating and Working Capital Reserves policy. This cash reserve is in addition to the funding necessary for MRO's normal operations. MRO's annual business plan and budget includes a request for funding necessary to maintain or restore MRO's operating and working capital reserves. The operating and working capital reserves shall be identified and quantified each year in the business plan and budget submitted first to the Finance and Audit Committee (FAC) for review and then to the Board for approval.

Upon completion, the Business Plan and Budget is reviewed by the FAC of MRO's Board. The Business Plan and Budget is then sent to the Board for approval. Once approved by the Board and its Stakeholders, the plan is submitted to NERC and then to FERC. The plan is typically finalized by FERC approval in October or November of the year preceding the budget year.

Accounting and Recordkeeping

MRO's accounting is performed by the Vice President of Finance and the MRO accounting staff. MRO bases its current Chart of Accounts upon NERC's System of Accounts, as required in the Delegation Agreement, and uses Generally Accepted Accounting Principles (GAAP) for the classification of its expenses. Additionally, MRO maintains an accounting manual to provide instructions to its accounting staff on accounting transactions and functions. MRO maintains its books on an accrual basis, recognizing revenues when earned and expenses when incurred.

The majority of MRO expenses are direct labor costs. These costs are recorded in the accounting system by NERC account. Indirect costs are allocated to each MRO program area based on the number of full-time employees (FTEs) in each program area.

5. *Organizational Structure and Staffing*

MRO is organized into departments, all of which are dedicated to a statutory function or program area. Additionally, some functions, such as training and education, and committee and member functions, are the responsibility of multiple departments. MRO departments are organized around the NERC System of Accounts. The NERC System of Accounts assigns an account number to each statutory function outlined in the delegation agreements between NERC and the Regional Entities. MRO's accounting system is similarly organized by NERC account, meaning that while MRO tracks costs by department, MRO simultaneously tracks

costs by NERC account.

All MRO employees have a “home” program area to which they are assigned. However, most MRO employees work in multiple program areas. For instance, employees whose home program area is compliance may also assist in reliability standard development. MRO employees track their time working in each program area, and their budgeted labor costs are allocated to the various program areas in which they are anticipated to work.

The Compliance department encompasses MRO’s reliability audit, spot checks and self-certification activities.

The Risk Assessment and Mitigation and Registration and Reliability Standards functions are housed under one Vice President who oversees the two departments.

Enforcement and Regulatory Affairs is responsible for enforcement of reliability standard violations within the MRO region based upon the evaluations provided by the risk assessment staff.

MRO’s Operations department houses its reliability assessment, performance analysis, event analysis, situation awareness, infrastructure security, and IT functions. This department is headed by a Vice President.

MRO’s General Counsel/External Affairs department provides legal advice to MRO on an as-needed basis. This department also handles certain communications with NERC, other regions, and other external parties.

MRO’s Finance and Administration department performs human resources, accounting, finance, budget, and treasury functions.

6. *Financial Controls and Expense Approval*

MRO maintains formal policies governing travel expense reimbursement, corporate credit card usage, contractor use, and procurement. MRO’s Employee Handbook also addresses financial controls and expense approval.

MRO employees travel to conduct audits, perform reliability assessments, and attend industry meetings and training. MRO’s Expense Statement Guidelines (Guidelines) provide guidance to MRO employees on reimbursable travel expenses. Expenses are reviewed for proper documentation and reasonableness by department managers and MRO’s Vice President of Finance.

An independent auditing firm annually audits MRO’s financial statements. MRO staff consults the FAC of the Board in reviewing the selection of the external auditor and the scope of the audit work. Once hired, the independent auditor communicates directly to the FAC Chair regarding audit matters. The FAC and MRO staff performs an annual review of the auditing firm’s performance.

MRO’s Contract Management Procedures (Procedures) govern the procurement of goods and services in excess of \$500. The Procedures dictate that an employee must have a Master

Purchase Order approved by MRO's VP of Finance and his or her department VP for all purchases in excess of \$500. Additionally, purchases in excess of \$10,000 must also be approved by the MRO President.

MRO utilizes a time-tracking and reporting system for its employees. The software allows employees to track their labor hours by program area, project, NERC account, and registered entity. New employees are trained on MRO's time-tracking policies and systems upon hiring. Non-labor employee costs are also coded by program area, project, NERC account, and Registered Entity.

7. *Compensation Process*

MRO bases employee compensation on eight pay principles. The current pay structure uses a five-tiered structure. Each tier is divided into four scales reflecting experience and degree of knowledge, skills and abilities.

8. *Other Personnel Costs and Policies*

MRO employees are required to sign a Standards of Conduct form, attesting that they will always act in the best interests of MRO, and that they will avoid conduct and commitments that may compromise their responsibilities to MRO. MRO employees are forbidden from owning a financial interest in any entity subject to reliability standards within the MRO region.

9. *2014 Key Assumptions*

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process located in Exhibit A of NERC's 2014 Business Plan and Budget.

10. *2014 Goals and Key Deliverables*

The vision of MRO is to oversee a reliable regional Bulk Electric System in North America. MRO's purpose is to strive to assure each Bulk Electric System owner, operator, and planner within the region is a highly effective reliable organization. MRO will leverage industry experts to address risks and improve reliability and security for the overall benefit of regional reliability. Through stakeholder processes, MRO will provide clarity on expectations and requirements; look to embed risk controls for assurance across the networked bulk electric system, and demonstrate results that improve reliability. For more information on MRO's Vision, Purpose, and Principles, please refer to MRO's website at <http://www.midwestreliability.org/>.

MRO's business planning is driven by the annual strategic initiatives, which are used in conjunction with the organizational vision, purpose, and principles:

1. Work with NERC and the other Regions for closer coordination within the Eastern Interconnection and North America.
2. Work with Registered Entities to address reliability risks and communicate lessons learned and trends from events, assessments, technical analysis, compliance, and enforcement activities analysis in a timely, transparent manner.

3. Work with stakeholders to develop guidance for Registered Entities on Reliability Standards and model controls and procedures to assure compliance with the requirements.
4. Work with NERC and Stakeholders to establish key indicators of reliable and secure performance.
5. Establish internal metrics for effectiveness and efficiency of key program areas.
6. Develop regulatory scope around risk.

Long-Term Business Planning

NERC and the Regional Entities are actively working together to improve the overall business planning and budgeting process, including long-term resource and financial planning. The 2014 Business Plan and Budget process included numerous 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, including factors affecting resource needs beyond the 2014 planning horizon. As an important first step in the development of a long-term business plan and budgeting process, the Common Business Plan and Budget Assumptions attached as Exhibit A in the NERC 2014 Business Plan and Budget incorporate assumptions affecting resource demands through the 2016 planning horizon. NERC and the Regional Entities continue to work together to develop, strengthen and improve an integrated long-term 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 operations.

11. 2014 Overview of Cost Impacts

MRO proposes to increase its operating budget from \$9.28 million to \$9.74 million, an increase of \$461,269. Due to an expected increase in the collection of applicable penalties and change in working capital, funding assessments will decrease by \$347,480 or 3.82%.

Operational Programs

Funding Requirements — Explanation of Increase (Decrease)

Standards and Organization Registration and Certification

For 2014, MRO will maintain flat staffing levels in the Standards area. MRO will continue to focus on continent-wide standards and leveraging experts from the industry to assure proper technical application of existing standards. MRO registers all known entities subject to the Reliability Standards.

Compliance Monitoring and Enforcement Program

MRO has three independent programs within the NERC defined compliance monitoring and enforcement program:

Compliance

The mission of the compliance staff is to conduct audits, spot checks. Budgeted costs for this program will decrease in 2014.

Risk Assessment and Mitigation

Risk Assessment and Mitigation undertakes an independent review of the facts and circumstances surrounding each potential violation discovered by Compliance Monitoring, and then determines whether sufficient evidence supports each Possible Violation (PV). Risk Assessment and Mitigation works with the registered entity to develop an effective mitigation plan in the event that a violation is confirmed. MRO is anticipating an increase in costs for this program in 2014 and has budgeted for the same.

Enforcement

Confirmed violations move to the Enforcement staff, who review recommendations made by Risk Assessment and Mitigation staff, verify all relevant facts, and evaluate appropriate enforcement actions for final disposition and resolution. Enforcement staff reports to NERC regarding the status of all PVs. MRO Enforcement staff may negotiate penalty settlements with registered entities, and coordinates review of settlement agreements by MRO's Board. Enforcement determinations are submitted by MRO staff to NERC for approval. Costs for this program are budgeted to increase in 2014.

The factual review conducted by Risk Assessment and Mitigation and Enforcement staff is intended to ensure a consistent, accurate application of the NERC reliability standards. The three-step process also provides for segregation of duties, establishing independence among those making the findings, those assessing risk, and those determining and negotiating penalties and sanctions.

Reliability Assessment and Performance Analysis

MRO's RAPA staff continues to independently assess the work of the planning coordinators in their seasonal and long term reliability assessments. Staff also assembles modeling data for the Region and works with several other Regions to prepare Eastern Interconnection models. In addition, staff reviews event analysis reports and protection system mis-operations reports prepared by registered entities to ensure complete analysis and to maintain various performance metrics. Staff performs other technical analysis such as implementation of the BES definition and participates on regional and NERC technical committees and working groups.

Training and Education

MRO provides training to Registered Entities through workshops, presentation opportunities at industry meetings, and by providing lessons learned in MRO's newsletter and other publications. Through the MRO Standards Committee, Subject Matter Expert ("SME") teams have been established to provide training on best practices and model programs for compliance, operations, and Critical Infrastructure Protection ("CIP").

Situation Awareness & Infrastructure Security Program

Situation Awareness

MRO utilizes the NERC Situation Awareness tool and monitors other communication systems to maintain an awareness of BES events and incidents. Staff is prepared to respond through timely reporting and effective communication of any identified potential risks to the BES.

Infrastructure Security Program

In recognition of the criticality of protection of cyber infrastructure and BES control systems, the 2014 Budget includes dollars for MRO representatives to participate in infrastructure security related activities and travel to attend security related meetings. Critical infrastructure compliance, training and education are budgeted in the applicable areas of the budget.

Administrative Programs

Technical Committees and Member Forums (Committees that meet for NERC business)

MRO staff and Registered Entity staff will continue to participate in NERC committees and working groups. By policy, MRO reimburses Registered Entities for approved regional representative travel expenses. Travel relating to quarterly NERC Board of Trustees (NERC BOT) meetings is captured in the Technical Committees and Member Forums program area. The 2014 Budget reflects the increased participation of MRO staff in NERC meetings and anticipation of higher airline costs. The 2014 Budget for Technical Committees and Member Forums is increased by 85%.

General and Administrative

The 2014 Budget includes no change in travel dollars, reflecting a stable trend of expense reimbursements for the MRO Board of Directors.

The 2014 Budget has no change in professional service expenses for the costs for independent MRO board members.

Information Technology

In 2014 MRO will continue to maintain the security of its IT systems and information, along with addressing any recommendations from external and internal evaluations. MRO uses independent third parties to provide periodic assessments of its infrastructure security. MRO subscribes to compliance and standards applications from a third party vendor; these applications are subject to independent third party audits and reside on a secure platform.

Greater efficiencies are budgeted with this third party vendor as additional regions expand the common IT platform increasing scale and reducing costs by spreading costs across the increased number of participating regions.

Legal and Regulatory

For 2014, MRO overall legal and regulatory costs will decrease due to the elimination of outside legal contingency dollars.

Accounting / Human Resources

Personnel Costs - Employee Paid Benefits

The 2014 Budget has an increase in the number of FTEs from 3.01 to 3.30. The additional staff came from increased use of administrative support. MRO's overall FTE staffing has increased from 20.00 in 2007 to 40.75 in 2014 Budget. MRO does not include attrition/vacancy assumptions in personnel cost projections. In addition, the budget includes a slight decrease in building, rent and facilities costs to reflect stable lease costs in 2014 (MRO moved to new facilities in April 2012).

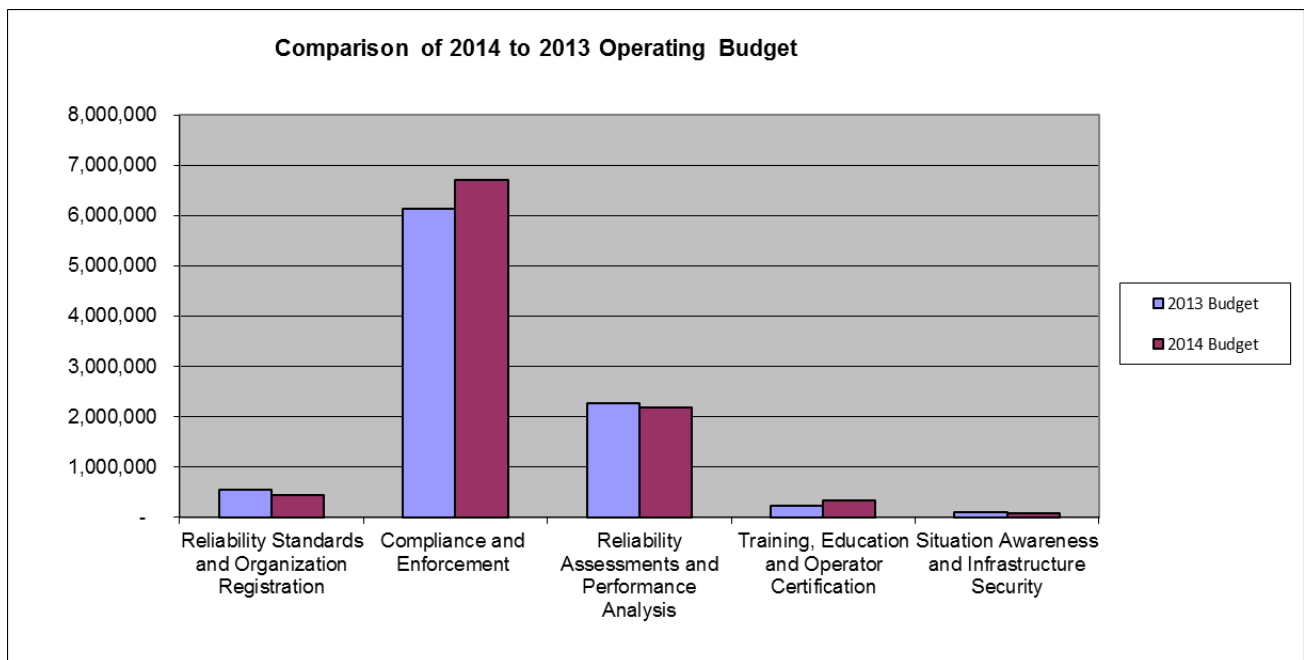
Facility Impacts

MRO staff was given the authority to seek alternative facilities to address MRO’s growing need for additional space for the higher number of FTEs and provide more opportunities to host meetings. The 2014 Budget continues to reflect lower per meeting costs with the new facility due to elimination of meeting room and audio visual rentals as well as lower catering costs.

Other Non-Operating Expenses

None

Program	2013 Budget	2013 Projection	2014 Budget	Variance 2014 Budget v 2013 Budget	% of Change
Reliability Standards and Organization Registration	\$ 543,603	\$ 543,603	\$ 435,358	\$ (108,244)	-19.91%
Compliance Enforcement	6,135,726	6,135,726	6,697,593	561,868	9.16%
Reliability Assessments and Performance Analysis	2,277,446	2,277,446	2,194,427	(83,019)	-3.65%
Training, Education and Operator Certification	229,419	229,419	333,137	103,718	45.21%
Situation Awareness and Infrastructure Security	97,348	97,348	84,283	(13,065)	-13.42%
TOTAL BUDGET	\$ 9,283,541	\$ 9,283,541	\$ 9,744,799	\$ 461,258	4.97%



Introduction

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2013	2013	2014	FTEs 2014	2014	from 2013
	Budget	Budget	Budget	Budget ¹	Budget	Budget
STATUTORY						
Operational Programs						
Reliability Standards and Organization and Certification	1.51	1.51	1.17		1.17	(0.34)
Compliance	10.42	10.42	11.16		11.16	0.74
Compliance Risk Assessment and Mitigation	5.71	5.71	6.31		6.31	0.60
Compliance Enforcement	2.86	2.86	3.79		3.79	0.93
Training and Education	0.27	0.27	0.65		0.65	0.38
Reliability Assessment and Performance Analysis	6.68	6.68	6.49		6.49	(0.19)
Situation Awareness and Infrastructure Security	0.30	0.30	0.22		0.22	(0.08)
Total FTEs Operational Programs	27.75	27.75	29.79	-	29.79	2.04
Administrative Programs						
Technical Committees and Member Forums	1.35	1.35	1.66		1.66	0.31
General & Administrative	1.32	1.32	1.94		1.94	0.62
Legal and Regulatory	1.22	1.22	0.93		0.93	(0.29)
Information Technology	3.10	3.10	3.13		3.13	0.03
Human Resources	-	-	-		-	-
Finance and Accounting	3.01	3.01	3.30		3.30	0.29
Total FTEs Administrative Programs	10.00	10.00	10.96	-	10.96	0.96
Total FTEs	37.75	37.75	40.75	-	40.75	3.00

¹A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
STATUTORY					
	2013	2013	Variance	2014	Variance
	Budget	Projection	v 2013 Budget	Budget	v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 9,098,927	\$ 9,098,927	\$ -	\$ 8,741,444	\$ (357,483)
Penalty Sanctions	14,000	14,000	-	136,500	122,500
Total NERC Funding	<u>\$ 9,112,927</u>	<u>\$ 9,112,927</u>	<u>\$ -</u>	<u>\$ 8,877,944</u>	<u>\$ (234,983)</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 9,112,927</u>	<u>\$ 9,112,927</u>	<u>\$ -</u>	<u>\$ 8,877,944</u>	<u>\$ (234,983)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 4,772,320	\$ 4,772,320	\$ -	\$ 5,178,538	\$ 406,218
Payroll Taxes	312,394	312,394	-	339,154	26,760
Benefits	394,086	394,086	-	412,222	18,136
Retirement Costs	833,228	833,228	-	968,920	135,692
Total Personnel Expenses	<u>\$ 6,312,028</u>	<u>\$ 6,312,028</u>	<u>\$ -</u>	<u>\$ 6,898,834</u>	<u>\$ 586,806</u>
Meeting Expenses					
Meetings	\$ 132,464	\$ 132,464	\$ -	\$ 100,514	\$ (31,950)
Travel	630,765	630,765	-	598,900	(31,865)
Conference Calls	41,700	41,700	-	-	(41,700)
Total Meeting Expenses	<u>\$ 804,929</u>	<u>\$ 804,929</u>	<u>\$ -</u>	<u>\$ 699,414</u>	<u>\$ (105,515)</u>
Operating Expenses					
Consultants & Contracts	\$ 573,100	\$ 573,100	\$ -	\$ 543,100	\$ (30,000)
Office Rent	528,827	528,827	-	524,827	(4,000)
Office Costs	428,304	428,304	-	503,124	74,820
Professional Services	246,500	246,500	-	205,000	(41,500)
Miscellaneous	-	-	-	-	-
Depreciation	305,665	305,665	-	471,000	165,335
Total Operating Expenses	<u>\$ 2,082,396</u>	<u>\$ 2,082,396</u>	<u>\$ -</u>	<u>\$ 2,247,051</u>	<u>\$ 164,655</u>
Total Direct Expenses	<u>\$ 9,199,353</u>	<u>\$ 9,199,353</u>	<u>\$ -</u>	<u>\$ 9,845,299</u>	<u>\$ 645,946</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 9,199,353</u>	<u>\$ 9,199,353</u>	<u>\$ -</u>	<u>\$ 9,845,299</u>	<u>\$ 645,946</u>
Change in Assets	<u>\$ (86,426)</u>	<u>\$ (86,426)</u>	<u>\$ -</u>	<u>\$ (967,355)</u>	<u>\$ (880,929)</u>
Fixed Assets					
Depreciation	\$ (305,665)	\$ (305,665)	\$ -	\$ (471,000)	\$ (165,335)
Computer & Software CapEx	339,851	339,851	-	320,500	(19,351)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ 0
Inc(Dec) in Fixed Assets (C)	<u>84,186</u>	<u>84,186</u>	<u>-</u>	<u>(100,500)</u>	<u>(184,686)</u>
TOTAL BUDGET (=B + C)	<u>\$ 9,283,539</u>	<u>\$ 9,283,539</u>	<u>\$ -</u>	<u>\$ 9,744,799</u>	<u>\$ 461,260</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ (170,612)</u>	<u>\$ (170,612)</u>	<u>\$ -</u>	<u>\$ (866,855)</u>	<u>\$ (696,243)</u>
FTEs	37.75	37.75	-	40.75	3.00



Section A – Statutory Programs

2014 Business Plan and Budget

Section A — Statutory Programs

1. Reliability Standards, Organization Registration and Certification Program

Reliability Standards, Organization Registration and Certification Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.51	1.17	(0.34)
Direct Expenses	\$ 340,889	\$ 279,428	\$ (61,461)
Indirect Expenses	\$ 198,132	\$ 159,877	\$ (38,254)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 4,581	\$ (3,947)	\$ (8,528)
Total Funding Requirement	\$ 543,603	\$ 435,358	\$ (108,244)

Starting in calendar year 2013 MRO has consolidated Standards and Organization Registration and Certification into one department.

Program Scope and Functional Description

NERC uses stakeholder-driven processes consistent with the Rules of Procedure to develop and maintain Reliability Standards that apply to bulk electric system owners, operators, and users and that enable NERC and Regional Entities to measure the reliability performance of bulk electric system owners, operators and users; and to hold them accountable for reliable operation of the bulk electric systems. The Reliability Standards must be technically sound, timely, just, reasonable, not unduly discriminatory or preferential, in the public interest, and consistent with other applicable requirements.

MRO supports NERC standards development through its Standards Committee. Organization Registration criteria and requirements are approved by NERC and the Commission in the United States, and MRO staff carries out those responsibilities through its Delegation Agreement with NERC. Registration is documented by MRO and incorporated into the overall NERC Registry. MRO staff registers all known entities (owners, operators, and users) subject to the Reliability Standards and revises the Registered Entity list as required under the Rules of Procedure.

MRO will work with NERC on development of common and consistent registration processes, information systems and methods among regions. MRO will use NERC's revised certification Rules which will require technical training to be developed by NERC.

2014 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Standards Program can be located

in the Key Assumptions section of Exhibit A in NERC’s 2014 Business Plan and Budget.

MRO utilizes a balanced stakeholder Standards Committee (“SC”) to administer the regional standards program, educate stakeholders about the application of Reliability Standards, and provide regional input to the NERC Standards development efforts. The SC is charged with the following responsibilities:

- Recommend to the MRO Board regional representatives for NERC standards development and drafting related working groups and committees
- Promote coordination of MRO’s efforts with other Regional Entities and NERC, including a periodic review of NERC Reliability Standards and their applicability to those subject to the Reliability Standards
- Provide non-binding assistance to stakeholders in understanding the application of continent-wide Reliability Standards and the types of evidence needed to demonstrate compliance through examples
- Identify pools of subject-matter experts (SMEs) in the industry to assist in the development of application guides
- Oversee the development of application guides for NERC Reliability Standards
- Review frequently occurring compliance violations to determine if there are any additional application guidelines that are needed or additional changes to standards or request interpretations
- Provide education and training on effectively demonstrating compliance to stakeholders through webinars, emails, conference calls, presentations or workshops
- Provide recommendations to the NERC standing committees or other working groups as required
- Provide comments and voting positions on NERC-proposed standards interpretations and compliance application notice from MRO stakeholders
- Where necessary, assure regional Reliability Standards are consistent with continent-wide Reliability Standards
- Process all requests for new or modifications to Reliability Standards
- Maintain MRO Reliability Standards process documentation
- Assign the development of a regional Reliability Standard to a drafting team
- Present new, or modifications to, regional Reliability Standards for adoption by the MRO Board upon recommendation from the SC

In supporting the work of the SC, MRO staff monitors the NERC Standards development efforts and facilitates the efforts of the SC and its subgroups to provide input in a coordinated manner. Staff also ensures the regional processes are followed for the regional standards development. Currently, MRO has no regional standards under development and does not anticipate any Standards Authorization Request (SAR) submittals in the future.

The SC is committed to developing and delivering training to industry stakeholders on meeting the obligations and requirements of existing, new, or emerging Reliability Standards. In support of the SC’s commitment, MRO staff provides input to the SME teams in developing their training tools and reviews the Application Guidance documents and presentations. In addition, MRO staff helps manage all SME team projects and provides technical support. MRO staff appreciates the SME teams sharing their technical expertise and knowledge to improve power

system reliability for all.

MRO staff and stakeholders provide technical advice and comment to NERC when developing Reliability Standards applicable across North America and the Eastern Interconnection. MRO staff and Registered Entities participate in NERC and MRO standards drafting teams, hold meetings and conferences to discuss standards, and actively work with NERC on its standards development plan.

NERC's Four Year Standards Development Plan, included in NERC's 2014 Business Plan and Budget as Exhibit A, supports the significant effort required by MRO to participate in standards development.

Organization Registration

- 2014 Variance: no material changes
- Workload associated with maintaining the registry will continue
- Pre-June 18, 2007 voluntary program (28 participants/255 functions)
- June 18, 2007 mandatory implementation (110 Registered Entities/432 functions)
- March 2012 (125 Registered Entities/502 functions)
- Registration is an ongoing assignment
- Continue to inventory generator facilities and transmission elements that meet NERC Criteria of Registration
- Joint Registration Organization (JRO) maintenance
- Coordinated Registration Organization (CFR) development and maintenance
- Modify registry if it is discovered an entity meets additional functional criteria through compliance monitoring processes
- Continue to obtain and review system one-line diagrams, maps, and agreements used to identify owners and operators of the Bulk Electric System
- Continue to manage overall registry by having a staff person directly assigned to this task

Organization Certification

- 2014 Variance: no material changes.
- Work performed to certify additional functions with Registered Entities, and work performed to certify new Registered Entities, are expected to continue. The equivalent rate or amount of work is expected to "hold steady" in 2014 (no change).

2014 Goals and Key Deliverables

- Provide comments and support to other NERC and MRO SC activities
- Work with NERC to improve interpretation of existing Reliability Standards
- Work with NERC to improve the timeliness of Reliability Standards development
- Comment on all NERC Standards Authorization Requests (SAR) and draft standards
- Communicate with stakeholders and vote on all NERC Standards
- Support and inform MRO SC and Board of standards-related activities
- Participate on various NERC committees and subgroups

- MRO SME teams and staff train and educate Registered Entities on the application of standards by participating in MRO workshops (costs are captured in Training and Education)

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2014, MRO will maintain relatively flat staffing levels in the Standards and Organization Registration and Certification area even though in 2013 MRO staff consolidated Standards and Organization Registration and Certification into one department. Since Standards are primarily an industry activity, MRO has leveraged staff from Registered Entities in drafting teams and in other areas to gain more subject matter expertise applied to the standards process. While MRO reimburses travel expenses for approved representatives, there are staff cost savings.

Funding Sources (Other than ERO Assessments)

Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page 60.

Personnel Expenses

- MRO continues to facilitate additional technical resources from the industry in drafting teams and in other areas to augment staff involvement, which has resulted in a relatively stabilized number of FTEs. MRO reimburses travel expenses for stakeholder participation.
- The 2014 budgeted salaries is relatively flat when compared to the 2013 budget, with a slight decrease in FTEs as MRO staff is shifted in response to realigning staff in the program areas.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

- 2014 Meeting expenses will be reduced from the 2013 Budget. The reduction is a reflection of lower meeting costs by using the new facility. The 2014 member travel reimbursement will remain at the same level.
- 2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

Operating Expenses

- 2014 Consultant and Contract costs will remain at the same level as the 2013 Budget.
- 2014 Office costs will decrease in departments maintaining certifications by leveraging training to satisfy multiple certification requirements.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is a decrease in the indirect expenses for 2014 as a result of a lower percentage of total FTEs in the direct programs.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Reliability Standards and Organization Registration and Certification Program

Funding sources and related expenses for the Reliability Standards section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
RELIABILITY STANDARDS AND ORGANIZATIONAL REGISTRATION					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 542,840	\$ 542,840	\$ -	\$ 429,997	\$ (112,843)
Penalty Sanctions	762	762	-	5,361	4,599
Total NERC Funding	\$ 543,602	\$ 543,602	\$ -	\$ 435,358	\$ (108,243)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 543,602	\$ 543,602	\$ -	\$ 435,358	\$ (108,243)
Expenses					
Personnel Expenses					
Salaries	\$ 210,558	\$ 210,558	\$ -	\$ 175,057	\$ (35,501)
Payroll Taxes	12,362	12,362	-	9,981	(2,381)
Benefits	15,154	15,154	-	12,129	(3,025)
Retirement Costs	32,835	32,835	-	34,167	1,332
Total Personnel Expenses	\$ 270,909	\$ 270,909	\$ -	\$ 231,334	\$ (39,575)
Meeting Expenses					
Meetings	\$ 7,500	\$ 7,500	\$ -	\$ 4,000	\$ (3,500)
Travel	28,900	28,900	-	28,900	-
Conference Calls	15,000	15,000	-	-	(15,000)
Total Meeting Expenses	\$ 51,400	\$ 51,400	\$ -	\$ 32,900	\$ (18,500)
Operating Expenses					
Consultants & Contracts	\$ 12,000	\$ 12,000	\$ -	\$ 12,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,580	6,580	-	3,194	(3,386)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 18,580	\$ 18,580	\$ -	\$ 15,194	\$ (3,386)
Total Direct Expenses	\$ 340,889	\$ 340,889	\$ -	\$ 279,428	\$ (61,461)
Indirect Expenses	\$ 198,132	\$ 198,132	\$ -	\$ 159,877	\$ (38,254)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 539,021	\$ 539,021	\$ -	\$ 439,305	\$ (99,715)
Change in Assets	\$ 4,581	\$ 4,581	\$ -	\$ (3,947)	\$ (8,528)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 4,581	4,581	-	(3,947)	(8,528)
Inc(Dec) in Fixed Assets (C)	4,581	4,581	-	(3,947)	(8,528)
TOTAL BUDGET (=B + C)	\$ 543,602	\$ 543,602	\$ -	\$ 435,358	\$ (108,243)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	1.51	1.51	-	1.17	(0.34)

2. Compliance Monitoring and Enforcement Program (CMEP)

Compliance Monitoring and Enforcement Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	18.99	21.26	2.3
Direct Expenses	\$ 3,586,378	\$ 3,864,192	\$ 277,815
Indirect Expenses	\$ 2,491,737	\$ 2,905,124	\$ 413,387
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 57,611	\$ (71,723)	\$ (129,334)
Total Funding Requirement	\$ 6,135,726	\$ 6,697,593	\$ 561,869

Program Scope and Functional Description

In 2014, the MRO Compliance Monitoring and Enforcement Program includes performing CMEP activities with approximately 125 Registered Entities in the MRO Region.

All Registered Entities are subject to periodic audit and/or spot checks. For 2014, there are a total of 20 compliance audits planned, and spot checks will be done as needed.

In addition to the normal and ongoing compliance discovery activities under the NERC CMEP, MRO Compliance staff will be prepared to assist with compliance investigations, system performance monitoring and assessment, and compliance reviews for all events in which the NERC Event Analysis and Compliance Review Process is initiated. These activities are included in the business plan for 2014. Investigations are handled through MRO's Risk Assessment and Mitigation team.

2014 Key Assumptions

NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Compliance Monitoring and Organization Registration and Certification Program can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

MRO will monitor compliance with Reliability Standards for each Registered Entity that has compliance responsibilities as defined in the Compliance Registry for MRO. In the United States, MRO monitors Reliability Standards according to Commission-approved Rules. In Manitoba, MRO monitors Reliability Standards under provincial law as implemented in the Manitoba Reliability Standards Regulation. In Saskatchewan, MRO carries out its compliance monitoring responsibilities according to an agreement with the Saskatchewan Oversight Authority.

2014 Compliance Monitoring Program Goals and Key Deliverables

- Conduct secondary independent review to assure all determinations of possible violations are accurate, complete, and technically sufficient
- Assure professionally-trained staff is available to perform the required activities under the NERC Rules of Procedure
- Deliver consistent results when processing all instances of noncompliance
- Process initial compliance determinations of standards in a fair, uniform, systematic, and timely manner
- Maintain internal controls for “one-up and next door” reviews to assure all determinations receive adequate “due care” and review
- Ensure an accurate and complete discovery record is created, maintained, and retained for each possible violation discovered and where there are no findings as well
- Conduct system performance compliance monitoring (such as due diligence review of misoperations, physical inspections, etc.)
- Participate in compliance investigations as warranted
- Continue to maintain information in a secured environment through webCDMS; expand use of webCDMS tool suite for staff to drive more efficiencies in the conduct of the work and make the work more meaningful to Registered Entities
- Participate in working groups where continent-wide compliance and enforcement program processes and procedures will be developed to drive consistency
- In 2012 MRO engaged a third party consultant that provided an assessment of the audit practices across the Regions and NERC with the purpose to gauge the level of practices and develop a tool to drive consistency across the Regions, as well as to provide NERC with an oversight tool. In 2012 the regions implemented a uniform audit checklist.

Funding Requirements — Explanation of Increase (Decrease)**Compliance Monitoring Explanation of Variances – 2014 Budget versus 2013 Budget
Annual Implementation Plan**

- Monitor compliance with all regulatory-approved Reliability Standards as defined in the NERC Annual Implementation Plan.
- Adopt risk-based audit principles of the Reliability Assurance Initiative (RAI), potentially reducing scope of individual audits but incurring additional effort when reviewing Registered Entities’ internal controls.
- It is assumed that the NERC 2014 Implementation Plan will hold steady for the other monitoring methods including monthly self-certification, quarterly self-certification, periodic data submittal, exception report, and spot-check, when compared to the 2013 Implementation Plan.
- Unscheduled spot-checks and/or audits are conducted if:
 - Entity registration changes (such as adding TOP, BA, RC function)
 - Evidence of compliance provided during an audit (or other method) is found to be non-compliant and the entity is using another entity’s program or process
 - Follow-up is needed as a result of self-certifications or events

Planned Audits (Operating and Planning Standards)

- 2014 Variance: increase of workload.
- The number of audits to be performed in 2014 is 20, which is an increase by one compared to 2013.

Planned Audits (CIP Standards)

- 2014 Variance: consistent workload.
- The number of audits to be performed in 2014 is 20, which is consistent compared to 2013. In addition, Technical Feasibility Exceptions (TFEs) will continue to be managed on an ongoing basis, and a review of TFEs will be included in each audit.

Annual Self-Certification Requirement

- 2014 Variance: consistent in workload.
- The number of entities participating in the annual self-certification is approximately 125 for 2014.
- It is assumed that the NERC 2014 Implementation Plan, which identifies the Reliability Standard requirements to be monitored through annual self-certification, is reduced due to the exclusion of standards audited at an entity during 2014.

Compliance Investigations (CIs)

- 2014 Variance: increase in workload in 2014 from 2013.
- MRO Risk Assessment and Mitigation staff will assume the lead on investigations in the MRO region.

Compliance Possible Violation Discovery

- 2014 Variance: increase of workload in 2014 from 2013.
- For every possible violation, MRO Risk Assessment and Mitigation performs a fact and circumstance review.
- An increase of workload in this area is assumed due to the expanded scope of compliance monitoring resulting from the new Reliability Standards, the expanded scope of system performance monitoring, and the instability of CIP standards (version 3/4/5 transition).
- MRO expects self-reported violations to continue on its past trend.

Compliance Possible Violation Record Development

- 2014 Variance: increase of workload in 2014 from 2013.
- A discovery record is developed for every possible violation. The discovery record and supplemental forms represent the initial development of the enforcement disposition record.
- The number of discovered violations is expected to increase as explained above, which will ultimately increase the number of required discovery records.

Mitigation Plan Acceptance and Verification of Completion

- 2014 Variance: increase of workload in 2014 from 2013.
- MRO uses number of days in violation process (DIVP) and violation aging as key indicators for process efficiency and effectiveness. Due primarily to CIP violations, the

number of days has increased, and therefore we are devoting more resources in this area. Further, MRO assumes an increase in the number and frequency of violations discovered with the inclusion of the CIP Standards and 41 Requirements.

- For every Alleged Violation identified by MRO staff, a mitigation plan must be submitted. MRO Risk Assessment and Mitigation staff reviews each submitted mitigation plan to assess whether the proposed plan will mitigate and prevent recurrence of the subject violation. The development of the mitigation plan provides the information necessary to determine the potential and actual risk to the reliability of the BES.

Compliance Enforcement Explanation of Variances – 2014 Budget versus 2013 Budget

2014 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Enforcement can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

Processing of Alleged Violations

For every possible violation identified by MRO compliance staff or a Registered Entity, MRO enforcement staff performs a review to confirm its validity. For possible violations deemed valid, MRO enforcement staff prepares and issues a Notice of Possible Violation and performs a facts and circumstances review to determine if the Registered Entity was or was not in violation of the Reliability Standard(s). If the Registered Entity is in violation of a Standard, MRO enforcement staff prepares a Notice of Alleged Violation which may include a Disposition Document for each alleged violation or a Notice of Find, Fix, Track and Report processing for each remediated issue. Where a Notice of Alleged Violation is issued, a proposed penalty is calculated and reviewed and considered by at least two MRO enforcement staff. Upon acceptance or lapse of the required time for response to the Notice of Alleged Violation, MRO enforcement staff prepares a Notice of Confirmed Violation. The drafting of these notices is an iterative process and requires resources.

For more complex or significant matters, MRO enforcement staff anticipates resolution through negotiated settlement. This process is sometimes lengthy and typically results in ongoing tracking and monitoring requirements for MRO and the Registered Entity to ensure completion of agreed-upon remedies. MRO encourages Registered Entities to make investments in equipment and people as an offset for proposed penalties. This results in longer-term monitoring commitments in the enforcement process.

Record Development and Maintenance

Processes have been formalized and necessary documentation identified to complete the record. The webCDMS application provides for a central repository accessible to each Registered Entity.

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2014, MRO is devoting more resources to the compliance monitoring area due to the

increasing workload in this area.

Funding Sources (Other than ERO Assessments)

Penalty Sanctions – Total penalty monies to be received (and currently in escrow) and the allocation method used to allocate funds to this program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page 60.

Personnel Expenses

- The overall budgeted FTE count for Compliance reflects a 2.3 increase for 2014 when compared to the FTE count at year-end 2013 due to additional personnel required to support the RAI.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

Recognizing continued facility savings in meeting costs due to hosting more meetings in the office versus renting a meeting room.

Travel Expense

Expenditures in the “travel” account will be decreased in 2014 primarily due to reduced need for staff travel with increased use of on-site meetings and web conferences. There are also less NERC/Regional working groups.

Conference Calls

2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

Operating Expenses

- **Consultants and Contracts**
Greater efficiencies are expected with the third party vendor as additional regions expand the common IT platform increasing scale and reducing MRO’s costs by spreading total costs across the increased number of participating regions.
- **Office Costs**
The “office costs” account for 2014 will increase in training costs for the staff due to new staff acquiring the necessary certifications in 2013 and 2014. MRO has its own credential and experience requirements for personnel in the audit area.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result a higher percentage of total FTEs in the direct programs. In addition, for 2014, there are higher administrative service costs associate with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Compliance Monitoring and Enforcement Program

Funding sources and related expenses for the Compliance Enforcement section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
COMPLIANCE MONITORING, AND ENFORCEMENT					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 6,126,145	\$ 6,126,145	\$ -	\$ 6,600,178	\$ 474,033
Penalty Sanctions	9,581	9,581	-	97,415	87,834
Total NERC Funding	\$ 6,135,726	\$ 6,135,726	\$ -	\$ 6,697,593	\$ 561,868
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 6,135,726	\$ 6,135,726	\$ -	\$ 6,697,593	\$ 561,868
Expenses					
Personnel Expenses					
Salaries	\$ 2,372,105	\$ 2,372,105	\$ -	\$ 2,631,450	\$ 259,345
Payroll Taxes	159,443	159,443	-	179,885	20,442
Benefits	203,097	203,097	-	222,055	18,958
Retirement Costs	393,579	393,579	-	461,742	68,163
Total Personnel Expenses	\$ 3,128,224	\$ 3,128,224	\$ -	\$ 3,495,132	\$ 366,908
Meeting Expenses					
Meetings	\$ 5,600	\$ 5,600	\$ -	\$ 5,500	\$ (100)
Travel	200,300	200,300	-	137,000	(63,300)
Conference Calls	8,400	8,400	-	-	(8,400)
Total Meeting Expenses	\$ 214,300	\$ 214,300	\$ -	\$ 142,500	\$ (71,800)
Operating Expenses					
Consultants & Contracts	\$ 157,000	\$ 157,000	\$ -	\$ 127,000	\$ (30,000)
Office Rent	-	-	-	-	-
Office Costs	79,354	79,354	-	94,560	15,206
Professional Services	7,500	7,500	-	5,000	(2,500)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 243,854	\$ 243,854	\$ -	\$ 226,560	\$ (17,294)
Total Direct Expenses	\$ 3,586,378	\$ 3,586,378	\$ -	\$ 3,864,192	\$ 277,814
Indirect Expenses	\$ 2,491,737	\$ 2,491,737	\$ -	\$ 2,905,124	\$ 413,387
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 6,078,115	\$ 6,078,115	\$ -	\$ 6,769,316	\$ 691,201
Change in Assets	\$ 57,611	\$ 57,611	\$ -	\$ (71,723)	\$ (129,334)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ 57,611	57,611	-	(71,723)	(129,334)
Inc(Dec) in Fixed Assets (C)	\$ 57,611	\$ 57,611	\$ -	\$ (71,723)	\$ (129,334)
TOTAL BUDGET (=B + C)	\$ 6,135,726	\$ 6,135,726	\$ -	\$ 6,697,593	\$ 561,868
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	18.99	18.99	-	21.26	2.27

3. Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	6.68	6.49	(0.19)
Direct Expenses	\$ 1,380,677	\$ 1,329,480	\$ (51,197)
Indirect Expenses	\$ 876,504	\$ 886,842	\$ 10,338
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 20,265	\$ (21,895)	\$ (42,160)
Total Funding Requirement	\$ 2,277,446	\$ 2,194,427	\$ (83,020)

Program Scope and Functional Description

The objectives of the Reliability Assessment and Performance Analysis Program are to:

1. Review pre- and post-seasonal and long-term reliability assessments for the MRO Region in order to assess operating reliability and resource adequacy.
2. Review event analysis efforts by Registered Entities to ensure causes are identified and corrected and that lessons learned are shared with industry.
3. Assemble modeling data and prepare models.
4. Perform legacy Regional Reliability Organization functions until those functions are assigned to registered entities through Reliability Standards (fill in the blank standards).
5. Support MRO stakeholder groups and participate in NERC efforts.

2014 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Assessment and Performance Analysis Program can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

MRO analyzes, assesses, and reports on reliability and adequacy in the past, present, and future. This includes the long-term and seasonal assessments developed by Planning Authorities and reviewed by the MRO Operating Committee ("OC") and the Planning Committee ("PC"), as required by the Delegation Agreement. In addition, specific possible scenarios may be evaluated.

The OC and PC have balanced stakeholder representation, work with MRO staff, and report to the MRO Board. The OC and PC review and consolidate the reports of the overall reliability of the MRO Region, both existing and planned. The OC and PC verify that assessments performed within the MRO Region conform to MRO and NERC Reliability Standards related to system performance.

In 2014, continued attention will be given to transmission adequacy and security, protection and

control standards, special protection scheme reviews, resource adequacy, demand response, reliability metrics, integration of renewable generation per Renewable Portfolio Standards, operational issues and event analysis, Eastern Interconnection Reliability Assessment Group (“ERAG”), NERC and regulatory data requests, electric system modeling data, and reviews of regional reliability criteria and procedures. The collection and validation of Generating Availability Data System, Transmission Availability Data System and Demand Response Availability Data System will add to MRO’s workload as will efforts related to BES exception reporting. MRO did not include any resource requirements directly relating to the BES exception reporting due to the uncertainty.

2014 Goals and Key Deliverables

- Annually review the overall reliability of the MRO Region and interregional BES for near-term and long-term planning horizons and provide planning horizon assessment reports to the Board and NERC
- Review the seasonal assessments (summer and winter) of the MRO Region and interregional BES from an operational perspective
- Review the post-seasonal assessments (summer and winter) of the BES to determine if the system performed according to the preseason plans
- Review system disturbance reports and event analyses to assure the appropriate analysis is performed and that lessons learned are identified and shared with the industry
- Annually (or as often as required by NERC), assess the MRO Region for an emerging issue/scenario as determined by NERC
- Perform special reliability assessments on a Regional, Interregional, and Interconnection basis as conditions warrant, or as directed by the Board or NERC
- Coordinate with NERC on system event analyses on a Regional, Interregional, and Interconnection basis as conditions warrant
- Annually prepare an MRO set of electric system modeling data
- Perform legacy Regional Reliability Organization (“RRO”) responsibilities associated with “fill in the blank” standards until they are transitioned to Registered Entities
- Participate in and represent the MRO Region in all ERAG and NERC groups, as required, that report to the ERAG Management Committee (“MC”) and NERC Planning Committee (“PC”) and Operating Committee (“OC”)

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

Penalty Sanctions – Total penalty monies to be received (and in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page 60.

Personnel Expenses

Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

- Recognizing continued facility savings in meeting costs due to hosting more meetings in the office versus renting a meeting room. Expenditures in the “meeting expense” account are expected to be lower in 2014.
- 2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

Operating Expenses

Consultants and contracts decreased in 2014 primarily because MRO removed the contingency dollars for an Event Analysis.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection	Budget	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 2,274,076	\$ 2,274,076	\$ -	\$ 2,164,689	\$ (109,386)
Penalty Sanctions	3,370	3,370	-	29,738	26,368
Total NERC Funding	\$ 2,277,446	\$ 2,277,446	\$ -	\$ 2,194,427	\$ (83,019)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,277,446	\$ 2,277,446	\$ -	\$ 2,194,427	\$ (83,019)
Expenses					
Personnel Expenses					
Salaries	\$ 795,326	\$ 795,326	\$ -	\$ 793,111	\$ (2,215)
Payroll Taxes	54,654	54,654	-	53,718	(936)
Benefits	71,795	71,795	-	68,241	(3,554)
Retirement Costs	160,752	160,752	-	170,310	9,558
Total Personnel Expenses	\$ 1,082,527	\$ 1,082,527	\$ -	\$ 1,085,380	\$ 2,853
Meeting Expenses					
Meetings	\$ 20,000	\$ 20,000	\$ -	\$ 5,500	\$ (14,500)
Travel	106,150	106,150	-	81,000	(25,150)
Conference Calls	2,500	2,500	-	-	(2,500)
Total Meeting Expenses	\$ 128,650	\$ 128,650	\$ -	\$ 86,500	\$ (42,150)
Operating Expenses					
Consultants & Contracts	\$ 141,100	\$ 141,100	\$ -	\$ 126,700	\$ (14,400)
Office Rent	-	-	-	-	-
Office Costs	28,400	28,400	-	30,900	2,500
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 169,500	\$ 169,500	\$ -	\$ 157,600	\$ (11,900)
Total Direct Expenses	\$ 1,380,677	\$ 1,380,677	\$ -	\$ 1,329,480	\$ (51,197)
Indirect Expenses	\$ 876,504	\$ 876,504	\$ -	\$ 886,842	\$ 10,338
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,257,181	\$ 2,257,181	\$ -	\$ 2,216,322	\$ (40,859)
Change in Assets	\$ 20,265	\$ 20,265	\$ -	\$ (21,895)	\$ (42,160)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 20,265	20,265	\$ -	(21,895)	\$ (42,160)
Inc(Dec) in Fixed Assets (C)	\$ 20,265	\$ 20,265	\$ -	\$ (21,895)	\$ (42,160)
TOTAL BUDGET (=B + C)	\$ 2,277,446	\$ 2,277,446	\$ -	\$ 2,194,427	\$ (83,019)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ (0)
FTEs	6.68	6.68	-	6.49	(0.19)

4. Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.27	0.65	0.38
Direct Expenses	\$ 193,171	\$ 246,509	\$ 53,338
Indirect Expenses	\$ 35,428	\$ 88,821	\$ 53,393
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 819	\$ (2,193)	\$ (3,012)
Total Funding Requirement	\$ 229,419	\$ 333,137	\$ 103,719

Program Scope and Functional Description

Maintaining the reliability of the BES through implementation of the Reliability Standards requires informed and trained Regional and Registered Entity personnel. Education and training is one of the primary objectives of MRO. The education and training program specifically pertains to the implementation of the CMEP, the application of Reliability Standards, Reliability Assessment information, performing quality event analysis, identifying lessons learned from event analysis, expectations and responsibilities for the “fill in the blank” standards, and other related information pertinent to system reliability and compliance. The target audience for this program is Registered Entities.

MRO will provide training to Registered Entities through workshops, conferences, presentation opportunities at industry meetings and by providing lessons learned in MRO’s newsletter and other publications. MRO will continue to identify training opportunities for Registered Entities.

The objectives outlined in the key assumptions are intended to educate and train the industry on Compliance Monitoring and Enforcement Program implementation, the requirements and application of the Standards, lessons learned, and elements of an effective compliance program.

2014 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Training, Education, and Operator Certification Program can be located in the Key Assumptions section of Exhibit A in NERC’s 2014 Business Plan and Budget.

Registered Entities should have processes and procedures in place to ensure adherence with the Reliability Standards and address risks to reliability, which is why education and training is a key initiative for MRO. The MRO Compliance Committee assists and oversees the compliance and enforcement training and education initiatives for Registered Entities, including participation in Compliance Monitoring and Enforcement Program workshops, and stakeholder forums and group training initiatives. The MRO Standards Committee assists and oversees the

Reliability Standards requirement and application training for Registered Entities, and the Planning and Operating Committees contribute to planning Reliability Conferences.

MRO organizes and administers specific training for Hearing Body participants when necessary.

2014 Goals and Key Deliverables

In addition to the MRO management team participating in, and presenting at, various forums (such as Transmission Forum, Generation Forum, MCCF, RTO/ISO, APDA, State Regulator meetings, etc.), MRO will provide workshops (one Compliance Monitoring and Enforcement Program workshop, one Reliability Conference, and one Standards Workshop). In addition, smaller workshops will be held for specific technical topics.

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2014, MRO will provide training to Registered Entities through workshops and other opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to identify training options for Registered Entities in the MRO Region so that they can also accomplish the objectives of the NERC program through a third party.

Funding Sources (Other than ERO Assessments)

Penalty Sanctions – Total penalty monies to be received (in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 60.

Personnel Expenses

- Budgeted payroll taxes, benefits and retirement costs reflect an increase in the actual trend of executive involvement in the workshops, newsletters, and speaker engagements.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

- Expenditures in the “meeting expense” account will decrease in 2014. MRO will provide three training forums. Hearing Body training is not required on an annual basis. It was offered in 2013.
- 2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

Travel Expenses

Expenditures in the “travel expense” account reflect the lower trending in 2014 of member reimbursement for stakeholders presenting to other stakeholders.

Operating Expenses

Office Costs will hold steady in 2014.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 229,281	\$ 229,281	\$ -	\$ 330,159	\$ 100,877
Penalty Sanctions	136	136	-	2,978	2,842
Total NERC Funding	\$ 229,418	\$ 229,418	\$ -	\$ 333,137	\$ 103,719
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 229,418	\$ 229,418	\$ -	\$ 333,137	\$ 103,719
Expenses					
Personnel Expenses					
Salaries	\$ 65,436	\$ 65,436	\$ -	\$ 135,804	\$ 70,368
Payroll Taxes	2,231	2,231	-	6,128	3,897
Benefits	1,935	1,935	-	6,856	4,921
Retirement Costs	11,469	11,469	-	22,921	11,452
Total Personnel Expenses	\$ 81,071	\$ 81,071	\$ -	\$ 171,709	\$ 90,638
Meeting Expenses					
Meetings	\$ 63,500	\$ 63,500	\$ -	\$ 49,000	\$ (14,500)
Travel	28,600	28,600	-	20,800	(7,800)
Conference Calls	15,000	15,000	-	-	(15,000)
Total Meeting Expenses	\$ 107,100	\$ 107,100	\$ -	\$ 69,800	\$ (37,300)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,000	5,000	-	5,000	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -
Total Direct Expenses	\$ 193,171	\$ 193,171	\$ -	\$ 246,509	\$ 53,338
Indirect Expenses	\$ 35,428	\$ 35,428	\$ -	\$ 88,821	\$ 53,393
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 228,599	\$ 228,599	\$ -	\$ 335,330	\$ 106,731
Change in Assets	\$ 819	\$ 819	\$ -	\$ (2,193)	\$ (3,012)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 819	819	-	(2,193)	(3,012)
Inc(Dec) in Fixed Assets (C)	\$ 819	\$ 819	\$ -	\$ (2,193)	\$ (3,012)
TOTAL BUDGET (=B + C)	\$ 229,418	\$ 229,418	\$ -	\$ 333,137	\$ 103,719
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.27	0.27	-	0.65	0.38

5. Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.30	0.22	(0.08)
Direct Expenses	\$ 57,074	\$ 54,963	\$ (2,111)
Indirect Expenses	\$ 39,364	\$ 30,062	\$ (9,302)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	910	(742)	(1,652)
Total Funding Requirement	\$ 97,348	\$ 84,283	\$ (13,065)

Situation Awareness Program Scope and Functional Description

NERC and the Regions shall, through Reliability Coordinators and available tools, monitor present conditions on the bulk electric system and provide leadership coordination, technical expertise, and assistance to the industry in responding to events as necessary.

2014 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Situation Awareness and Infrastructure Security Program can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

The Situation Awareness program includes costs and resources to review and to respond to incidents and events that impact the reliability of the Bulk Electric System and respond to inquiries by NERC or others.

2014 Goals and Key Deliverables

The goal of the Situation Awareness program is to maintain awareness about the conditions of the bulk electric system and to respond to events by providing coordination assistance and communications between key parties. In 2014, staff will continue to try to fully utilize and improve the second version of the situation awareness tools and related processes.

Infrastructure Security Program Scope and Functional Description

NERC and the Regions coordinate electric industry activities to promote critical infrastructure protection of the bulk electric system in North America by taking a leadership role in critical infrastructure protection of the electricity sector to reduce vulnerabilities of the electricity sector's critical infrastructure.

2014 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual

business plan and budget process. The common assumptions for Critical Infrastructure Protection can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

The Infrastructure Security Program is responsible for raising the awareness of security, promoting standard security practices, and aiding the Registered Entities in organizing and sharing security implementations specific to the electric utility sector.

The MRO Standards Committee will participate in the development of CIP standards, develop guidance on the application of standards, and provide opportunities for sharing security implementation approaches utilized by Registered Entities. The Standards Committee is comprised of MRO sector representatives and facilitated by MRO staff. Regional representatives also participate on the NERC Critical Infrastructure Protection Committee ("CIPC").

The Operations Group within MRO has Situation Awareness responsibilities, which are budgeted in their respective areas.

2014 Goals and Key Deliverables

The goal is to provide effective communication, coordination and industry facilitation in all areas of security to ensure the region is prepared for cyber-related incidents.

Funding Requirements – Explanation of Increase (Decrease)

The 2014 Budget reflects a reduction from 2013 in the Situation Awareness and Infrastructure Security Program area as operator accountability reduces the scope of MRO's work.

Funding Sources (Other than ERO Assessments)

Penalty Sanctions – Total penalty monies to be received (in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 60.

Personnel Expenses

Personnel costs for 2014 Budget remain flat.

Meeting Expenses

MRO does not anticipate travel costs.

Operating Expenses

Office Costs are unchanged.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is a decrease in the indirect expenses for 2014 as a result of a lower percentage of total FTEs in the direct programs.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 97,197	\$ 97,197	\$ -	\$ 83,275	\$ (13,922)
Penalty Sanctions	151	151	-	1,008	857
Total NERC Funding	\$ 97,348	\$ 97,348	\$ -	\$ 84,283	\$ (13,065)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 97,348	\$ 97,348	\$ -	\$ 84,283	\$ (13,065)
Expenses					
Personnel Expenses					
Salaries	\$ 37,373	\$ 37,373	\$ -	\$ 39,332	\$ 1,959
Payroll Taxes	1,824	1,824	-	2,173	349
Benefits	1,935	1,935	-	2,320	385
Retirement Costs	7,642	7,642	-	6,138	(1,504)
Total Personnel Expenses	\$ 48,774	\$ 48,774	\$ -	\$ 49,963	\$ 1,189
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,300	3,300	-	-	(3,300)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 3,300	\$ 3,300	\$ -	\$ -	\$ (3,300)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,000	5,000	-	5,000	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -
Total Direct Expenses	\$ 57,074	\$ 57,074	\$ -	\$ 54,963	\$ (2,111)
Indirect Expenses	\$ 39,364	\$ 39,364	\$ -	\$ 30,062	\$ (9,302)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 96,438	\$ 96,438	\$ -	\$ 85,025	\$ (11,413)
Change in Assets	\$ 910	\$ 910	\$ -	\$ (742)	\$ (1,652)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 910	910	-	(742)	(1,652)
Inc(Dec) in Fixed Assets (C)	\$ 910	\$ 910	\$ -	\$ (742)	\$ (1,652)
TOTAL BUDGET (=B + C)	\$ 97,348	\$ 97,348	\$ -	\$ 84,283	\$ (13,065)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.30	0.30	-	0.22	(0.08)

6. Administrative Services

Administrative Services (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	10.00	10.96	0.96
Total Direct Expenses	\$ 3,641,165	\$ 4,070,727	\$ 429,562
Inc(Dec) in Fixed Assets	\$ 84,186	\$ (100,500)	\$ (184,686)
Less: Other Funding Sources			\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 3,725,351	\$ 3,970,227	\$ 244,876
Funding Requirement for Working Capital	\$ (170,613)	\$ (866,855)	\$ (696,243)

Methodology for Allocation of Administrative Services Expenses to Programs

All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated to the delegated program areas based on their respective number of FTEs. This allocation provides improved financial perspective for the delegated functions.

Program Scope and Functional Description

NERC's Administrative Services area includes all business and administrative functions of the organization, including technical committees and member forums, legal and regulatory, human resources, information technology, finance and accounting, and general expenses. Costs incurred for these services are allocated as an indirect expense across NERC's other program areas.

6a. Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.35	1.66	0.31
Total Direct Expenses	\$ 577,314	\$ 605,216	\$ 27,902
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

MRO staff and Registered Entities participate in various NERC committees, working groups and task forces. This participation provides for Regional Entity staff input as well as Registered Entity input into NERC governance and other activities.

2014 Key Assumptions

This budget item covers all travel costs for MRO staff participation in various NERC committees. This budget also covers MRO's reimbursement of approved stakeholder travel costs for participation in the NERC committees as an MRO representative.

2014 Goals and Key Deliverables

MRO's goal is to actively participate in NERC committees to develop best practices and continuously improve; to ensure consistency among the Regions; and to meet the goals of the MRO Registered Entities to be highly effective reliability organizations.

Funding Sources and Requirements — Explanation of Increase (Decrease)

MRO reimburses approved regional stakeholder representatives for travel expenses for NERC committee meetings.

Funding Sources (Other than ERO Assessments)

In 2014, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore, have no ERO assessment revenue.

Personnel Expenses

FTEs will be relatively flat in 2014 from 2013.

Travel Expenses

MRO reimburses travel expenses for approved regional representatives. The 2014 Budget shows an increase to reflect the general increase in the number of staff and stakeholder participation on NERC committees, task forces, trade, BOT and MRC meetings.

Operating Expenses

No operating expenses are budgeted in 2014.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

N/A

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
TECHNICAL COMMITTEES and MEMBER FORUMS					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues		-	-	-	-
Testing Fees		-	-	-	-
Services & Software		-	-	-	-
Workshops		-	-	-	-
Interest		-	-	-	-
Miscellaneous		-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 297,396	\$ 297,396	\$ -	\$ 286,447	\$ (10,949)
Payroll Taxes	16,595	16,595	-	15,986	(609)
Benefits	18,916	18,916	-	15,715	(3,201)
Retirement Costs	57,407	57,407	-	58,368	961
Total Personnel Expenses	<u>\$ 390,314</u>	<u>\$ 390,314</u>	<u>\$ -</u>	<u>\$ 376,516</u>	<u>\$ (13,798)</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	187,000	187,000	-	228,700	41,700
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 187,000</u>	<u>\$ 187,000</u>	<u>\$ -</u>	<u>\$ 228,700</u>	<u>\$ 41,700</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ 577,314</u>	<u>\$ 577,314</u>	<u>\$ -</u>	<u>\$ 605,216</u>	<u>\$ 27,902</u>
Indirect Expenses	<u>\$ (577,314)</u>	<u>\$ (577,314)</u>	<u>\$ -</u>	<u>\$ (605,216)</u>	<u>\$ (27,902)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	1.35	1.35	-	1.66	0.31

6b. General and Administrative

General and Administrative (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.32	1.94	0.62
Total Direct Expenses	\$ 559,018	\$ 692,365	\$ 133,347
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (170,612)	\$ (866,855)	\$ (696,243)

Program Scope and Functional Description

The MRO General and Administrative function provides executive management of the Corporation.

2014 Key Assumptions

- Cost pressures will continue into 2014 and adversely affect stakeholder travel budgets and resourcing for work in regional programs.
- MRO will continue the reimbursement of approved stakeholder travel costs for participation in the NERC committees.
- Any increase or decrease in assessments to achieve desired working capital reserve will be included in the General and Administrative area and are to be allocated proportionately based on FTE to the direct programs.
- Flat costs of \$100,000 are anticipated for the fees and expenses for the two independent Board members who joined the MRO Board in January 2013.

2014 Goals and Key Deliverables

The MRO General and Administrative function assures that there is adequate attention to the day-to-day management of the corporation including board governance, policies and procedures to maintain and enhance operation of the corporation, proper record-keeping, and related responsibilities under applicable regulations as well as MRO's Delegation Agreement.

Funding Sources and Requirements — Explanation of Increase (Decrease)

The 2014 Budget includes increased travel dollars that reflect the trend of higher travel costs and reimbursement of expenses for the MRO Board of Directors as well as the additional expenses associated with the two new independent directors.

Assessments

The Board approved an Operating and Working Capital Reserves Policy on March 14, 2013 (see Attachment B) which is subject to re-evaluation on an annual basis.

Funding Sources

In 2014, the expenses related to the indirect program areas are being allocated entirely to the direct programs.

Personnel Expenses

- Budgeted FTE increased in 2014 as a result of supporting an increase in MRO staff.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

The 2014 Budget meeting dollars remained unchanged because the number of meetings that are now being held at the new facility is expected to remain the same. Travel Expense has increased in 2014 primarily due to anticipation of higher airline costs.

Operating Expenses

- The 2014 Budget for consultants and contracts is unchanged. Trending of historic costs revealed very little cost change for consultants and contracts. Also, media training costs, which was a variable cost, moved from General and Administrative to Legal in 2012.
- The 2014 Budget for Professional Services is unchanged.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

N/A

General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2012 Budget & Projection, and 2013 Budget					
GENERAL and ADMINISTRATIVE					
	2013	2013	Variance	2014	Variance
Funding	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
ERO Funding					
NERC Assessments	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
Expenses					
Personnel Expenses					
Salaries	\$ 192,366	\$ 192,366	\$ -	\$ 289,381	\$ 97,015
Payroll Taxes	10,760	10,760	-	15,884	5,124
Benefits	13,435	13,435	-	14,661	1,226
Retirement Costs	34,693	34,693	-	49,575	14,882
Total Personnel Expenses	\$ 251,254	\$ 251,254	\$ -	\$ 369,501	\$ 118,247
Meeting Expenses					
Meetings	\$ 35,864	\$ 35,864	\$ -	\$ 35,864	\$ -
Travel	60,000	60,000	-	83,000	23,000
Conference Calls	800	800	-	-	(800)
Total Meeting Expenses	\$ 96,664	\$ 96,664	\$ -	\$ 118,864	\$ 22,200
Operating Expenses					
Consultants & Contracts	\$ 40,000	\$ 40,000	\$ -	\$ 40,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	71,100	71,100	-	64,000	(7,100)
Professional Services	100,000	100,000	-	100,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 211,100	\$ 211,100	\$ -	\$ 204,000	\$ (7,100)
Total Direct Expenses	\$ 559,018	\$ 559,018	\$ -	\$ 692,365	\$ 133,347
Indirect Expenses	\$ (559,018)	\$ (559,018)	\$ -	\$ (692,365)	\$ (133,347)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
FTEs	1.32	1.32	-	1.94	0.62

6c. Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.22	0.93	(0.29)
Total Direct Expenses	\$ 344,983	\$ 271,822	\$ (73,161)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

MRO maintains corporate internal legal counsel to provide advice to the president, Board, and staff on legal and regulatory matters affecting MRO. MRO 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.

2014 Key Assumptions

- In the 2014 Budget, as in the 2013 and 2012 budgets, there are no specific funds for hearings under CMEP Rules, and MRO would use its current budget and reserves in the first instance.
- MRO reduced its Professional Services budget for 2014 by eliminating outside legal contingency dollars.
- Travel costs will increase due to more external affairs and communication activities related to new initiatives.

2014 Goals and Key Deliverables

Legal and Regulatory functions are responsible for general corporate legal advice, legal training, and timely, accurate filings to Regulatory authorities. This function is provided by MRO staff to the MRO Board Governance and Personnel Committee. External affairs and communications are also incorporated into this function including outreach to stakeholders and regulators (federal, state and provincial). Outside legal will be used exclusively for any hearings and to supplement internal resources as necessary.

Media training has been moved from General and Administrative to Legal and Regulatory. Media training is provided as part of MRO's Crisis Communication function, where the internal legal source will be the communication coordinator of the MRO Crisis Communication Team.

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

In 2014, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Personnel Expenses

- 2014 Budget has decreased from the 2013 budget reflecting an anticipated personnel shift supporting program areas outside of Legal and Regulatory.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

The 2014 meeting expenses are at a minimal amount. Travel costs were increased to reflect continued outreach to state public utility commissions in our region through individual meetings and through participation in the Mid-American Regulatory Conference (MARC), outreach to Canadian provincial regulators, and participation in the NERC BOT and Trade meetings.

Operating Expenses

The 2014 Professional Services account was reduced from 2013 by eliminating outside legal contingency dollars.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

N/A

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
LEGAL and REGULATORY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions				-	
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 219,355	\$ 219,355	\$ -	\$ 173,407	\$ (45,948)
Payroll Taxes	11,538	11,538	-	8,754	(2,784)
Benefits	2,150	2,150	-	2,848	698
Retirement Costs	37,375	37,375	-	28,163	(9,212)
Total Personnel Expenses	<u>\$ 270,418</u>	<u>\$ 270,418</u>	<u>\$ -</u>	<u>\$ 213,172</u>	<u>\$ (57,246)</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 150	\$ 150
Travel	9,515	9,515	-	12,500	2,985
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 9,515</u>	<u>\$ 9,515</u>	<u>\$ -</u>	<u>\$ 12,650</u>	<u>\$ 3,135</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,050	5,050	-	6,000	950
Professional Services	60,000	60,000	-	40,000	(20,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 65,050</u>	<u>\$ 65,050</u>	<u>\$ -</u>	<u>\$ 46,000</u>	<u>\$ (19,050)</u>
Total Direct Expenses	<u>\$ 344,983</u>	<u>\$ 344,983</u>	<u>\$ -</u>	<u>\$ 271,822</u>	<u>\$ (73,161)</u>
Indirect Expenses	<u>\$ (344,983)</u>	<u>\$ (344,983)</u>	<u>\$ -</u>	<u>\$ (271,822)</u>	<u>\$ 73,161</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets		\$ -		-	
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	1.22	1.22		0.93	(0.29)

6d. Information Technology

Information Technology (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.10	3.13	0.03
Total Direct Expenses	\$ 1,019,203	\$ 1,294,652	\$ 275,449
Inc(Dec) in Fixed Assets	\$ 34,186	\$ (150,500)	\$ (184,686)
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

MRO's Information Technology ("IT") program provides the technology and communications tools for staff to perform Regional Entity functions.

2014 Key Assumptions

IT provides support and guidance for the technologies deployed at MRO. Technologies include secure networks, systems and business applications, office equipment such as copiers and fax machines, servers to support connected and shared resources, printers, handheld devices, telephones, remote access and conference solutions.

IT has a keen focus on availability of networks and systems, maintenance of those systems, investigation of issues, and deployment of new tools. Managing IT is essential to staff productivity.

2014 Goals and Key Deliverables

The IT program's goal is to provide secure technology solutions that enable staff to have information and data to perform their functions and the communications technologies to support their interaction among staff, registered entities and others.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Higher MRO staff resulted in higher administrative service costs directly related to hardware, software, and maintenance costs.

Funding Sources

In 2014, the expenses related to indirect program areas are being allocated entirely to the direct programs.

Personnel Expenses

- Personnel costs are relatively flat in 2014.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

Travel costs are unchanged.

Operating Expenses

- 2014 Consultants and Contracts expense has increased due to one-time set-up costs for SharePoint expansion and other miscellaneous system upgrades.
- 2014 Office costs have gone up due to the impact of higher FTEs at MRO. MRO's overall FTE staffing has increased from 20.00 in 2007 to 40.75 in 2014 Budget.
- 2014 Depreciation expense has gone up due to a historical full year impact of depreciating building improvements, equipment, and other capital investments.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs. Other efficiencies of the in-sourced "core responsibilities" are reducing the overall cost of fixed asset additions in the 2014 Budget. MRO believes we are not including any incremental funding that is duplicative to NERC's 2014 Business Plan and Budget IT applications.

Information Technology

Funding sources and related expenses for the Information Technology section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
INFORMATION TECHNOLOGY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 291,579	\$ 291,579	\$ -	\$ 305,832	\$ 14,253
Payroll Taxes	22,502	22,502	-	23,186	684
Benefits	33,318	33,318	-	33,013	(305)
Retirement Costs	40,739	40,739	-	66,171	25,432
Total Personnel Expenses	<u>\$ 388,138</u>	<u>\$ 388,138</u>	<u>\$ -</u>	<u>\$ 428,202</u>	<u>\$ 40,064</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	4,000	4,000	-	4,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ 177,500	\$ 177,500	\$ -	\$ 212,400	\$ 34,900
Office Rent	-	-	-	-	-
Office Costs	143,900	143,900	-	179,050	35,150
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	305,665	305,665	-	471,000	165,335
Total Operating Expenses	<u>\$ 627,065</u>	<u>\$ 627,065</u>	<u>\$ -</u>	<u>\$ 862,450</u>	<u>\$ 235,385</u>
Total Direct Expenses	<u>\$ 1,019,203</u>	<u>\$ 1,019,203</u>	<u>\$ -</u>	<u>\$ 1,294,652</u>	<u>\$ 275,449</u>
Indirect Expenses	<u>(1,019,203)</u>	<u>(1,019,203)</u>	<u>\$ -</u>	<u>(1,294,652)</u>	<u>(275,449)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	(305,665)	(305,665)	-	(471,000)	(165,335)
Computer & Software CapEx	339,851	339,851	-	320,500	(19,351)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(34,186)	(34,186)	-	150,500	184,686
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	3.10	3.10	-	3.13	0.03

6e. Human Resources

Human Resources costs are included in Finance and Accounting.

6f. Human Resources, Finance, and Accounting

Accounting and Finance (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.01	3.30	0.29
Total Direct Expenses	\$ 1,140,646	\$ 1,206,673	\$ 66,027
Inc(Dec) in Fixed Assets	\$ 50,000	\$ 50,000	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description**Human Resources**

The Human Resource function of MRO designs, plans, and implements Human Resource policies and procedures in adherence with applicable federal and state laws.

MRO has developed a culture and talent management program that features an in-depth communication and training plan. New hire training initiatives and employee collaborations are planned to create an opportunity for peer-to-peer internal mentorship and team building. The program also facilitates MRO's enterprise-wide corporate compliance and ethics program. MRO reviewed its employee engagement and culture enrichment activities in an effort to positively impact both the experience of new employees upon arrival at MRO, as well as the overall corporate culture to be an "employer of choice".

Finance and Accounting

The Finance and Accounting function directs the overall financial plans and accounting practices of the organization, oversees treasury, accounting, budget, tax, and audit activities, and oversees financial and accounting system controls and standards.

2014 Goals and Key Deliverables

- Forecasts and projections
- Payroll and expense administration
- Preparation of Quarterly Financial Statements
- IRS Reporting - Form 990
- Review and improve fiscal controls
- Annual Independent Audit initiated by the Regional Entity
- Enterprise-wide Corporate Compliance and Ethics Program

Funding Sources and Requirements — Explanation of Increase (Decrease)

MRO's efforts include maintenance of core employee benefits, offsets to non-core benefits when necessary, analysis of office and other operational costs, improving efficiencies, and

establishing uniformity in methodologies of cost allocation. MRO staff further explores improved cost effectiveness of routine expenses, and pursues early detection and quick resolution of budget concerns, lessening the impact of cost adjustments. It is our intent to continuously detect and address any risks.

Funding Sources (Other than ERO Assessments)

In 2014, the expenses related to indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Personnel Expenses

- Personnel expenses increase in 2014 due to an increase in FTEs in this department.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

Costs are expected to remain relatively flat and consistent for attending regional budget group meetings.

Operating Expenses

- The 2014 budget decreased by 2% over 2013 due to stabilized costs in building and rent.
- A decrease in Consultant and Contracts costs is due to the elimination of hiring costs, since MRO was fully staffed at the beginning of 2013.
- The 2014 increase in Office Costs is a result of moving tuition assistance from the individual programs to Human Resources. This change is consistent with the other regions and NERC.
- Professional Services expenses decrease as a result of negotiated service costs and reduction in the scope of professional services needed. Actuarial costs peaked in 2011 when the pension conversion was completed. Actuarial costs should remain flat.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

No dollars are necessary in 2014.

Fixed Asset Additions

2014 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Human Resources, Finance, and Accounting

Funding sources and related expenses for the Human Resources, Accounting, and Finance section of the 2014 business plan is shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
FINANCE and ACCOUNTING					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection	Budget	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 290,826	\$ 290,826	\$ -	\$ 348,717	\$ 57,891
Payroll Taxes	20,485	20,485	-	23,459	2,974
Benefits	32,351	32,351	-	34,384	2,033
Retirement Costs	56,737	56,737	-	71,365	14,628
Total Personnel Expenses	\$ 400,399	\$ 400,399	\$ -	\$ 477,926	\$ 77,527
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 500	\$ 500
Travel	3,000	3,000	-	3,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 3,000	\$ 3,000	\$ -	\$ 3,500	\$ 500
Operating Expenses					
Consultants & Contracts	\$ 45,500	\$ 45,500	\$ -	\$ 25,000	\$ (20,500)
Office Rent	528,827	528,827	-	524,827	\$ (4,000)
Office Costs	83,920	83,920	-	115,420	\$ 31,500
Professional Services	79,000	79,000	-	60,000	\$ (19,000)
Miscellaneous	-	-	-	-	\$ -
Depreciation	-	-	-	-	\$ -
Total Operating Expenses	\$ 737,247	\$ 737,247	\$ -	\$ 725,247	\$ (12,000)
Total Direct Expenses	\$ 1,140,646	\$ 1,140,646	\$ -	\$ 1,206,673	\$ 66,027
Indirect Expenses	\$ (1,140,646)	\$ (1,140,646)	\$ -	\$ (1,206,673)	\$ (66,027)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ (1)	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ 1	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-
Allocation of Fixed Assets	\$ (50,000)	(50,000)	\$ -	-	50,000
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ (1)	\$ 50,000	\$ 50,000
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ 1	\$ (50,000)	\$ (50,000)
FTEs	3.01	3.01		3.30	0.29



Section B – Supplemental Financial Information

2014 Business Plan and Budget

Section B — Supplemental Financial Information

1. Supplemental Financial Information Reserve Balance

Table B-1

Working Capital Reserve Analysis 2013-2014

STATUTORY

Beginning Working Capital Reserve (Deficit), December 31, 2012	2,252,881
Plus: 2013 MRO Funding (from LSEs or designees)	9,098,927
Less: 2013 Projected expenses & capital expenditures	(9,283,539)
Projected Working Capital Reserve (Deficit), December 31, 2013 ¹	2,068,269
Targeted Working Capital Reserve, December 31, 2014 (((\$9,744,802 / 365 days) X 45 days)	1,201,414
Less: Projected Working Capital Reserve, December 31, 2013	(2,068,269)
Increase(decrease) in assessments to achieve targeted Working Capital Reserve	(866,855)
2014 Expenses and Capital Expenditures	9,744,799
Less: Penalty Sanctions ²	(136,500)
Less: Other Funding Sources	0
Adjustment to achieve targeted Working Capital Reserve	(866,855)
2014 MRO Assessment	8,741,444

¹ MRO's projected reserve December 31, 2013 assumes that there will not be a material difference between budgeted versus actual/projected results from 2013.

² Represents collections on or prior to June 30, 2012. See page 54 for full disclosure.

2. Explanation of Changes in Reserve Policy from Prior Years to Current Year

MRO previously had a cash reserve policy to maintain 45 days of cash beginning in 2010 with funding increments of one-third each year, subject to periodic re-evaluation. On March 14, 2013, the MRO Board approved an Operating and Working Capital Reserve Policy. Pursuant to the approved policy the amount of MRO's operating capital reserves shall be identified and quantified each year in the business plan and budget (shown in Table B-1) submitted first to the MRO FAC for review, and then to the MRO board of directors for approval. If the approved amount is different than what MRO will have available for the upcoming budget year, then MRO will increase or decrease the reserve requirement as appropriate by the difference.

3. Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities on page 15 of the MRO 2014 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, 2013 are to be used to offset assessments in the 2014 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARDS. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

All penalties received prior to June 30, 2013 are listed below, including the amount and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards Organization Registration & Certification; Compliance Monitoring & Enforcement; 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, 2013	Date Received	Amount Received
	7/13/2012	\$ 6,000
	8/13/2012	12,000
	9/5/2012	40,000
	9/5/2012	40,000
	9/7/2013	6,000
	2/14/2013	2,500
	3/20/2013	20,000
	5/14/2013	10,000
Total Penalties Received		\$ 136,500

Supplemental Funding**Table B-3**

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
Compliance Monitoring, Enforcement & Org. Registration	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Testing Fees and Certificate Renewals	\$ -	\$ -	\$ -	-
CEH Fees	-	-	-	-
Workshops	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

MRO does not earn interest income. Our general banking account offsets the bank charges with any earned interest.

4. Personnel Expenses**Table B-4**

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Total Salaries	\$ 4,772,320	\$ 4,772,320	\$ 5,178,538	\$ 406,218	8.5%
Total Payroll Taxes	312,394	312,394	339,154	26,760	8.6%
Total Benefits	394,086	394,086	412,222	18,136	4.6%
Total Retirement	833,228	833,228	968,920	135,692	16.3%
Total Personnel Costs	<u>\$ 6,312,028</u>	<u>\$ 6,312,028</u>	<u>\$ 6,898,834</u>	<u>\$ 586,806</u>	<u>9.3%</u>
FTEs	37.75	37.75	40.75	3.00	7.9%
Cost per FTE					
Salaries	\$ 126,419	\$ 126,419	\$ 127,081	662	0.5%
Payroll Taxes	8,275	8,275	8,323	47	0.6%
Benefits	10,439	10,439	10,116	(323)	-3.1%
Retirement	22,072	22,072	23,777	1,705	7.7%
Total Cost per FTE	\$ 167,206	\$ 167,206	\$ 169,297	\$ 2,091	1.3%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Total retirement cost increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

5. Consultants and Contracts

Table B-5

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Consultants					
Reliability Standards and Organization Registration and Certification	\$ -	\$ -	\$ -	\$ -	
Compliance	33,000	33,000	3,000	(30,000)	-91%
Reliability Assessment and Performance Analysis (Secure Portal Dev for Periodic Data Collection)	30,000	30,000	20,000	(10,000)	-33%
Event Analysis	20,000	20,000	-	(20,000)	-100%
Training and Education		-	-	-	
Situation Awareness and Infrastructure Security		-	-	-	
Committee and Member Forums		-	-	-	
General and Administrative	40,000	40,000	40,000	-	0%
Legal and Regulatory		-	-	-	
Information Technology	40,000	40,000	100,000	60,000	150%
Human Resources		-	-	-	
Accounting and Finance	5,000	5,000	5,000	-	0
Consultants Total	\$ 168,000	\$ 168,000	\$ 168,000	\$ -	0%
Contracts					
Contracts					
Outsource Standards Tracking Software Applications	\$ 12,000	\$ 12,000	\$ 12,000	-	0%
Subtotal - Reliability Standards and Organization Registration and Certification Contracts	\$ 12,000	\$ 12,000	\$ 12,000	-	0%
Outsource Compliance Information Tracking Applications				-	
Subtotal - Compliance Contracts	\$ 124,000	\$ 124,000	\$ 124,000	-	0%
	\$ 124,000	\$ 124,000	\$ 124,000	-	0%
Model Series Development (MRO's portion of expenses of the MMWG/ERAG)	\$ 22,600	\$ 22,600	\$ 26,700	4,100	18%
Model Building	45,800	45,800	38,000	(7,800)	-17%
PTI Software	22,700	22,700	22,000	(700)	-3%
Data Collection Expansion			20,000	20,000	
Subtotal - Reliability Assessments Contracts	\$ 91,100	\$ 91,100	\$ 106,700	\$ 15,600	17%
Cisco	20,000	20,000	20,000	-	0%
Barracuda	5,000	5,000	5,500	500	10%
Domain Registration	500	500	500	-	0%
EFT Maintenance	-	-	6,900	6,900	
Symantec Antivirus	5,000	5,000	5,000	-	0%
Varonis File Maintenance	8,000	8,000	8,500	500	6%
Net App Data Storage Maintenance	25,000	25,000	20,000	(5,000)	-20%
Net App Shelves	3,000	3,000	-	(3,000)	-100%
VMWare	14,000	14,000	14,000	-	0%
Sharepoint Maintenance	15,000	15,000	-	(15,000)	-100%
SmartPhone Maintenance	6,000	6,000	6,000	-	0%
Server Support	5,000	5,000	6,000	1,000	20%
Great Plians Upgrade	13,000	13,000	-	(13,000)	-100%
IT Security Audit	18,000	18,000	-	(18,000)	-100%
Comodo-Certificates			1,500	1,500	
CRM and Scribe			11,500	11,500	
NetApp Multistore-Security software for SAN			7,000	7,000	
Subtotal - Information Technology Contracts	\$ 137,500	\$ 137,500	\$ 112,400	\$ (25,100)	-18%
401K / 457b, 457f 3rd Party Administrator	4,000	4,000	4,000	-	0%
FSA 3rd Party Administrator	1,200	1,200	1,200	-	0%
Transportation 3rd Party Administrator	2,800	2,800	2,800	-	0%
Benefits 3rd Party Administrator	2,000	2,000	2,000	-	0%
Payroll 3rd Party Administrator	5,500	5,500	10,000	4,500	82%
HR-Employment Costs	25,000	25,000	-	(25,000)	-100%
Subtotal - HR and Finance Contracts	\$ 40,500	\$ 40,500	\$ 20,000	(20,500)	-51%
Contracts Total	\$ 405,100	\$ 405,100	\$ 375,100	\$ (30,000)	-7%
Total Consulting and Contracts	\$ 573,100	\$ 573,100	\$ 543,100	\$ (30,000)	-5%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget**Consulting Expenses**

- Compliance consulting expenses are budgeted to decrease in 2014. Greater efficiencies are budgeted with this third party vendor as additional regions expand the common IT platform increasing efficiency and effectiveness as well as lower costs by spreading costs across the increased number of participating regions.
- Reliability Assessments and Performance Analysis decreased in 2014 because MRO removed the contingency dollars for Event Analysis.
- Information Technology will increase in 2014 because IT will be using outside consultants for new technology implementation.

Contract Expenses

- Reliability Assessments and Performance Analysis costs slightly increase for 2014 due to higher future costs for data collection expansion.
- Information Technology costs increased in this timeline due to one-time set-up costs.
- Human Resources and Finance costs decreased for 2014 due to an expected decrease in hiring costs. MRO was fully staffed as of December 31, 2012.

Table B-6

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 513,827	\$ 513,827	\$ 513,827	\$ -	0.0%
Utilities	5,000	5,000	5,000	-	0.0%
Maintenance	10,000	10,000	6,000	(4,000)	-40.0%
Office Cleaning	-	-	-	-	
Waste Management	-	-	-	-	
Total Office Rent	\$ 528,827	\$ 528,827	\$ 524,827	\$ (4,000)	-0.76%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget**Office Rent**

The lease costs from 2013 to 2014 remain flat and are partially offset by the lower cost of routine maintenance which is covered in the lease.

Table B-7

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Phone Service					
Data Curciut (qmoe)	\$ 20,000	\$ 20,000	\$ 13,500	\$ (6,500)	-32.50%
Data Circuit (dsl)	-	-	14,300	14,300	
Voice Circuits	13,000	13,000	14,000	1,000	7.69%
Business Cable	3,300	3,300	2,000	(1,300)	-39.39%
Sunguard 1/	33,000	33,000	32,850	(150)	-0.45%
Internet/Cell	44,307	44,307	45,864	1,557	3.51%
Office Supplies	26,350	26,350	24,300	(2,050)	-7.78%
Employee Member Events	17,800	17,800	15,000	(2,800)	-15.73%
Employee Related Expense (Drug Testing, Finder Fees Etc)	8,500	8,500	9,000	500	5.88%
Computer Supplies and Maintenance	37,000	37,000	60,300	23,300	62.97%
Publications & Subscriptions	5,400	5,400	5,400	-	0.00%
Professional Dues	13,859	13,859	22,960	9,101	65.67%
Postage	2,700	2,700	2,700	-	0.00%
Temporary Services	-	-	-	-	
Finance-Filing/Reg Fees	6,000	6,000	6,000	-	0.00%
Equipment Repair/Service Contracts 1/	25,000	25,000	20,800	(4,200)	-16.80%
Bank Charges	15,500	15,500	15,500	-	0.00%
Sales & Use Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity & Supplies Promotional	3,000	3,000	-	(3,000)	-100.00%
Departmental Functional Training	108,588	108,588	148,650	40,062	36.89%
Insurance Expense	45,000	45,000	50,000	5,000	11.11%
Total Office Costs	\$ 428,304	\$ 428,304	\$ 503,124	\$ 74,820	17.47%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget**Office Costs**

These costs are affected by the higher number of FTEs in 2014 than 2013.

Departmental Functional and Training Costs

Training costs in the program areas increased in 2014 as a result of higher FTEs in 2014.

Insurance Expense

The 2014 budget includes business continuity coverage which is anticipated to be acquired in 2013.

Table B-8

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Independent Trustee Fees	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	0.00%
Outside Legal	67,500	67,500	45,000	(22,500)	-33.33%
Accounting & Auditing Fees	53,000	53,000	45,000	(8,000)	-15.09%
Actuarial Fees	26,000	26,000	15,000	(11,000)	-42.31%
Total Services	\$ 246,500	\$ 246,500	\$ 205,000	\$ (41,500)	-16.84%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Independent Trustee fees have been added to the 2013 Budget. In 2014, these fees will remain unchanged. In 2012 members of MRO approved revised bylaws to include independent board members. The change in governance began in 2013.
- Reduced costs by eliminating outside legal contingency dollars.
- Accounting and Auditing Fees were reduced to reflect actual expenditures in 2012.
- Actuarial fees reduced slightly in 2014 as efficiencies and lower negotiated fees are realized. Actuarial costs peaked in 2011 when the pension conversion was completed. Actuarial costs should remain flat.

Table B-9

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment					-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	100.00%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

No dollars are necessary in 2014 Budget.



Section C – Non-Statutory Activities

2014 Business Plan and Budget

Section C — 2014 Non-Statutory Business Plan and Budget

In the 2014 Business Plan and Budget, MRO will not have non-statutory functions.



Section D – Additional Consolidated Financial Statements

2014 Business Plan and Budget

Section D - Additional Financial Statements

1. 2014 Consolidated Statement of Activities by Program, Statutory and Non Statutory

Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Activities											Non-Statutory Total		
				Statutory Total	Reliability Standards and Organizational Registration (Section 300 and 500)	Compliance and Organization Registration (Section 400)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forum	General and Administrative	Legal and Regulatory	Information Technology	Human Resources		Accounting and Finance	
Funding																	
ERO Funding																	
NERC Assessments	8,741,444	8,741,444	-	8,741,444	429,997	6,600,178	2,164,689	330,159	83,275	-	(866,855)	-	-	-	-	-	-
Penalty Sanctions	136,500	136,500	-	136,500	5,361	97,415	29,738	2,978	1,008	-	-	-	-	-	-	-	-
Total NERC Funding	8,877,944	8,877,944	-	8,877,944	435,358	6,697,593	2,194,427	333,137	84,283	-	(866,855)	-	-	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	8,877,944	8,877,944	-	8,877,944	435,358	6,697,593	2,194,427	333,137	84,283	-	(866,855)	-	-	-	-	-	-
Expenses																	
Personnel Expenses																	
Salaries	5,178,538	5,178,538	-	5,178,538	175,057	2,631,450	793,111	135,804	39,332	286,447	289,381	173,407	305,832	-	-	348,717	-
Payroll Taxes	339,154	339,154	-	339,154	9,981	179,885	53,718	6,128	2,173	15,986	15,884	8,754	23,186	-	-	23,459	-
Benefits	412,222	412,222	-	412,222	12,129	222,055	68,241	6,856	2,320	15,715	14,661	2,848	33,013	-	-	34,384	-
Retirement Costs	968,920	968,920	-	968,920	34,167	461,742	170,310	22,921	6,138	58,368	49,575	28,163	66,171	-	-	71,365	-
Total Personnel Expenses	6,898,834	6,898,834	-	6,898,834	231,334	3,495,132	1,085,380	171,709	49,963	376,516	369,501	213,172	428,202	-	-	477,925	-
Meeting Expenses																	
Meetings	100,514	100,514	-	100,514	4,000	5,500	5,500	49,000	-	-	35,864	150	-	-	-	500	-
Travel	598,900	598,900	-	598,900	28,900	137,000	81,000	20,800	-	228,700	83,000	12,500	4,000	-	-	3,000	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	699,414	699,414	-	699,414	32,900	142,500	86,500	69,800	-	228,700	118,864	12,650	4,000	-	-	3,500	-
Operating Expenses																	
Consultants & Contracts	543,100	543,100	-	543,100	12,000	127,000	126,700	-	-	-	40,000	-	212,400	-	-	25,000	-
Office Rent	524,827	524,827	-	524,827	-	-	-	-	-	-	-	-	-	-	-	524,827	-
Office Costs	503,124	503,124	-	503,124	3,194	94,560	30,900	5,000	5,000	-	64,000	6,000	179,050	-	-	115,420	-
Professional Services	205,000	205,000	-	205,000	-	5,000	-	-	-	-	100,000	40,000	-	-	-	60,000	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	471,000	471,000	-	471,000	-	-	-	-	-	-	-	-	471,000	-	-	-	-
Total Operating Expenses	2,247,051	2,247,051	-	2,247,051	15,194	226,560	157,600	5,000	5,000	-	204,000	46,000	862,450	-	-	725,247	-
Total Direct Expenses	9,845,299	9,845,299	-	9,845,299	279,428	3,864,192	1,329,480	246,509	54,963	605,216	692,365	271,822	1,294,652	-	-	1,206,672	-
Indirect Expenses																	
-	-	-	-	-	159,877	2,905,124	886,842	88,821	30,062	(605,216)	(692,365)	(271,822)	(1,294,652)	-	-	(1,206,672)	-
Other Non-Operating Expenses																	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	9,845,299	9,845,299	-	9,845,299	439,305	6,769,316	2,216,322	335,330	85,025	-	(605,216)	(692,365)	(271,822)	(1,294,652)	-	(1,206,672)	-
Change in Assets	(967,355)	(967,355)	-	(967,355)	(3,947)	(71,723)	(21,895)	(2,193)	(742)	-	(866,855)	-	-	-	-	-	-
Fixed Assets																	
Depreciation	(471,000)	(471,000)	-	(471,000)	-	-	-	-	-	-	-	-	(471,000)	-	-	-	-
Computer & Software CapEx	320,500	320,500	-	320,500	-	-	-	-	-	-	-	-	320,500	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-	-	-	-	-	-	-	-	-	-	-	50,000	-
Allocation of Fixed Assets	-	-	-	-	(3,947)	(71,723)	(21,895)	(2,193)	(742)	-	-	-	150,500	-	(50,000)	-	-
Inc(Dec) in Fixed Assets (C)	(100,500)	(100,500)	-	(100,500)	(3,947)	(71,723)	(21,895)	(2,193)	(742)	-	-	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	9,744,799	9,744,799	-	9,744,799	435,358	6,697,593	2,194,427	333,137	84,283	-	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	8,777,444	8,777,444	-	(866,855)	0	-	(0)	(0)	0	-	(866,855)	-	-	-	-	-	-
FTEs	40.75	40.75	-	40.75	1.17	21.26	6.49	0.65	0.22	1.66	1.94	0.93	3.13	-	3.30	-	-

2. Statement of Financial Position

- As of December 31, 2012, per audit
- As of December 31, 2013, projected
- As of December 31, 2014, as budgeted

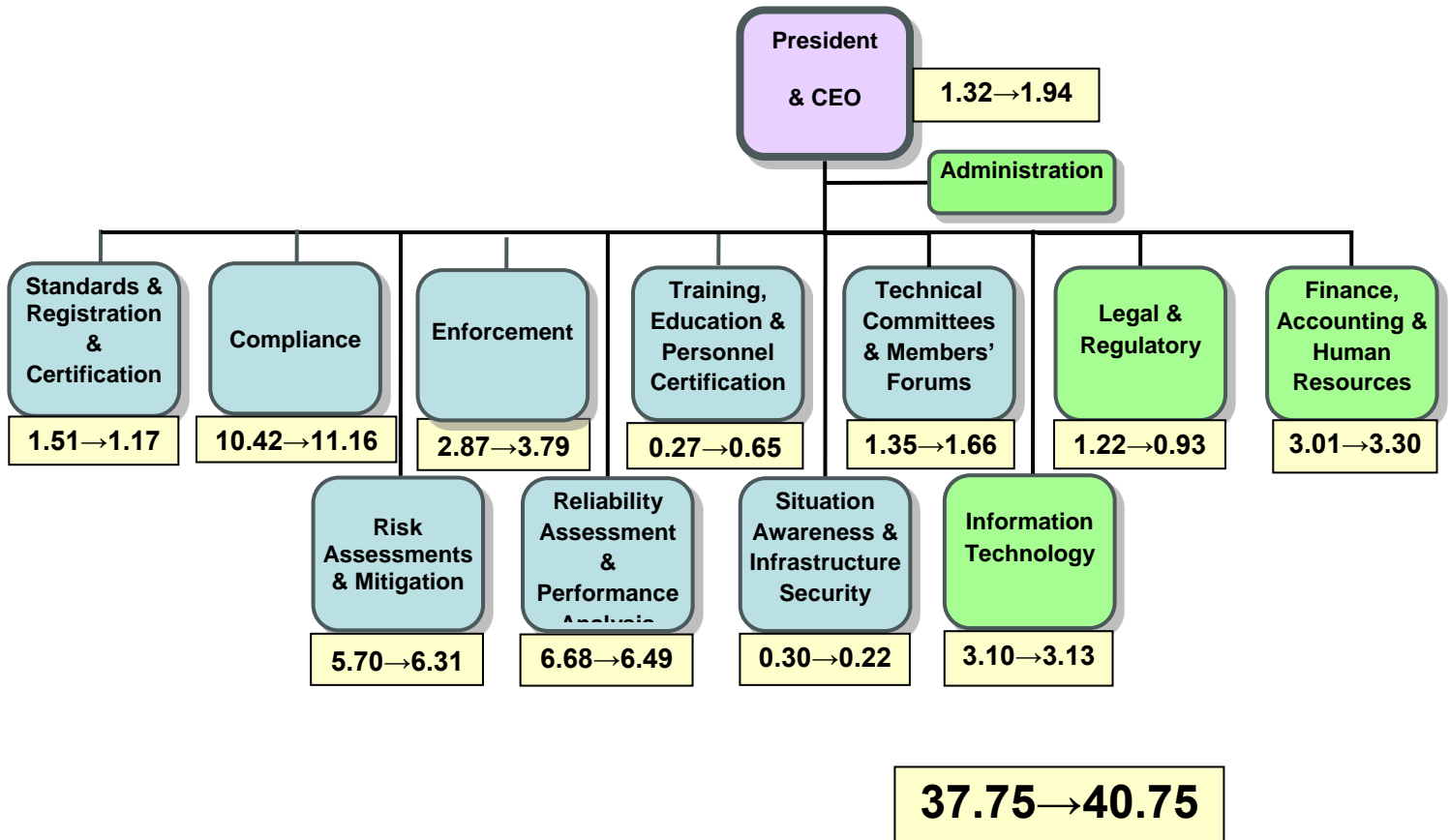
Statement of Financial Position			
2012 Audited, 2013 Projection, and 2014 Budget			
STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-12	31-Dec-13	31-Dec-14
ASSETS			
Cash	3,190,831	3,138,330	2,500,964
Restricted Cash	14,002	136,000	-
Other Receivables	191,366	-	-
Prepaid expenses and other current assets	200,276	173,237	138,237
Security deposit	39,858	39,858	39,858
Restricted Cash - non-current	104,003	-	-
Property and equipment and capitalized software	1,348,844	1,537,629	1,437,129
Total Assets	5,089,180	5,025,054	4,116,188
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,343,595	1,379,298	1,437,500
Postretirement medical benefit obligation	347,334	382,334	478,064
Deferred assessments - non-current	104,004	-	-
Deferred rent - non-current	121,976	331,077	439,174
Total Liabilities	1,916,909	2,092,709	2,354,738
Net Assets - unrestricted	3,172,271	2,932,345	1,761,450
Total Liabilities and Net Assets	5,089,180	5,025,054	4,116,188

3. Statement of Activities and Capital Expenditures

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 and 2016 Projections							
	2014 Budget	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	2016 Projection	\$ Change 16 v 15	% Change 16 v 15
Funding							
ERO Funding							
NERC Assessments	\$ 8,741,444	\$ 9,569,450	\$ 828,006	9.47%	\$ 9,892,630	\$ 323,180	3.3%
Penalty Sanctions	136,500	-	(136,500)	-100.00%	-	-	
Total NERC Funding	\$ 8,877,944	\$ 9,569,450	\$ 691,506	7.8%	\$ 9,892,630	\$ 323,180	3.3%
Membership Dues	-	-	-	-	-	-	
Testing Fees	-	-	-	-	-	-	
Services & Software	-	-	-	-	-	-	
Workshops	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	-	
Total Funding (A)	\$ 8,877,944	\$ 9,569,450	\$ 691,506	7.8%	\$ 9,892,630	\$ 323,180	3.4%
Expenses							
Personnel Expenses							
Salaries	\$ 5,178,538	\$ 5,333,894	\$ 155,356	3.0%	\$ 5,493,911	\$ 160,017	3.0%
Payroll Taxes	339,154	349,329	10,175	3.0%	359,808	10,480	3.0%
Benefits	412,222	424,589	12,367	3.0%	437,326	12,738	3.0%
Retirement Costs	968,920	997,988	29,068	3.0%	1,027,927	29,940	3.0%
Total Personnel Expenses	\$ 6,898,834	\$ 7,105,799	\$ 206,965	3.0%	\$ 7,318,973	\$ 213,174	3.0%
Meeting Expenses							
Meetings	\$ 100,514	\$ 102,524	\$ 2,010	2.0%	\$ 104,575	2,050	2.0%
Travel	598,900	610,878	11,978	2.0%	623,096	12,218	2.0%
Conference Calls	-	-	-	-	-	-	
Total Meeting Expenses	\$ 699,414	\$ 713,402	\$ 13,988	2.0%	\$ 727,670	\$ 14,268	2.0%
Operating Expenses							
Consultants & Contracts	\$ 543,100	\$ 553,962	10,862	2.0%	\$ 565,041	11,079	2.0%
Office Rent	524,827	535,324	10,497	2.0%	546,030	10,706	2.0%
Office Costs	503,124	513,186	10,062	2.0%	523,450	10,264	2.0%
Professional Services	205,000	209,100	4,100	2.0%	213,282	4,182	2.0%
Miscellaneous	-	-	-	-	-	-	
Depreciation	471,000	480,420	9,420	2.0%	490,028	9,608	2.0%
Total Operating Expenses	\$ 2,247,051	\$ 2,291,992	\$ 44,941	2.0%	\$ 2,337,832	\$ 45,840	2.0%
Total Direct Expenses	\$ 9,845,299	\$ 10,111,193	\$ 265,894	2.7%	\$ 10,384,475	\$ 273,282	2.7%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 9,845,299	\$ 10,111,193	\$ 265,894	2.7%	\$ 10,384,475	\$ 273,282	2.7%
Change in Assets	\$ (967,355)	\$ (541,743)	\$ 425,612	-44.0%	\$ (491,845)	\$ 49,898	-9.2%
Fixed Assets							
Depreciation	\$ (471,000)	\$ (480,420)	\$ (9,420)	2.0%	\$ (490,028)	\$ (9,608)	2.0%
Computer & Software CapEx	320,500	326,910	6,410	2.0%	333,448	6,538	2.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	-	
Leasehold Improvements	50,000	-	(50,000)	-100.0%	-	-	
Allocation of Fixed Assets							
Inc(Dec) in Fixed Assets (C)	\$ (100,500)	\$ (153,510)	\$ (53,010)	52.7%	\$ (156,580)	\$ 49,898	0.0%
TOTAL BUDGET (=B + C)	\$ 9,744,799	\$ 9,957,683	\$ 212,884	2.2%	\$ 10,227,895	\$ 273,282	2.7%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (866,855)	\$ (388,233)	\$ 478,622	-55.2%	\$ (335,265)	\$ 52,968	-13.6%
FTEs	37.75	40.00	2.25		40.00	-	

Attachment A

2013 to 2014 Full Time Equivalent (FTE) Comparison Organization Chart



FTE Trend from 2013 to 2016

2013	2014	2015 Estimate	2016 Estimate
37.75	40.75	41.50	41.50

DOCKET NO. RR13-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2014 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 4

NORTHEAST POWER COORDINATING COUNCIL, INC.

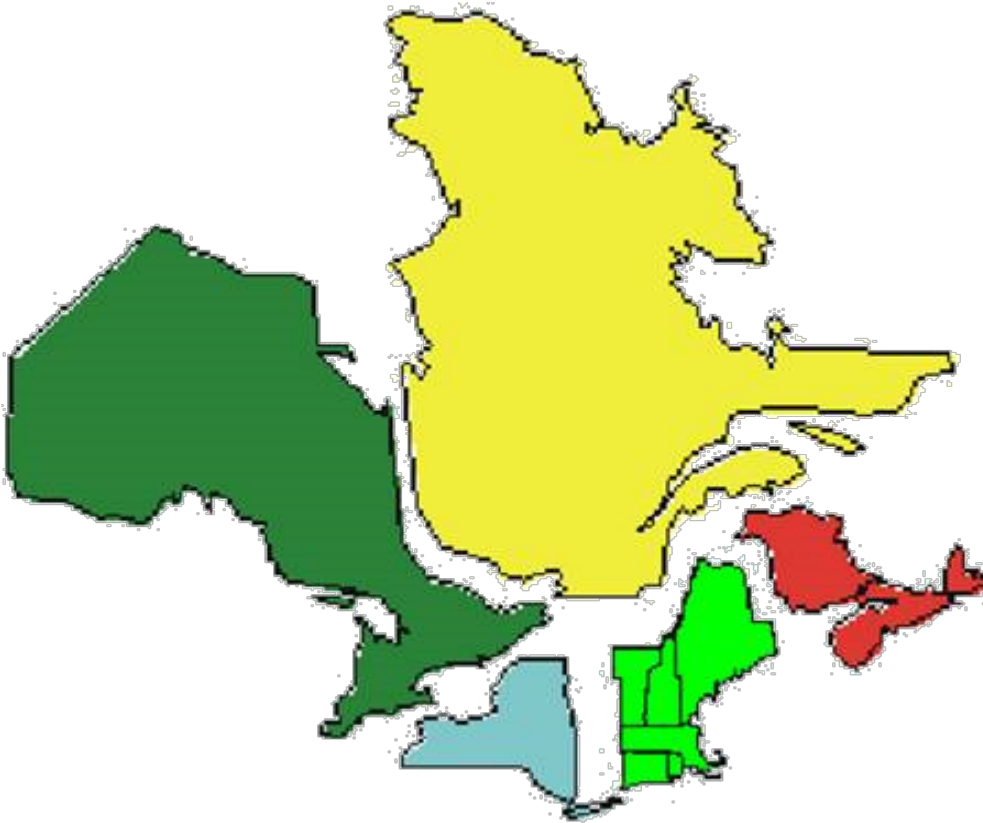
PROPOSED 2014 BUSINESS PLAN AND BUDGET



NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE. OF THE AMERICAS, NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

Northeast Power Coordinating Council, Inc. (NPCC)

2014 Business Plan and Budget



**Approved by
NPCC Board of Directors
June 25, 2013
Resubmitted to NERC August 6, 2013**

Table of Contents

Introduction..... 3

Personnel Analysis..... 11

Section A — 2013 Business Plan 14

Reliability Standards Program 14

Compliance Monitoring and Enforcement and Organization Registration and Certification Program..... 26

Reliability Assessment and Performance Analysis Program..... 35

Training, Education, and Operator Certification Program..... 50

Situation Awareness and Infrastructure Security Program..... 55

Administrative Services 62

Technical Committees and Member Forums 64

General and Administrative 66

Legal and Regulatory 67

Information Technology 68

Human Resources 70

Finance and Accounting 71

Regional Entity Assessment Analysis 73

Section B — Supplemental Financial Information 77

Reserve Balance..... 77

Breakdown by Statement of Activity Sections 78

Section C —2013 Criteria Services Division Business Plan and Budget..... 88

Personnel Analysis..... 94

Reserve Analysis 2012–2013..... 95

Section D..... 97

Statement of Financial Position 97

Introduction

Total NPCC Resources				
(in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Regional Entity Division FTEs	36.86			
Criteria Services Division FTEs	2.14			
Total FTEs	39.0			
Regional Entity Division Expenses	\$14,271,006			
Criteria Services Division Expenses	\$1,089,100			
Total Expenses	\$15,360,106			
Regional Entity Division Inc(Dec) in Fixed Assets	(\$142,000)			
Criteria Services Division Inc(Dec) in Fixed Assets	(\$24,000)			
Total Inc(Dec) in Fixed Assets	(\$166,000)			
Regional Entity Division Working Capital Requirement**	(\$300,126)			
Criteria Services Division Working Capital Requirement***	(\$75,391)			
Total Working Capital Requirement	(\$375,517)			
Total Regional Entity Division Funding Requirement	\$13,828,880			
Total Criteria Services Division Funding Requirement	\$989,708			
Total Funding Requirement	\$14,818,588			
Regional Entity Division Assessments	\$13,611,880	\$8,616,399	\$4,995,482	
Regional Entity Division Assessments Percentage	100.0%	63.3%	36.7%	
Criteria Services Division Membership Fees	\$989,708	\$448,919	\$540,789	
Total NPCC Assessments & Membership Fees	\$14,601,588	\$9,065,318	\$5,536,270	
NEL	641,382,000	290,923,000	350,459,000	
NEL %	100%	45.36%	54.64%	

** Refer to Table B-1 on page 75 in Section B.

*** Refer to the Reserve Analysis on page 95 in Section C.

2014 Overview of Total NPCC Resource Requirements

Due to the international nature of NPCC, the total resource requirements including both Regional Entity division and Criteria Services division are identified above. The individual divisional explanations are contained in subsequent sections.

NPCC proposes to increase its total funding requirement from \$13,903,753 to \$14,818,588 in 2014, an increase of \$914,835 or 6.6%. The proposed 2014 funding requirements will be satisfied by a Regional Entity division assessment of \$13,611,880 and Criteria Services division fees of \$989,708 an overall increase of 8.22% compared to the 2013 total funding requirement of \$13,491,954. NPCC believes that the Region remains an effective provider of Regional Entity and Criteria Services division functions. NPCC's corporate culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition in the Northeast of affordable and reliable electricity.

Organizational Overview

Northeast Power Coordinating Council, Inc. (NPCC) is a 501(c)(6) not-for-profit corporation in the state of New York responsible for promoting and improving the reliability of the international, interconnected bulk power systems in Northeastern North America through (i) the development of Regional Reliability Standards and compliance assessment and enforcement of continent-wide and Regional Reliability Standards, coordination of system planning, design and

operations, and assessment of reliability (collectively, Regional Entity activities), and (ii) the establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria (collectively, criteria services activities). NPCC provides the functions and services for Northeastern North America of a cross-border Regional Entity through a Regional Entity division, as well as Regionally-specific criteria services for Northeastern North America through a criteria services division. NPCC's website is www.npcc.org.

The NPCC Region covers nearly 1.2 million square miles and is populated by more than 56 million people. NPCC U.S. includes the six New England states and the state of New York. NPCC Canada includes the provinces of Ontario, Québec and the Maritime provinces of New Brunswick and Nova Scotia. In total, from a net energy for load perspective, NPCC is approximately 46% U.S. and 54% Canadian. With regard to Canada, approximately 70% of Canadian net energy for load is within the NPCC Region.

Effective January 1, 2012, NPCC executed an Amended and Restated Regional Delegation Agreement with the North American Electric Reliability Corporation (NERC) that delegates to NPCC certain responsibilities and authorities of a cross-border Regional Entity as defined by *Section 215* of the Federal Power Act in the U.S. In addition, NPCC has executed Memoranda of Understanding with Canadian provincial regulatory and/or governmental authorities in Ontario, Québec, New Brunswick and Nova Scotia.

In this 2014 business plan, NPCC has not included discretionary programs and has balanced the limited availability of funds with international reliability interests. The NPCC Board of Directors in its approval of the 2013 NPCC Business Plan and Budget tasked NPCC with establishing a base operating budget for 2014 reflecting the costs of efficient execution of existing operations and, in conjunction with NERC and other Regional Entities, developing justification for any necessary increases in resources to address identified additional requirements and proposing a long term strategy showing a measured growth approach in NPCC's Regional Entity division operations.

It is imperative that NPCC maintain its ability to carry out delegated authorities and responsibilities. NPCC has a 2014 targeted staffing level of 39 power industry professionals and support personnel. Details of the 2014 business plans and budget for each program area are included in Section A for the Regional Entity division. The 2014 Regional Entity division schedules are shown in Section B. Section C details the 2014 criteria services division business plan and budget.

Membership and Governance

NPCC monitors approximately 292 registered entities and some 577 functions in the Region for compliance with mandatory Reliability Standards. NPCC currently has approximately 79 members. There are two categories of membership, General and Full. The two categories distinguish between Regional Entity delegated services that are provided in support of the U.S. FERC and Canadian provincial MOUs or Agreements with regulatory and/or governmental authorities, and Criteria Services which FERC references as U.S. non-delegated activities.

General Membership is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the Electric Reliability Organization (ERO) that has an interest in the reliable operation of the Northeastern North American bulk power system. General Members which are also registered entities within the NPCC Region are subject to

compliance with Reliability Standards, consistent with their registration, and also receive additional services from the Regional Entity division of NPCC.

Full Membership is available to Members which are already General Members and participate in electricity markets in the Northeast. Independent system operators (ISOs), Regional transmission organizations (RTOs), Transcos and other organizations or entities that perform the Balancing Authority function operating in Northeastern North America are expected to be Full Members of NPCC. The New York State Reliability Council and any other sub-regional reliability councils which may be formed are also expected to be Full Members. Full Members are subject to compliance with Regionally-specific more stringent reliability criteria for their generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area and which are identified utilizing a reliability impact-based methodology, in addition to Reliability Standards, and receive additional services from the Criteria Services division of NPCC, which is not funded through the ERO.

Since January 1, 2012 NPCC is governed by a Board of Directors consisting of seven stakeholder voting sectors consisting of a maximum of two directors per sector, an independent sector consisting of two independent directors, an independent Board Chair with voting rights to preclude board deadlocks, and the President and CEO. Within NPCC, no two sectors can control and no one sector can block action. The voting sectors include:

Sector 1) Transmission Owners

Sector 2) Reliability Coordinators

Sector 3) Transmission Dependent Utilities, Distribution Companies, Load Serving Entities

Sector 4) Generator Owners

Sector 5) Marketers, Brokers and Aggregators

Sector 6) Regulators

Sector 7) Sub-Regional Reliability Councils, Customers, other Regional Entities and Interested Entities

Sector 8) Independent

A Finance and Audit Committee (FAC), a Pension Committee, a Corporate Governance and Nominating Committee (CGNC), and a Management Development and Compensation Committee (MDCC) advise the Board on finance, governance, compensation and human resource matters. The Board endorses a non-employee, Certified Public Accountant for election by the NPCC Members as Treasurer of the corporation. The Treasurer chairs the FAC and works with the Chief Operating Officer who provides oversight of the finances of the corporation. The Treasurer reports to the Board on the corporation's financial position, on FAC activities, on tax code requirements, and on independent annual audit results and accounting practices.

The Regional Standards Committee (RSC), the Compliance Committee (CC), the Reliability Coordinating Committee (RCC), and the Public Information Committee, consistent with their approved scopes, are responsible for various reliability issues. The RSC, CC and RCC also provide technical policy recommendations to the Board. All General and Full Members are eligible for representation on the technical committees.

Industry technical experts from within the membership provide valuable input to the Board through various working groups and task forces as well as the committees. The *Amended and Restated Bylaws* will continue to establish NPCC's independence from users, owners and

operators of the bulk power system through the enhanced governance structure while providing fair stakeholder representation in the selection of officers. The members, from each of the seven stakeholder voting sectors, vote to elect directors in their respective sector. The Amended and Restated Bylaws establish criteria for board service for both stakeholder and independent directors. Independent Directors will be drawn from diverse backgrounds and will possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge to contribute to the effective functioning of a hybrid board structure.

Compliance and enforcement activities are carried out by the NPCC compliance staff and are independent of all users, owners and operators of the international bulk power system and from the Hearing Officer. Compliance activities are governed in the United States by the *Amended and Restated Regional Delegation Agreement* between NERC and NPCC, delegating portions of NERC's authority as the ERO to NPCC. NPCC compliance activities in Canada are governed by an individual provincial Memorandum of Understanding (MOU) for each province providing the unique parameters for compliance and enforcement activities for each of the provinces. A MOU between the Independent Electricity System Operator in Ontario (IESO), NERC and NPCC establishes roles and responsibilities with regard to that province. NPCC, NERC and the New Brunswick System Operator are parties to a MOU that sets forth reliability activities for New Brunswick. The Régie de l'énergie, NERC and NPCC executed a MOU regarding the development of electric power transmission Reliability Standards and a program for the monitoring of the application of these standards for Québec. NPCC, NERC and Nova Scotia executed a MOU that sets forth the mutual understanding of the parties in relation to the approval and implementation of NERC Reliability Standards and NPCC Regional reliability criteria for the province of Nova Scotia.

International Foundation

The Regional Entity functions and services differ according to particular regulatory backstop:

a) U.S. Foundation

The Federal Energy Regulatory Commission (FERC) certified NERC as the Electric Reliability Organization (ERO) on July 20, 2006. The ERO is responsible for developing and enforcing reliability standards within the United States. In executing part of its responsibilities, NERC delegates authority to the Regional Entities to perform certain functions through delegation agreements. Ensuring the reliability of the bulk power system in the state of New York and the six New England States was delegated from NERC to NPCC through the Amended and Restated Regional Delegation Agreement.

b) Ontario

On February 5, 2010, NERC, NPCC and the IESO amended and restated their earlier MOU, dated November 29, 2006, setting forth their mutual understanding as regards NERC's and NPCC's status in Ontario with respect to standard and criteria development, compliance enforcement, and other related matters. The IESO, whose statutory responsibilities include making and enforcing reliability standards, and making and enforcing Ontario market rules that govern the IESO-controlled grid and the wholesale electricity market, was established April 1, 1999 as the Independent Electricity Market Operator in Ontario under the *Electricity Act, 1998* (Ontario). The IESO is subject to the regulatory oversight of the Ontario Energy Board (OEB).

Among other things, the MOU recognizes that NERC and NPCC are standards authorities under the *Electricity Act, 1998* (Ontario). Additionally, under the authority of that same legislation, and as memorialized in the MOU, the NERC reliability standards and NPCC reliability criteria

have effect in Ontario. However a 2008 amendment to the Electricity Act, 1998 (Ontario) allows the OEB to review these standards and criteria and issue orders preventing their implementation and remanding them back to NERC and NPCC.

The IESO is subject to compliance monitoring and enforcement by NPCC. The IESO is also subject to compliance monitoring and enforcement of the Ontario market rules by the IESO's Market Assessment and Compliance Division (MACD) that operates at arm's length from the IESO's business units. The MOU notes that where MACD, NERC, and NPCC engage in investigations pursuant to their respective mandates regarding compliance, MACD can request to take the lead. Moreover, of the three, MACD is the only entity that can assess financial penalties for any Ontario market participant's or the IESO's non-compliance with Ontario market rules, which includes non-compliance with NERC standards and NPCC criteria.

The MOU provides for a peer review process to promote the common compliance and enforcement objectives of NERC/NPCC and MACD. From the perspective of NPCC and NERC, this process, in part, is meant to assure registered entities outside of Ontario that the MACD program is rigorous, thorough and reliable.

The IESO is subject to NPCC assessments of compliance, including audits, as well as NPCC remedial action directives to correct non-compliance. In the event that the IESO disagrees with NPCC's finding of a violation or associated assessment of sanctions in connection with standards and criteria, the IESO has a right to a compliance hearing with NPCC.

c) Québec

The Régie de l'énergie, NERC and NPCC are parties to the *May 8, 2009 Agreement on the Development of Electric Power Transmission Reliability Standards and of Procedures and a Program for the Monitoring of the Application of These Standards for Québec* (the Agreement). Under the terms of the Agreement, the Régie de l'énergie, which is charged with ensuring the reliability of the electric transmission in Québec, retained NPCC and NERC as experts to develop reliability standards and monitoring program procedures for the province. The Agreement contemplates the execution of a second agreement at a later date that will detail the mandates granted to NPCC and NERC by the Régie de l'énergie.

The Régie de l'énergie is a public body established by the *Act respecting the Régie de l'énergie* (the Act). Pursuant to its authority under the Act, the Régie de l'énergie issued its Decision D-2007- 95 of August 14, 2007, designating the Direction – Contrôle des mouvements d'énergie (System Control unit) of Hydro-Québec TransÉnergie (HQTE) as the Reliability Coordinator for Québec. In accordance with its mandate and as recognized in the Agreement, it is this entity that filed the application for approval of reliability standards and monitoring program procedures developed by NERC and NPCC for approval by the Régie de l'énergie.

At this time, while final regulatory approval of the implementing agreements is pending, NPCC is proceeding with its reliability assurance activities within Québec, including but not limited to events analysis, compliance audits and compliance investigations, consistent with the NPCC Amended and Restated Bylaws. The Régie de l'énergie, NERC and NPCC will execute a second agreement, which is currently being negotiated, to provide that NERC and NPCC will perform various processes including investigative functions and report their findings and any recommendations to the Régie de l'énergie. The investigative functions include, among other things, performing audits to determine if there is any basis for a violation of reliability standards.

The Régie de l'énergie will handle reliability enforcement, including imposing any sanctions and penalties.

d) New Brunswick

The New Brunswick System Operator (NBSO), NPCC and NERC are parties to a November 19, 2008 MOU. The NBSO is a not-for-profit corporation which was established on October 1, 2004 under the Electricity Act (NB) and charged with developing and administering the wholesale electricity market and maintaining reliability of the integrated power system in New Brunswick. The Electricity Act (NB) also introduced mandatory reliability requirements for the bulk power system in the province. The NBSO is responsible under the Electricity Act (NB) to make and enforce the New Brunswick Electricity Market Rules ("Market Rules"), including developing, adopting and enforcing mandatory reliability requirements.

The MOU recognizes that both NERC and NPCC are "standards authorities" within the context of the Electricity Act (NB) and as defined in the Market Rules. Indeed, NERC and NPCC reliability standards are adopted under the Market Rules and are, therefore, currently in effect in New Brunswick.

The MOU provides that NPCC has responsibilities regarding compliance assessment and enforcement of NERC reliability standards that are applicable in New Brunswick. NPCC will monitor and assess NBSO compliance with standards and criteria that are applicable to the NBSO for its registered functions. NPCC will make recommendations to the New Brunswick Energy and Utilities Board regarding sanctions and penalties for any non-compliance as the MOU does not provide NPCC with that authority. The NBSO will be responsible for registering, monitoring, assessing and enforcing compliance for New Brunswick entities. To the extent that the NBSO imposes penalties on market participants for non-compliance, those monies will be dispensed in accordance with the provisions of the Market Rules.

Throughout the term of the MOU, NBSO and NPCC will work cooperatively in identifying ongoing opportunities to enhance NBSO's compliance program applicable to New Brunswick entities which may include periodic reviews by NPCC and the sharing of best practices.

e) Nova Scotia

Nova Scotia Power Incorporated (NSPI), NPCC and NERC are parties to a May 11, 2010 Memorandum of Understanding regarding the approval and implementation of mandatory NERC reliability standards and NPCC Regional reliability criteria. Pursuant to the MOU's terms, NERC and NPCC filed standards and criteria with the Nova Scotia Utility and Review Board (NSUARB) for approval on June 30, 2010 and June 29, 2010, respectively. A decision from the NSUARB on both NERC and NPCC filings was rendered on July 20, 2011. Hence, the standards and criteria are mandatory in Nova Scotia and NSPI will be subject to the NERC compliance monitoring and enforcement program, as implemented by NPCC.

NPCC will conduct compliance activities with respect to the standards and then forward any non-compliance information and recommendations to the NSUARB for use in enforcement proceedings. Enforcement will be administered by the NSUARB which will, among other things, determine whether a violation has occurred and, if so, what remedial measures or non-monetary penalties should be imposed.

Regional Entity Division Functional Scope

NPCC's Regional Entity division functions in support of the ERO include:

- Active participation in the development of North American Reliability Standards for the bulk power system, and as needed development of Reliability Standards applicable within the NPCC cross-border Regional Entity
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed certification of such entities
- Assessment of the present and future reliability of the bulk power system
- Operational coordination and situation awareness support
- Event analysis and identifying lessons learned to improve reliability
- Effective training and education of reliability personnel
- Promoting the protection of critical electric infrastructure

In recognition of the delegated compliance role of Regional Entities as an important means to enhancing reliability, NPCC has designated a significant percentage of its staff resources to compliance monitoring and enforcement. NPCC has also developed and deployed a robust set of online tools for gathering data, analysis, and tracking of compliance information to support its ability to carry out its responsibilities in a cost effective manner.

NPCC has organized the remaining staff into program areas consistent with EAct 2005 to address the other functions listed above. These experts in operations, planning and reliability analysis assist registered entities in assessing and improving reliability. It is in support of these areas that NPCC engages the majority of industry experts on its technical committees.

2014 Key Assumptions and 2014 Goals and Key Deliverables

NERC and the eight Regional Entities collaborated in the development of a common set of business planning assumptions, goals and key deliverables for the 2014 through 2016 period. The results from that collaboration are included as a set of common assumptions in Exhibit A to the NERC 2014 Business Plan and Budget and may be referenced by the users of this document.

2014 Overview of Regional Entity Division Cost Impacts

NPCC proposes to increase its Regional Entity division funding requirement from \$12,764,064 to \$13,828,880 in 2014, an increase of \$1,064,817 or 8.3%. The proposed Regional Entity division assessment of \$13,611,880 to support the budget is an increase of 10.2% compared to the 2013 assessment of \$12,352,264.

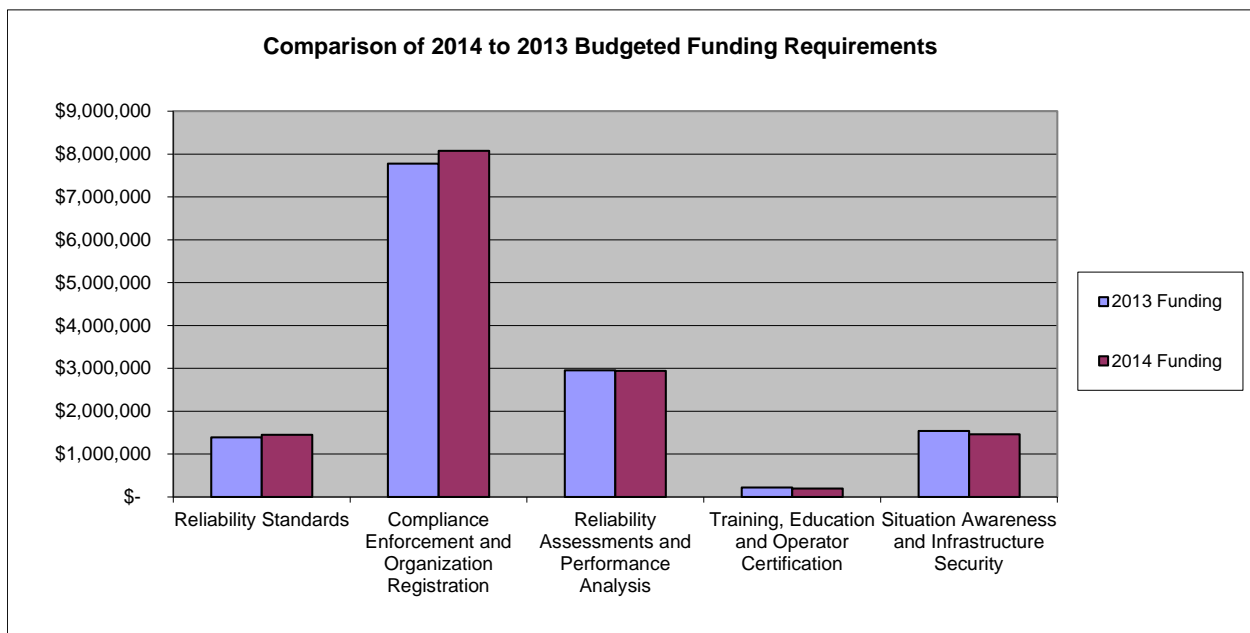
2013 Projections

Current year projections are taken into consideration in development of the budget. Expenses are currently projected to be on budget or slightly under budget in all areas. Professional fees are expected to be slightly lower than budget due to lower legal fees resulting from the retention of in-house counsel in 2012. 2013 Projections reflect expectations based on the first quarter statement of activities. It is anticipated that projections could change throughout 2013 and would be reflected in each subsequent quarter's statement of activities.

Summary by Program

Program	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Reliability Standards	\$ 1,390,980	\$ 1,390,980	\$ 1,447,330	\$ 56,350	4.1%
Compliance Enforcement and Organization Registration	\$ 7,777,333	\$ 7,777,333	\$ 8,079,371	\$ 302,039	3.9%
Reliability Assessments and Performance Analysis	\$ 2,956,639	\$ 2,956,639	\$ 2,942,339	\$ (14,300)	-0.5%
Training, Education and Operator Certification	\$ 217,617	\$ 217,617	\$ 195,855	\$ (21,761)	-10.0%
Situation Awareness and Infrastructure Security	\$ 1,536,658	\$ 1,536,658	\$ 1,464,111	\$ (72,547)	-4.7%
Total	\$ 13,879,226	\$ 13,879,226	\$ 14,129,006	\$ 249,780	1.8%

This chart does not include allocation of working capital requirements among the Program Areas.



This chart does not include allocation of working capital requirements among the Program Areas.

Personnel Analysis

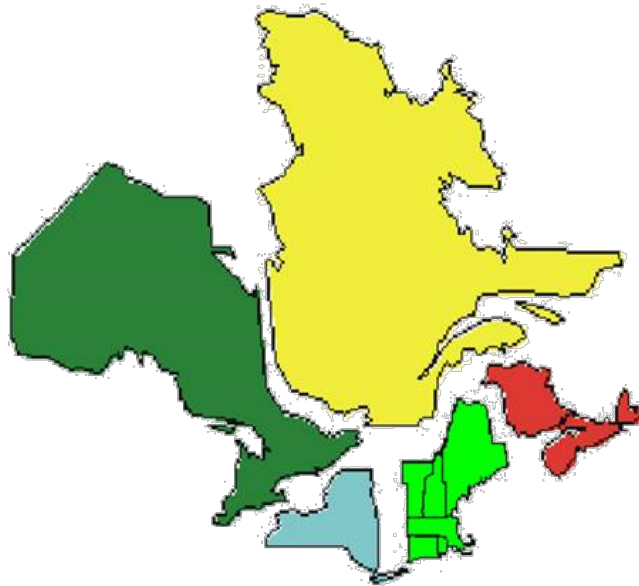
Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs ¹ 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
REGIONAL ENTITY DIVISION						
Operational Programs						
Reliability Standards	2.93	2.93	2.00	0.93	2.93	0.00
Compliance Monitoring and Enforcement and Organization Registration and Certification	15.00	15.00	16.00	0.00	16.00	1.00
Training, Education, and Operator Certification	0.10	0.10	0.10	0.00	0.10	0.00
Reliability Assessment and Performance Analysis	5.83	5.83	4.90	0.93	5.83	0.00
Situation Awareness and Infrastructure Security	3.00	3.00	3.00	0.00	3.00	0.00
Total FTEs Operational Programs	26.86	26.86	26.00	1.86	27.86	1.00
Administrative Programs						
Technical Committees and Member Forums	0.50	0.50	0.50	0.00	0.50	0.00
General and Administrative	2.50	2.50	2.50	0.00	2.50	0.00
Information Technology	3.00	3.00	3.00	0.00	3.00	0.00
Legal and Regulatory	1.00	1.00	1.00	0.00	1.00	0.00
Human Resources	1.00	1.00	1.00	0.00	1.00	0.00
Accounting and Finance	1.00	1.00	1.00	0.00	1.00	0.00
Total FTEs Administrative Programs	9.00	9.00	9.00	0.00	9.00	0.00
Total FTEs	35.86	35.86	35.00	1.86	36.86	1.00

¹A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

2013 Budget and Projection and 2014 Budget Comparisons

Statement of Activities and Capital Expenditures 2013 Budget & Projection, and 2014 Budget						
REGIONAL ENTITY DIVISION						
				Variance ⁽²⁾		Variance
	2013 Budget	2013 Projection	2013 Projection v 2013 Budget Over(Under)		2014 Budget	2014 Budget v 2013 Budget Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ 12,352,264	\$ 12,352,264	\$ -		\$ 13,611,880	\$ 1,259,617
Penalty Sanctions ⁽¹⁾	297,300	297,300	-		153,000	(144,300)
Total ERO Funding	\$ 12,649,564	\$ 12,649,564	\$ -		\$ 13,764,880	\$ 1,115,317
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	80,000	80,000	-		64,000	(16,000)
Interest	-	-	-		-	-
Miscellaneous	34,500	34,500	-		-	(34,500)
Total Funding (A)	\$ 12,764,064	\$ 12,764,064	\$ -		\$ 13,828,880	\$ 1,064,817
Expenses						
Personnel Expenses						
Salaries	\$ 5,677,141	\$ 5,677,141	\$ -		\$ 5,911,227	\$ 234,086
Payroll Taxes	377,689	377,689	-		384,311	6,622
Benefits	1,331,302	1,331,302	-		1,430,261	98,959
Retirement Costs	1,092,565	1,092,565	-		1,124,361	31,796
Total Personnel Expenses	\$ 8,478,697	\$ 8,478,697	\$ -		\$ 8,850,160	\$ 371,463
Meeting Expenses						
Meetings	\$ 377,000	\$ 377,000	\$ -		\$ 365,000	\$ (12,000)
Travel	855,000	855,000	-		890,000	35,000
Conference Calls	87,000	87,000	-		77,000	(10,000)
Total Meeting Expenses	\$ 1,319,000	\$ 1,319,000	\$ -		\$ 1,332,000	\$ 13,000
Operating Expenses						
Consultants & Contracts	\$ 2,113,000	\$ 2,113,000	\$ -		\$ 1,924,433	\$ (188,567)
Office Rent	706,500	706,500	-		737,272	30,772
Office Costs	468,500	468,500	-		536,500	68,000
Professional Services	1,120,000	1,060,000	(60,000)		966,500	(153,500)
Computer & Equipment Leases	-	-	-		-	-
Miscellaneous	80,000	80,000	-		80,000	-
Depreciation	192,510	192,510	-		250,000	57,490
Total Operating Expenses	\$ 4,680,510	\$ 4,620,510	\$ (60,000)		\$ 4,494,705	\$ (185,805)
Total Direct Expenses	\$ 14,478,207	\$ 14,418,207	\$ (60,000)		\$ 14,676,865	\$ 198,658
Indirect Expenses	\$ (406,471)	\$ (406,471)	\$ -		\$ (405,859)	\$ 612
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 14,071,736	\$ 14,011,736	\$ (60,000)		\$ 14,271,006	\$ 199,270
Change in Assets	\$ (1,307,673)	\$ (1,247,673)	\$ 60,000		\$ (442,126)	\$ 865,547
Fixed Assets						
Depreciation	\$ (192,510)	\$ (192,510)	\$ -		\$ (250,000)	\$ (57,490)
Computer & Software CapEx	-	-	-		108,000	108,000
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
Allocation of Fixed Assets	(0)	(0)	-		(0)	-
Inc(Dec) in Fixed Assets (C)	(192,510)	(192,510)	-		(142,000)	50,510
TOTAL BUDGET (=B+C)	\$ 13,879,226	\$ 13,819,226	\$ (60,000)		\$ 14,129,006	\$ 249,780
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,115,163)	\$ (1,055,163)	\$ 60,000		\$ (300,126)	\$ 815,037
<p>⁽¹⁾ \$153,000 of penalty sanctions collected to date and prior to June 30, 2012.</p> <p>⁽²⁾ 2013 Projections reflect expectations based on the 1st quarter statement of activities. It is anticipated that projections could change throughout 2013 and would be reflected in each subsequent quarter's statement of activities.</p>						

Section A – Regional Entity Division 2014 Business Plan and Budget



Section A — 2014 Business Plan

Reliability Standards Program

Reliability Standards Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.93	2.93	0.00
Direct Expenses	\$855,456	\$917,936	\$62,480
Indirect Expenses	\$556,523	\$555,686	(\$837)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$21,000)	(\$26,292)	(\$5,292)
Total Funding Requirement	\$1,390,980	\$1,447,330	\$56,350

Program Scope and Functional Description

The NPCC Reliability Standards program operates in accordance with NPCC’s filed and approved Delegation Agreement “Exhibit C”, and NERC Rules of Procedure Section 300. The program supports the ERO standards program area goal by providing supporting activities for the development of clear, reasonable and technically sound mandatory “results based” reliability standards in a timely and efficient manner. The primary objective of NPCC’s program area is to support the development of standards which establish threshold requirements for ensuring the bulk power system is planned, operated, and maintained in a manner that minimizes risks of cascading failures, avoids damage to major equipment, is responsive to risks, or limits interruptions of bulk power supply. At a Regional level, the program develops Regional Reliability Standards and ensures that Regional reliability criteria, contained in the form of Directories, are not inconsistent with any applicable NERC and Regional Reliability Standards. The NPCC Reliability Standards program also supports and participates in the development, revision, and maintenance of NERC Reliability Standards, initiates new regional or continent wide reliability standards when necessary, and provides a forum for the comprehensive review and improvement of existing and developing standards. The NPCC Reliability Standards program supports the reliability of the bulk power system by:

- Facilitating active participation of NPCC regional industry stakeholders in all NERC Reliability Standards activities to promote the development of quality standards in a timely and efficient manner.
- Development and maintenance of Regional Standards as necessary to address regional reliability related issues or risks and ensure those standards are not inconsistent with the NERC continent wide standards. These regional standards contain requirements that are more stringent, add specificity to or augment the NERC Continent-wide standards.
- Maintaining technical reference documents as required

Funding Drivers and Reliability Benefits

- Expanded Scope of Standards activities
 - Responding to increasing amount of FERC Rulings, NOPRs, preliminary staff assessments, and FERC issued Directives¹
 - Providing support for increased standard development activities as outlined in the 2013-2015 Reliability Standards Development Plan and assuming an active role in the newly formed NERC Project Management Oversight Subcommittee (“PMOS”)²
 - Participating in other Regional Entities’ standards development processes through review, comment and active participation on drafting teams and activities³
 - Participating in informal activities of standards development to promote consensus early in project development and provide technical guidance⁴
 - Providing a forum for all NPCC representatives on the NERC and neighboring Regional Entities’ drafting teams⁵
 - Promote and assist with the Cost Effective Analysis Process (“CEAP”) to ensure standards have the most cost effective requirements which meet the reliability objectives of standards under development⁶
 - Actively coordinating and reviewing Compliance Application Notices (“CANs”) to ensure no reliability requirements have been changed as a result.
 - Provide NPCC Regional point of contact for the new Reliability Issues Steering Committee (“RISC”) to provide emerging and existing BES reliability related risks and potential gaps in the existing NERC standards⁷
- Increased Number of Standards Projects
 - In 2014 NERC is envisioned to have a revised Standards Development Process in place and standards productivity will rise, requiring additional resources to respond to this increase in through-put.
 - Active NERC Projects in the standards area are also expected to increase to address FERC outstanding directives from Order 693 as well as other orders.
 - The concept of informal development was introduced in 2013 and will be expanded to include more standards development projects in 2014 requiring more technical support, participation, and facilitation.
 - NERC has developed a rapid revision procedure to allow it to revise standards in a more expeditious manner that may need clarification or address some deficiency.

¹ ERO Goal 1.a. Address all new FERC directives within one year or two years if technical study is required; close existing directives by 2015 (by filing or negotiated resolution)

² ERO Goal 1.a Standards are timely, clear and responsive to reliability and security risk

³ ERO Goal 1.a. Standards are timely, clear and responsive to reliability and security risks, and
 ERO Goal 1.b. Consolidate to a common set of application guides or RSAWs for all standard

⁴ ERO Goal 1.a. Complete standards development governance and process reforms as identified in 2012 resolutions by the NERC Board of Trustees.

⁵ ERO Goal 1.a. Standards are timely, clear and responsive to reliability and security risks.

⁶ ERO Goal 1.b. Explore options for assessing the cost effectiveness of appropriate reliability standards

⁷ ERO Goal 1. b. Facilitate smooth transition of new standards (e.g., CIP Version 5)

- NPCC is assisting with the Project Management Oversight Subcommittee (PMOS) which is responsible for managing the development of NERC standards projects and tracking Paragraph 81 Phase 2 retirement candidates⁸
- Cost Effectiveness Analysis Process or CEAP is being piloted in 2013 and expected to be broadly implemented at NERC in 2014. Further resources required to evaluate the standards from a “cost benefit” and also a “cost effectiveness” perspective will be required.⁹
- NERC Reliability Standards will continue to require Violation Risk Factors (VRFs) to be developed and NERC is reviewing additional levels of VRF and development of a Sanction Matrix which is envisioned to replace the Violation Severity Levels (VSLs).
- Expanded efforts to educate and inform stakeholders in the areas of NERC and NPCC Regional Standards with anticipated additional forums such as increases in the amount of Internet based meetings and technical conferences.¹⁰
- Revision of the Bulk Electric System definition and associated exception processes being developed by NERC may create the need for potential revisions to ERO standards, Regional differences or variances and revisions to developing Regional Standards requirements.
- NERC remains committed to a five year review of approved standards. 2013 marked the sixth year since NERC’s first set of standards became mandatory and enforceable in the United States in Order 693. Many of those standards, which have not yet been revised as a result of Directives or other need, are now due for that five-year review and substantial resources will be required to meet this regulatory obligation. There now is a strategic effort to address all directives and standards due for their 5 year review.¹¹

2014 Key Assumptions

- Facilitate stakeholder review, comment on, and develop ballot recommendations or list of Regional issues, for all NERC Reliability Standards Projects under informal or formal development or revision
 - NERC and NPCC benefit from NPCC’s regional coordination consisting of a broad stakeholder review process and development of consensus recommendations to assure proposed standards will support international reliability and provide appropriate reliability objectives for the Continent-wide standards
 - Coordinate a comprehensive review of the results based standards initiative processes and standards being implemented
 - Participate in training programs to train the trainer and develop and convey this results-based standard development methodology to the Regional Standard drafting teams.
 - Conduct and obtain training for Quality Review of standards at both the Regional level and to assist the ERO with analysis of the continent wide standards.

⁸ ERO Goal 1.b. Identify and file requirements to be retired (Paragraph 81 Phase 2)

⁹ ERO Goal 1.b. Explore options for assessing the cost effectiveness of appropriate reliability standards

¹⁰ ERO Goal 1. b. Facilitate smooth transition of new standards (e.g., CIP Version 5)

¹¹ ERO Goal 1.a. Address all new FERC directives within one year or two years if technical study is required; close existing directives by 2015 (by filing or negotiated resolution)

- Coordinate the review of all Reliability Standards Audit Worksheets during their postings for comment for potential expansion of their associated standard's requirements
- Implement triage process to assess posted standards and related material to ensure it is properly routed to and addressed by the appropriate NPCC technical or process resources.
- Participate in the stakeholder efforts to develop Standards Authorization Requests (SARs) and Regional SARs to further improve standards
- Monitor and participate in the drafting of key NERC Reliability Standards- Communications, Protections Systems, Balancing Control Performance, and Frequency Response, etc.
 - The NPCC monitoring of the development of standards helps to ensure reliability requirements that are clear, measurable, and enforceable and support international reliability in the Northeast
- Continue with the development and maintenance of a set of NPCC Phase II Directories not inconsistent with the NERC Reliability Standards which clearly delineate the more stringent NPCC criteria requirements
 - The combination of North American and Regional Reliability Standards with the more-stringent NPCC Regional criteria provides for consistency and operational clarity while providing robust defense in–depth, results based, standards to ensure BES reliability
 - Ensure no redundancies exist between the criteria found in the NPCC Directories and the ERO standards
- Monitor the Regional Standards development activities of the Midwest Reliability Organization (MRO), Reliability First Corporation (RFC), SERC Reliability Corporation, and Florida Reliability Coordinating Council (FRCC) to achieve consistency within the Eastern Interconnection
 - The Northeast's reliability is enhanced by strengthening Eastern Interconnection Regional Entities' Reliability Standards and ensuring that no cross border adverse impacts are introduced
 - Participate in any Eastern Interconnection initiatives which may have a potential for interconnection wide standards in the East and what processes might need to be in place to develop them.
- Review reliability requirements of ERO and NPCC Regional Standards, NPCC Criteria and ensure consistency, remove redundancies, adopt Functional Model language and ensure requirements are “results based”
 - The unambiguous assignment of reliability requirements to specific functional entities benefits international reliability
 - Participate in the continuing refinement of the Functional Model to capture evolving issues essential to reliability and new objectives in the industry, i.e. demand resource operator, planning functions, new activities yet to be identified such as those associated with Smart Grid, “Synchro-Phasor” technology, etc.
 - Participate in the continual improvement of the NERC standards development processes and initiatives such as the CEAP, PMOS and Single Portal Project.
 - Contribute to the improvement of process related to NERC providing interpretations.
- Review all FERC orders and Provincial regulations as they relate to the standards, their revision and adoption

- Northeast reliability benefits from careful analyses of governmental orders or actions adopting standards to assure consistency in interpretation
- Review rulings that are issued and all FERC Directives for potential reliability related issues
- Conduct and support Regulatory Provincial filings on a periodic basis based on individual Provincial Laws and requirements outlined in the Memorandum of Understandings for each Province.
- Enhance NPCC standards website pages to provide uniform and clear information to the stakeholders while also providing the historical and archived information to support NERC and FERC approvals and expanding requirements

2014 Goals and Key Deliverables

The Reliability Standards program goals and objectives for 2014 are grouped into seven categories:

- Participate in North American ERO results-based standards development, to develop clear, reasonable and technically sound, results based mandatory reliability standards in a timely and efficient manner.
- Provide continual support for Cost Effectiveness Analysis for standards and promote a broad implementation of the CEAP across all standards projects within NERC
- Develop Regional Reliability Standards and potential revisions as required by the ERO or on an “as needed” basis.
- Develop a revision to the NPCC Regional Standards Process Manual based on improvements suggested by stakeholders and those being incorporated into the NERC process
- Review and develop recommendations or issues for all posted ERO ballots.
- Coordination of the review of posted RSAWs process improvement; and communications.

1) Participate in the ERO Results-Based Standards Development

- Participate in the development and revision of the NERC three year work plan through review, commenting and drafting activities
- Participate in the Standards Committee Strategic initiatives to develop results based standards that will provide a defense in depth, complete the standards due for 5 year review, and address all existing and outstanding FERC Directives.
- Support the implementation of the NERC Board of Trustees (“BOT”) resolutions specifically supporting the timeliness, cost effectiveness, timely development, and quality of new standards
- Coordinate the development of ERO Reliability Standards within NERC’s three-year standards work plan with the emphasis placed on reducing the amount of new FERC Directives issues by closer coordination with the Commission staff
- Conduct thorough reviews of all NERC standards being developed or revised and coordinate comments for Northeastern North America driving consensus to the extent possible
- Facilitate the NERC Cost Effective Analysis Procedure both within NPCC throughout the industry
- Conduct thorough reviews of all Industry requested NERC Formal Interpretations of standards and develop and promote the NERC Informal Guidance Process, a comprehensive process to deal with all standards related questions

- NPCC staff along with NPCC solicited Regional drafting team volunteers, will participate in the drafting of all ERO standards affecting or potentially affecting reliability in the Eastern Interconnection and provide geographic support for review and development of comments and propose improvements with specific emphasis on CIP
- NPCC and its members will review and coordinate potential comment on FERC preliminary staff assessments as appropriate
- Participate in ballots for ERO standards and provide consensus recommendations to the NPCC Members of the NERC Registered Ballot Body or provide a list of issues to allow the Members to cast a ballot based on Regional concerns
- Review and develop comments on FERC Notice of Proposed Rulemakings for any and all standards related issues as appropriate
- Coordinate and evaluate proposed standards utilizing Regional technical task forces, working groups and committees
- Educate and notify stakeholders and regulators about issues related to standards development
- Provide outreach to industry trade groups to educate and drive consensus
- Provide a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC) and NPCC Task Force on Infrastructure Security and Technology (TFIST)
- Provide support to NERC’s strategy in the prioritization, identification, scheduling and development of NERC directed Regional Reliability Standards
- Participate in NERC’s Standards Committee standards prioritization tool and process, to identify immediate standards needs and prioritization based on those needs
- Participate in the NERC RISC by providing a regional point of contact for all potential reliability related risks and gaps within the Northeast or as noted by NPCC stakeholders
- Participate in and provide support to critical upcoming new Blackout related standards, UVLS, Voltage and Reactive Control, Real Time Tools, Frequency Response, etc
- Identify and initiate Regional Variances to the NERC Reliability Standards as soon as possible, allowing incorporation into the continent wide standard at its inception
- Identify potential drivers for standards revisions based on revisions to the BES to a bright line criteria and any document revisions required as a result of consideration of the developing “Exception Process”.
- Support additional standards workload from further economic stimulus, i.e. standards on integrating variable generation resources or EHV backbone, Smart Grid, Electric Vehicles or “Synchro-Phasor” projects as necessary
- Provide continued input and leadership to NERC, based on NPCC experiences, regarding strategy for developing cost effectiveness analysis for standards
- Provide support and assistance to the ERO for conducting Quality Reviews on NERC continent wide standards as possible
- Continually file the NPCC Directories with the Canadian Provincial Regulatory Authorities within the NPCC “footprint”, on an as needed basis, as the directories are developed and revised and as the Provinces establish procedures and agreements with NPCC.
- Develop new and innovative processes to better utilize the limited internal and external resources in the Region to enable sufficient technical review of posted standards and related materials

- Support the ERO and the relationships with FERC and the provincial governmental authorities for standards development activities as necessary to accomplish the ERO goals and objectives
- Support the development of system protection and control, communication, transmission operation standards and other critical standards efforts.

2) Regional Standards Development

- NPCC anticipates to complete the review for potential revision of one Regional Standard utilizing the existing NPCC Regional Reliability Standard Development Procedure and submit the potential revision to the standard to NERC for approval of the NERC BOT (on a schedule, and as required by NERC or Regional reliability need). NPCC remains committed to being flexible and will respond to any new mandates and changes to the standards development schedules to be responsive to NERC and FERC reliability needs and best utilize staff and industry resources available.
- Draft additional Regional Standards,(on a schedule, and as needed by NERC) utilizing Regional technical committees and working groups in an forum that is open and inclusive to all stakeholders within and outside of the Region.
- Draft any additional standard NERC directs NPCC to develop to meet an urgent reliability related needs, i.e. solar magnetic disturbance system hardening
- Actively monitor and participate in the standards development activities of the other Regional Entities in the Eastern Interconnection: the MRO, RFC, SERC, and FRCC to assure consistency within the Eastern Interconnection
- Accomplish all directives of ERO and governmental and/or regulatory authorities with regard to Regional Standards development and procedures
- Adhere to and surpass, where practical, the 2013-2015 NERC Work plan milestones as they pertain to targets for the Regional Standards
- Respond to any FERC Directives that may arise as a result of the filing of NPCC’s Regional Standards with the FERC or any Provincial “directives” that may be issued by the Canadian Regulatory Authorities
- Develop or coordinate a process to obtain a Regional standard interpretation

3) Standards Improvement

- Achieve NPCC reliability goals and objectives by initiating, participating in, and efficiently completing standards related activities
- Leverage internet and web based tools functionality to ensure inter-regional consistency and quality of Regional Reliability Standards
- Establish long-term strategy for standards improvement and initiate implementation
- Continually identify additional future Regional Standard opportunities
- Ensure the topics addressed by the Reliability Standards parallel changing industry needs
- Participate in reliability metrics activities to identify potential measures for benchmarking of reliability to determine if an adequate level of reliability is being achieved
- Support and develop cost-benefit analysis activities to determine if any potential incremental increases in costs of implementing a standard have sufficient enough reliability benefit to implement that standard

4) Coordination of review of RSAWs

- Develop a process to review the RSAWs consisting of subject matter experts to determine if the RSAWs are technically representative of the standard’s requirements and

also to review the evidence suggested in the RSAW for satisfactory compliance assessment

- The Regional Standards Committee (“RSC”) will oversee and provide the results of the coordination to the appropriate NERC SDT charged with development of the RSAW

5) Business Practices Interface

- Coordinate the review of standards through NPCC RSC, staff, and other members participating in activities of the North American Electric Standards Review Board (NAESB)
- Identify potential market related issues for Regional Standards through NPCC RSC coordination and reviews

6) Process Improvement

- Identify efficiencies for a coordinated NERC standards development process and NPCC Regional Standards Development Procedure and recommend revisions as applicable to either process
- Refine the NERC and NPCC CEAP s to evaluate the costs and effectiveness of proposed new and revised reliability standards to achieve an adequate level of reliability
- Participate in the revision and redrafting of the NERC Standards Development Process to consider expedited standards development and cost effectiveness analysis and maintaining the positive attributes of the ANSI standards development process
- Identify potential future processes to obtain expedited interpretations
- Identify expedited processes for adjusting NERC glossary terms
- Identify refinements for credentialing standard drafting team members to ensure the correct subject matter experts are developing the standards at both the Regional level and the ERO level.
- Establish targets for NERC and NPCC standards procedure improvement and initiate implementation of the strategy
- Streamline and improve the Regional Standards process and enhance program tools and IT based solutions
- Refine the records retention programs to ensure sufficient documentation exists for regulatory approvals
- Identify improvements in process for feedback loops to ensure that event analysis and investigation lessons learned and compliance issues involving violations are fed into the standards program area, as appropriate for review and potential consideration when revising standards
- Support the creation of an ERO standards database, available to industry and online, to identify and review issues related to all approved and developing standards
- Participate in the Functional Model Working Group activities to refine functions, tasks and responsibilities of applicable entities
- Solicit and provide outreach to FERC in the Regional Standards Development Processes

7) Communications

- Improve automated notifications process to assure awareness of dates and proceedings of all standard development activities
- Strengthen the relationship with the industry’s technical committees to ensure adequate input to standards development, such as the North American Generator Forum.

- Participate in NPCC and NERC workshops as necessary, to promote awareness and educate the industry
- Develop and institute a consensus building and notification process(es) for engaging stakeholders and providing immediate notification for the need to review standards. Provide the associated coordination for this review utilizing subject matter experts, both internal and external to the Regional Entity staff
- Promote the reliability objectives of the NERC standards as appropriate to the NPCC members of the NERC Registered Ballot Body in order to achieve consensus and support of beneficial standards and to promote the “One-Enterprise” model.

Technically excellent, results based standards that enhance reliability and are developed in a timely and efficient fashion, require the full participation of the right industry experts from all Regional Entities when developing Reliability Standards. The NPCC RSC promotes the drafting team process and solicits drafting team members from appropriate NPCC technical bodies and others in the industry and adjoining Regional Entities.

NPCC RSC will also assist in providing notifications and announcements to NPCC participants in the Northeastern North America NERC Registered Ballot Body of important applicable deadlines for ballot pool registration and for casting ballots thereby enhancing participation, promulgation of important information and increasing awareness. This support will enhance efficiency of the NERC procedure and help to ensure the necessary quorums are present at ballot. NPCC will also, when practical, promote important standards and the requirements of those standards through various communications and webinars.

NPCC will also participate in the development and revision of standards as directed by FERC, Canadian provincial and other regulatory and/or governmental authorities. FERC to date has identified numerous NERC Reliability Standards needing further work and has issued numerous Directives appearing in FERC Orders. These standards needing revision are delineated in the 2012 – 2014 NERC Reliability Standards Development Plan, and will be ready to be reviewed and revised throughout 2014.

NPCC will provide support and coordination of NERC standards development activities as outlined in the 2013-2015 Reliability Standards Development Plan and the Standards Committee Strategic Initiatives.

Regional Standards Development

The NPCC currently has two FERC approved regional standards, Disturbance Monitoring and Underfrequency Load Shedding. Upon approval of the revised BES definition, NPCC has undertaken the review of the Disturbance Monitoring standard for adequacy from the perspective of a “bright line” BES definition. This review of the standard and proposed revision to the standard will be performed in the 2013-2014 timeframe. In addition there are two other regional standards that NPCC will be reviewing to determine if they should move forward into active formal development. These Regional Standards will include, but not be restricted to the following:

- Special Protection Systems (SPS) scheduled to begin development

- Balancing Authority Controls (BA - Reserve Sharing) scheduled to be completed and balloted within the Region

Whether NPCC pursues these regional standard will depend in large part to how comprehensive their associated continent-wide standards are. NPCC will review the continent wide standards as they are develop, participating in those activities and providing supporting subject matter expertise as it is available.

Improvement in the quality of a standard can be quantified in a number of ways. The standards should identify an achievable, technically excellent reliability goal performance or objective. This goal should be measurable and have specific and concise requirements associated with it. How the reliability goal or objective is achieved will not be the focus of the process. Full participation from industry experts to provide proper technical guidance during drafting as well as multiple segments to provide diverse viewpoints during the comment process is critical to the quality of the resultant standard. These attributes, along with open postings and notifications to allow the industry opportunities to participate are the key components to a successful process and achieving quality standards.

On an ongoing basis, NPCC will achieve consistency with NERC ERO continent wide standards, as outlined in the NERC Rules of Procedure, by maintaining reliability directories that incorporate NPCC's more stringent Regionally-specific criteria and Regional Standards into a single document with the links to the applicable NERC Reliability Standards. This demonstrates cognizance of the requirements in the ERO standards and demonstrates that NPCC strives and continues to strive to ensure that the Regional criteria is not inconsistent with any ERO standard.

NPCC RSC and staff regularly participate in the NERC Standards Committee and Standards Committee Process Subcommittee activities and contribute to development and initiation of revisions of the standards procedure manual and various NERC standards related processes as well as develop and promote new initiatives such as the NERC CEAP and Single Portal. The RSC also contributes in the Regional Standards procedure and utilizes and refines web based tools for easier user interface and to provide effective and timely notifications of standards activities.

Funding Sources and Requirements — Explanation of Increase (Decrease)

2014 Reliability Standards program funding is driven by the need for additional activities of NPCC standards drafting teams, ramped up NERC standards activity, FERC activity and increased number of rulings and directives anticipated as a result of the NERC three year work plan. NPCC anticipates greatly expanded activity and plans to prioritize the efforts of existing resources to meet this expanded workload.

NPCC will continue to rely on contractors for subject matter expertise on an as-needed basis throughout 2014. The amount of Regional documents being converted into Directories and the maintenance of the Directories require subject matter expert input. In addition significant changes will be necessary to bring the Phase II Directory project to completion. This project will require significant resources to translate the existing criteria language into "requirements" that are clear and measurable. Also a standards template will be applied to the existing Directories to make them more consistent with the look of the standards. In addition, as standards reviews

increase in number, there may be a need to have contractors assist due to constrained resources of NPCC Staff and members.

Based on the portion of professional/technical staff time and other resources devoted to Reliability Standards development, NPCC estimates that it will expend 10 percent of its resources on this activity.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

Personnel Expenses

NPCC anticipates no additional need to hire personnel for the NPCC Reliability Standards program area in 2014.

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via WebEx and teleconferences, at the NPCC offices or member facilities when possible, as well as lower meeting space rental rates through negotiations. However, meeting volume is expected to increase significantly in 2014. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum. Conference calls and Internet meetings will be conducted for business when practical.

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2013 Budget & Projection, and 2014 Budget						
Reliability Standards						
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,358,549	\$ 1,358,549	\$ -	\$ 1,431,239	\$ 72,690	
Penalty Sanctions	32,431	32,431	-	16,091	(16,340)	
Total ERO Funding	\$ 1,390,980	\$ 1,390,980	\$ -	\$ 1,447,330	\$ 56,350	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,390,980	\$ 1,390,980	\$ -	\$ 1,447,330	\$ 56,350	
Expenses						
Personnel Expenses						
Salaries	\$ 478,983	\$ 478,983	\$ -	\$ 502,840	\$ 23,857	
Payroll Taxes	31,972	31,972	-	31,305	(667)	
Benefits	101,361	101,361	-	131,342	29,982	
Retirement Costs	78,141	78,141	-	87,449	9,308	
Total Personnel Expenses	\$ 690,456	\$ 690,456	\$ -	\$ 752,936	\$ 62,480	
Meeting Expenses						
Meetings	\$ 30,000	\$ 30,000	\$ -	\$ 25,000	\$ (5,000)	
Travel	105,000	105,000	-	110,000	5,000	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 135,000	\$ 135,000	\$ -	\$ 135,000	\$ -	
Operating Expenses						
Consultants & Contracts	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -	
Total Direct Expenses	\$ 855,456	\$ 855,456	\$ -	\$ 917,936	\$ 62,480	
Indirect Expenses	\$ 556,523	\$ 556,523	\$ -	\$ 555,686	\$ (837)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,411,980	\$ 1,411,980	\$ -	\$ 1,473,622	\$ 61,643	
Change in Assets	\$ (21,000)	\$ (21,000)	\$ -	\$ (26,292)	\$ (5,292)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	-	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(21,000)	(21,000)	-	(26,292)	(5,292)	
Inc(Dec) in Fixed Assets (C)	(21,000)	(21,000)	-	(26,292)	(5,292)	
TOTAL BUDGET (=B+C)	\$ 1,390,980	\$ 1,390,980	\$ -	\$ 1,447,330	\$ 56,350	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 0	

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	15.00	16.00	1.00
Direct Expenses	\$5,035,746	\$5,080,485	\$44,739
Indirect Expenses	\$2,849,094	\$3,034,462	\$185,368
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$107,507)	(\$35,575)	\$71,932
Total Funding Requirement	\$7,777,333	\$8,079,371	\$302,039

Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CORC) Program scope covers: 1) the identification, registration and certification of those entities responsible for meeting the NERC Reliability Standards and any approved Regional Standards; 2) the implementation of the CMEP in the United States, including the compliance monitoring, assessment and enforcement of NERC Reliability Standards and Regional Reliability Standards. and 3) the implementation of compliance monitoring, assessment and enforcement recommendations in accordance with individual executed MOU in the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.

The Compliance Committee (CC) is charged with providing objective stakeholder policy input to the NPCC CMEP in the U.S. and compliance related activities under the above mentioned MOUs in the NPCC portion of Canada. With regard to NERC Reliability Standards and Regional Reliability Standards, the CC provides an oversight role of the independent NPCC compliance staff's implementation of the CMEP. In this oversight role the CC will review and endorse the processes used by the NPCC compliance staff in the conduct of the CMEP.

The NPCC compliance staff makes the initial and final determination of alleged violations and determines appropriate penalties and sanctions in accordance with the NERC and the ERO *Sanction Guidelines*. To accomplish this objective, NPCC's compliance staff is further divided into four sub- program areas: Compliance Implementation and Registration; Compliance Audit Program; Compliance Enforcement; and Compliance Investigation:

Compliance Implementation and Registration

The Compliance Implementation and Registration sub-program is responsible for:

- a) Identifying for registration all entities that are required to meet the NERC and Regional Reliability Standards. During the course of this activity, regular communication with registered entities is promoted through face-to face meetings, compliance workshops, teleconferences and email;
- b) Development and maintenance of all NPCC CMEP Compliance Procedures, Compliance Instructions and all other NPCC CMEP related documentation;
- c) Development and maintenance of Performance Metrics that are used to measure the quality and effectiveness of NPCC CMEP Implementation and its impact on the reliability of the Bulk Electric System;
- d) Coordinating the implementation of NPCC Compliance Staff responsibilities as they pertain to the executed MOU with each of the Canadian Provinces in the NPCC Region.
- e) Day-to-day implementation of the CMEP;
- f) Development of annual CMEP Implementation Plan;
- g) Monitoring and assessment of self-certification, self report, exception reporting, periodic data and complaint submittals;
- h) Development and maintenance of CMEP Data Administration Application (CDAA);
- i) Development and maintenance of compliance website.
- j) Support the anticipated expansion of the number of registered entities in NPCC due to the implementation of the FERC Order related to the definition of Bulk Electric System
- k) Conduct Entity Impact Evaluations. Conduct certification(s) of newly identified Transmission Operators (TOPs), as needed.
- l) Maintain database of BES assets subject to NERC and NPCC Reliability Standards
- m) Participation on various NERC and NPCC working groups to remain apprised of changes to Compliance processes, and commonality of registration, monitoring, auditing, and enforcement approaches.

Compliance Audit Program

The Compliance Audit Program is charged with conducting both on-site and off-site compliance audits, and spot checks, of NERC Reliability Standards in accordance with the NERC Rules of Procedure and associated NPCC procedures developed under the NPCC Compliance Implementation Program. These audits are performed based on a predetermined long range schedule that is consistent with a predefined frequency and are posted annually on NERC and NPCC public websites. Flexibility may be used in the predefined frequency based on risk assessment and performance based assessment of each entity scheduled for an audit, and changes requiring certification. The audits are led by qualified senior NPCC Staff and the audit teams prepare public and non-public audit reports with their findings, including the identification of any possible violations. Contents and processing of the reports are in accordance with NERC directives for audit reporting. Specific lessons learned are factored into the audit program to promote continuous improvement and are presented at workshops in conjunction with the Compliance Implementation Program. The comprehensive spot-check program is established based on the NERC actively monitored list, NPCC's assessment of self-certifications, follow-ups on entities who have previously violated a Reliability Standard, follow-up on entities that have been involved in a significant system event, and other requirements which at the discretion

of NPCC could pose a higher risk to reliability if not followed properly. The schedule for Spot Checks is not public.

Resources from the Compliance Audit Program are also used to implement the Certification process for entities intending to register as new TOPs, BAs or RCs, as well as certification reviews of changes made by existing TOPs, BAs and RCs that meet the threshold requiring same. These actions are performed in support of the Compliance Registration Program which encompasses the Certification process. Resources for this activity, which is independent of the audit process, depend on the scope, function, and location of the entity being certified.

Compliance Investigation

Conduct Compliance Investigation (CI) as required based on Event Analysis reviews and reports. A Compliance Investigation may be initiated at any time by NPCC in response to a system disturbance, complaint, or possible violation of a Reliability Standard identified by any other means and has included entities outside of NPCC's footprint for which NPCC is the Compliance Enforcement Authority.

The CI process requires the establishment of an investigation team that coordinates with NERC and FERC as necessary; and also coordinates with the Situation Awareness Program Area.

Compliance Enforcement

Compliance Enforcement is responsible for:

- a) Issuing all Notices as described in the CMEP including the Notice of Possible Violation (NOPV), Notice of Find, Fix and Track (FFT) Treatment; Notice of Alleged Violation (NOAV), and the Notice of Confirmed Violation (NOCV);
- b) Conducting comprehensive enforcement investigations based on the facts and circumstances related to all possible violations of Reliability Standards, whether identified in an audit, a self-report, complaint, or other source, and determining whether further action is warranted;
- c) Reviewing, approving, submitting to NERC and tracking the progress of all mitigation plans associated with confirmed violations;
- d) Coordinating settlement activities once they have been initiated and submitting settlement agreements to NERC for approval;
- e) Identifying and processing candidates for the FFT Process.
- f) Participating in the Hearing Process by representing NPCC before the Hearing Body. Compliance Hearings would be conducted at NPCC under the supervision of a qualified, independent hearing officer contracted by NPCC.; and
- g) Issuing Remedial Action Directives when appropriate.

2014 Key Assumptions and Cost Impacts

2013	Projected 2014
6 Large On-Site Audits	3 Large On-Site Audits
0 Medium On-Site Audits	0 Medium On-Site Audits
0 Small On-Site Audits	3 Small On-Site Audits
12 On-Site CIP Audits	12 On-Site CIP Audits
20 Large Off-Site Audits	20 Large Off-Site Audits
5 Medium Off-Site Audits	7 Medium Off-Site Audits
5 Small Off-Site Audits	7 Small Off-Site Audits
41 Off-Site CIP Audits	22 Off-Site CIP Audits
300 Spot Checks	350 Spot Checks
15 On-site TFE Part B reviews	8 TFE Part B Reviews
200 Violations (Estimated)	200 Violations (Estimated)
Settlements Covering 100 Violations	Settlements Covering 100 Violations
2 Hearings (Unbudgeted)	2 Hearings (Unbudgeted)
1 CI (Estimated)	2 CI (Estimated)
0 Entity Certifications	3 Entity Certifications

- Regarding the Compliance Audit Program, TFE reviews are conducted both on-site at the entity's facility and at the NPCC offices when possible. TFE's continue to be requested as entities replace and install new equipment/devices/components that meet the criteria set forth in Rules of Procedure Appendix 4D. Compliance estimates 8 on-site reviews will be performed in 2014.
- The 2014 Business Plan projects no increases in Enforcement Processing activities over the 2013 Budget.
- The 2014 Business Plan projects 2 Compliance Investigations as a result of the Events Analysis process. These Compliance Investigations are manpower intensive for NPCC staff (requiring allocation of more resources and potentially higher than normal costs) since previous Compliance Investigations have also included entities outside of NPCC's footprint for which NPCC is the Compliance Enforcement Authority.

2014 Goals and Key Deliverables

- Conduct 2014 CMEP consistent with the Reliability Assurance Initiative, incorporating all NERC Reliability Standards contained in the NERC actively-monitored list for 2014 and any approved and applicable Regional Reliability Standards

- Process identified violations as effectively as possible, including the timely identification of a violation, timely issuance of violation notices including the NOPV; the Notice of Alleged Violation and the NOCV
- Implement settlement process when applicable and send proper notifications to NERC and FERC
- Conduct necessary Hearings related to resolution of outstanding disputes regarding violations and/or sanctions. Send results of hearings to NERC and FERC¹²;
- Continue to enhance the settlement process by modifying existing practices and adopting new practices to reduce the duration of settlement negotiations without sacrificing the rigor and quality of the negotiated settlements. Develop and analyze appropriate performance metrics that track settlement process duration and utilize results of analysis to further enhance process.
- Implement compliance responsibilities identified in the approved Canadian MOUs¹³;
- Review and revise NPCC Compliance Registry based on a risk-based approach¹⁴ ;
- Evaluate CMEP and Canadian entity compliance program implementation with the objective of establishing a long-term strategy for compliance improvement, and initiate the implementation of the long term strategy¹⁵;
- Provide NPCC Regional Entity input, through participation in appropriate NERC compliance committees, on policy and implementation issues related to compliance and enforcement including the development of compliance elements for all new or revised NERC Reliability Standards¹⁶;
- Provide required information to NERC on a timely basis including reporting of alleged violations and confirmed violations¹⁷;
- Track the progress of, report status of, and approve mitigation plans¹⁸;
- Conduct 2014 Compliance Audit Schedule of an estimated total of 55 Compliance Audits based on number of registered entities (Each audit covers a single registered entity that could be audited for multiple Functional Model types that they are registered for and is done in accordance with the 2014 Compliance Audit Program schedule)¹⁹ ; and promote RAI initiatives by:
 - Utilizing the Audit Checklist for all on-site and off-site audits
 - Preparing an Audit Plan for all on-site audits;
- The 2014 Audits will be categorized by the number of requirements associated with the Reliability Standards that will be covered in the Compliance Audit. Six categories have been established based on the number of requirements to be audited and whether the audit is on-site or off-site. In 2014 there are projected to be three large on-site audits; three small on-site audits; 20 large off-site audits; 7 medium off-site audits; and 7 small off-site audits. The estimates for the number of Compliance Audits are also based on the projected total number of registered entities for each type and the established three-

¹² ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

¹³ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

¹⁴ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

¹⁵ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

¹⁶ ERO Goal 6. Promote a culture of reliability excellence.

¹⁷ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

¹⁸ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.; ERO Goal 5. Be accountable for mitigating reliability risks.

¹⁹ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

year cycle for RC, BA, and TOP Compliance Audits and the established six-year cycle for all other registered entity types²⁰;

- In addition, 36 registered entities will be audited for the requirements of the version in place for CIP 002 to CIP 009. These will be separate audits. On-site CIP audits may be combined with the normally scheduled 2014 on-site audits²¹;
- Conduct spot check program during the year. A spot check can be viewed as a limited unscheduled small off-site compliance audit that will be utilized to verify self-certification submittals that have been done earlier in the year or other requirements based on factors as described in the Compliance Audits section. In 2014 the number of spot checks to be done is estimated to be 350²²;
- Assure that NPCC Staff is trained to conduct Compliance Audits including CIP Compliance Audit training²³;
- Assure that NPCC Staff is trained to conduct Certification of entities intending to Register as BA, RC or TOP for the first time, or Certification Reviews of changes by existing BAs, RCs or TOPs that meet the criteria requiring a Certification Review²⁴;
- NPCC is working with the other Regions to access, train and perform certifications (and re-certification) in an effort to be consistent across the ERO²⁵;
- Continue to actively perform a risk profile of each entity prior to audit and upon completion of an audit, continue to identify risk and reliability gaps²⁶;
- Develop and implement compliance reform via the Reliability Assurance Initiative (RAI) by being an integral participant in committees and workgroups involved in the RAI²⁷;
- Promote a culture of compliance that addresses reliability risks of NPCC registered entities by using reliability gap analysis. Assess and evaluate registered entity's Internal Controls as part of the audit and spot check process²⁸;
- Continue to expand the use of auditor discretion through Find, Fix and Track (FFT) and initiate training for audit staff in FFR principles and implementation²⁹;
- Continue to implement physical security outreach by visiting four registered entity sites to perform an assessment of their physical security and supply recommendations for improvements³⁰;
- Enhance the CDAA to expand its capabilities from both the registered entity perspective and the NPCC Compliance Staff perspective³¹;

²⁰ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

²¹ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

²² ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

²³ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

²⁴ ERO Goal 7. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness. and ERO Goal 2.a. Evaluate certification program for sufficiency and effectiveness, modify as needed.

²⁵ ERO Goal 7. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness.

²⁶ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

²⁷ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair." and ERO Goal 2.b. Develop and Implement compliance reform.

²⁸ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry. and Goal 3.a. Make effective internal controls models and information available to industry.

²⁹ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair." And Goal 3.b. Continue to expand use of discretion through Find, Fix, and Track .

³⁰ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry. and Goal 5.b. Implement periodic physical security assessments.

- Conduct 2014 Compliance Workshops and interim information sessions for registered entities as necessary as a part of Training and Education program area³².

Adopt and promote practices to enhance the benefits of the self-reporting of violations by both the Regional Entity and the registered entity. This would include improvement to the registered entity internal processes used for identifying and submitting self-reports (e.g. adoption of an aggregated approach for submittal of self-reports, etc.), improvement in the way Regional Entities process self-reports and the streamlining and standardizing of the amount and type of data needed to evaluate a self-report.

Based on the portion of professional/technical staff time and other resources devoted to Compliance monitoring and enforcement and organizational registration and certification, NPCC estimates that it will expend 57 percent of its resources on this activity.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.
- 2014 funding for this program does not include funding from WECC for performing the CEA responsibilities for the WECC Registered Functions as NPCC will no longer have these responsibilities based on the proposed WECC restructuring to be effective, if approved by FERC, January 1, 2014.

Personnel Expenses

- One additional FTE represents the reclassification of an individual from contractor to hourly employee.

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via teleconference, at the NPCC offices or member facilities, combining or appending meetings to other mandatory training/meetings, as well as lower meeting space rental rates through negotiations. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum, however, the amount of activity is expected to increase in 2014. Conference calls and webex will be conducted for business when possible. (Conference calls expense is included under Administrative Services.)

Operating Expenses and Indirect Expenses

- Consultant and contractor costs increased due to increased workload. With a risk and performance based assessment of each registered entity, audits will transition to a periodicity more reflective of the risk profile of the entity such that some audits will be more in-depth while others may have a reduced scope which will require less independent contractor resources.

³¹ ERO Goal 7. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness.

³² ERO Goal 6. Promote a culture of reliability excellence.

- NPCC total overhead expenses, such as office rent and office costs, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- Software development costs related to CITS enhancements are projected to continue into 2014.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2013 Budget & Projection, and 2014 Budget						
Compliance Monitoring and Enforcement and Organization Registration and Certification						
				Variance		Variance
	2013	2013	2013 Projection	2013 Projection	2014	2014 Budget
	Budget	Projection	v 2013 Budget	v 2013 Budget	Budget	v 2013 Budget
			Over(Under)	Over(Under)		Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ 7,576,805	\$ 7,576,805	\$ -		\$ 7,991,503	\$ 414,698
Penalty Sanctions	166,028	166,028	-		87,868	(78,160)
Total ERO Funding	\$ 7,742,833	\$ 7,742,833	\$ -		\$ 8,079,371	\$ 336,539
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	-	-	-		-	-
Interest	-	-	-		-	-
Miscellaneous	34,500	34,500	-		-	(34,500)
Total Funding (A)	\$ 7,777,333	\$ 7,777,333	\$ -		\$ 8,079,371	\$ 302,039
Expenses						
Personnel Expenses						
Salaries	\$ 2,117,561	\$ 2,117,561	\$ -		\$ 2,287,504	\$ 169,943
Payroll Taxes	152,612	152,612	-		162,571	9,959
Benefits	465,444	465,444	-		537,087	71,643
Retirement Costs	302,129	302,129	-		298,890	(3,239)
Total Personnel Expenses	\$ 3,037,746	\$ 3,037,746	\$ -		\$ 3,286,052	\$ 248,306
Meeting Expenses						
Meetings	\$ 45,000	\$ 45,000	\$ -		\$ 25,000	\$ (20,000)
Travel	375,000	375,000	-		375,000	-
Conference Calls	-	-	-		-	-
Total Meeting Expenses	\$ 420,000	\$ 420,000	\$ -		\$ 400,000	\$ (20,000)
Operating Expenses						
Consultants & Contracts	\$ 1,578,000	\$ 1,578,000	\$ -		\$ 1,394,433	\$ (183,567)
Office Rent	-	-	-		-	-
Office Costs	-	-	-		-	-
Professional Services	-	-	-		-	-
Computer & Equipment Leases	-	-	-		-	-
Miscellaneous	-	-	-		-	-
Depreciation	-	-	-		-	-
Total Operating Expenses	\$ 1,578,000	\$ 1,578,000	\$ -		\$ 1,394,433	\$ (183,567)
Total Direct Expenses	\$ 5,035,746	\$ 5,035,746	\$ -		\$ 5,080,485	\$ 44,739
Indirect Expenses	\$ 2,849,094	\$ 2,849,094	\$ -		\$ 3,034,462	\$ 185,368
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 7,884,840	\$ 7,884,840	\$ -		\$ 8,114,946	\$ 230,106
Change in Assets	\$ (107,507)	\$ (107,507)	\$ -		\$ (35,575)	\$ 71,932
Fixed Assets						
Depreciation	\$ -	-	\$ -		\$ -	\$ -
Computer & Software CapEx	-	-	-		108,000	108,000
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
Allocation of Fixed Assets	(107,507)	(107,507)	-		(143,575)	(36,068)
Inc(Dec) in Fixed Assets (C)	(107,507)	(107,507)	-		(35,575)	71,932
TOTAL BUDGET (=B+C)	\$ 7,777,333	\$ 7,777,333	\$ -		\$ 8,079,371	\$ 302,039
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -		\$ (0)	\$ 0

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	5.83	5.83	0.00
Direct Expenses	\$1,891,076	\$1,888,972	(\$2,104)
Indirect Expenses	\$1,107,348	\$1,105,682	(\$1,666)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$41,785)	(\$52,315)	(\$10,531)
Total Funding Requirement	\$2,956,639	\$2,942,339	(\$14,300)

Program Scope and Functional Description

NPCC, through its top technical committee, the Reliability Coordinating Committee (RCC), integrates the deliverables of its Task Force's and Working Group's Reliability Assessment and Performance Analysis related activities. Consistent with the applicable NERC Reliability Standards, these efforts include:

- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves in accordance with NPCC Reliability Directory No. 1 and other related reliability directories; and,
- Assessing the impact of planned transmission and resource additions or modifications on NPCC system reliability in accordance with NPCC Reliability Directory No. 1 and other related reliability directories.

Seasonal assessments of the overall NPCC resource adequacy assessments are performed and possible actions to mitigate any potential problems are identified. NPCC reviews operations and disturbances both internal and external to the Region in order to identify any lessons to be learned and recommends any necessary follow-up actions.

If appropriate, enhancements to Regional Standards or NPCC's more stringent, Regionally-specific reliability requirements are also recommended. NPCC promotes and conducts both inter-Area and interregional studies to enhance reliability and operational effectiveness, and provides a forum for the discussion and coordination of operating issues within the NPCC Region and with other Regions.

2014 Key Assumptions

Support of identified key NERC Reliability Assessment and Performance Analysis (RAPA) projects; NERC and Regional Entities will gather data or perform analysis in support of U.S. Federal and NERC initiatives, such as:

- Report Recommendation from the “*NERC Special Reliability Assessment Interim Report: Effects of Geomagnetic Disturbances (GMD) on the Bulk Power System*”,³³ including:
 - i. enhancing system models in support of the study of GMD impacts;
 - ii. Enhancing GMD notification procedures; and,
 - iii. Determining optimum locations for monitoring capability on transformers, based on studies and operational experience.
- Follow-up study from the recommendations of the “*2013 NERC Special Reliability Assessment: Increasing Dependence on Natural Gas for Electric Power – Phase II: A Vulnerability and Scenario Assessment for the North American Bulk Power System,*”³⁴
- System frequency response analysis; and,³⁵
- Assessing reliability issues resulting from compliance to final EPA environmental regulations, reliable integration of new technologies as renewable energy, smart grid, energy storage, and/or reliability assessment of increased penetration of electric vehicles.²³

In response to NERC’s 2014 Business Plan and Budget Program Area Services and Activities, NPCC will continue to:

- Vet proposed and future metric development, collection, and analysis with industry stakeholders through the Reliability Metrics Working Group³⁶ (RMWG) and ERO-RAPA Group, and identify and spotlight trends through assessments of the availability data systems and metrics (e.g., TADS, DADS, GADS, TADS, SED, etc.)³⁷
- Conduct post-seasonal assessments (Summer and Winter) and additional scenario and special reliability assessments as required. Specialized contractors may be used to complete detailed analysis to support scenario assessments. Special reliability assessments currently proposed may include: changes in resource mix due to environmental regulations, electric/gas system interdependency, delays in proposed transmission development in the reliable integration of renewable resources.²³

In addition, NPCC supports:

- NERC’s development of a centralized data collection system (Reliability Assessment Data System - RADS), for the reporting and validation of the NERC Reliability Assessment Subcommittee Long-Term Reliability Assessment data requirements, including a common set of probabilistic reliability indices and

³³ ERO Goal 4.a. Continue to mature RISC and develop risk profile to include HILF issues.

³⁴ ERO Goal 6.a. ERO is a leading resource to industry and policy makers for reliability information.

³⁵ ERO Goal 6.b. Assess data and modeling needs to ensure quality planning and operating data/models are available to registered entities across each interconnection.

³⁶ ERO Goal 4.a. Prepare an annual state of reliability report.

³⁷ ERO Goal 4.a. Risks are identified and prioritized based on reliability impacts, costs/practicality assessments, projected resources and emerging issues.

probabilistic-based work products to supplement future NERC Long-Term Reliability Assessments;³⁸

- Coordination with event analysis, lesson learned and model validation activities. Specialized contractors may be used to complete detailed analysis to support model data collection and validation; and,³⁹
- Support of NERC PMO IT deployments – RADS and the BES Exception process IT tool.⁴⁰

Definition of the Bulk Electric System (BES) Definition⁴¹

Implementation of a Bulk Electric System (BES) Exception Process on July 1, 2014 is not expected to significantly impact resources requirements in this program area for 2014. NPCC's 2013 survey of its Registered Entities did not indicate that an overwhelming number of NPCC BES Exception requests would be sought based on the filed BES Definition. While it is recognized that the significance of the impact cannot be fully assessed until the Commission acts on Phase 2 BES definition, anticipated to be approved by the NERC BOT by the end of 2013, based on the NPCC survey results, 2014 RAPA personnel should be sufficient to process any NPCC Exception requests.

NPCC will use the information technology tool and related BES reference and guidance documents to assist industry in the implementation of the BES definition approved by the Federal Energy Regulatory Commission in Order Nos. 773 and 773-A. The BES reference and guidance documents, processes and tool are designed to provide industry with certainty and clarity about the implementation of the revised BES definition, which is anticipated to become effective on July 1, 2013.

Use of the new ERO enterprise processes provides for efficient BES implementation through a common interface between registered entities and their respective Regional Entity in several of the major steps required to implement the revised BES definition. Features of the BES Notification and Exception Processing Tool include:

- A uniform process for the notification of self-determined inclusions or exclusions to the BES;
- A uniform process for industry to submit exception requests; and,
- A consistent method for the Regional Entities and NERC to efficiently process to conclusion requests for exceptions to the application of the BES definition.

The procedure to request an exception from application of the BES definition is set forth in Appendix 5C to the NERC Rules of Procedure, also expected to become effective July 1, 2014. The REMG formed the BES Exception Process Working Group in 2012 – comprised of representations from the eight Regional Entities and NERC staff - to help create an efficient and effective Regional mechanism for processing Entity self-determined BES notifications and BES Exception requests. The activities of the BEPWG are expected to continue in 2014, in order to provide regional expertise to the process as NERC acts on Regional BES Exceptions recommendations.

³⁸ ERO Goal 6.a. Publish quality reliability assessment reports (LTRA, seasonal, and special reports).

³⁹ ERO Goal 4.b. Provide lessons learned and recommendations from events and identified risks,

⁴⁰ ERO Goal 7.b. Develop, test and deploy ERO enterprise applications, platform and database.

⁴¹ ERO Goal 1. Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner.

In 2012, the NERC Standards Committee accepted the proposed BES Phase 2 SAR for development and approved the project schedule. The initial project schedule called for the technical justification of various aspects of the filed BES Definition to be completed by end of the year, with six months following thereafter (in 2013) allowing for the Standards process posting and comment period. Any resultant revision to the BES Definition would then be considered in 2013, based on the results of the Phase 2 BES SAR and a ruling by FERC regarding the FERC Order No. 773 rehearing requests. The NPCC 2014 Business Plan and budget is based on the assumption that with NERC BOT approval in November 2013 a Phase 2 BES definition would be filed with the Commission in 2014.

Eastern Interconnection Reliability Assessment Group ⁴²

The primary function of the Eastern Interconnection Reliability Assessment Group (ERAG) is to augment reliability of the bulk-power system in the Eastern Interconnection through periodic reviews of generation and transmission expansion. These assessments are conducted by the ERAG Steering Committees. In addition, ERAG has the responsibility to develop the annual set of seasonal and future steady state and dynamic simulation base cases for use by the Regional Entities and other industry groups in the Eastern Interconnection. This is done through the ERAG Multi-Regional Modeling Working Group (MMWG). NPCC participates in the ERAG activities as one of the six Eastern Interconnection Regional Entities.

NPCC RAPA staff participates with the ERAG Management Committee and acts as the liaison between the ERAG MMWG and the NPCC SS-37 Working Group; activities include:

Management Committee Activities

- ✓ Oversee the steady state and dynamic simulation base case development;
- ✓ Make necessary changes to the modeling of governor-turbine control systems to achieve frequency response that more closely reflects actual response during system frequency deviation events. Oversee ERAG Multi-Regional Modeling Working Group (MMWG) changes to the dynamics base cases;
- ✓ Continue the review of the NERC governor survey information to assess how to revise the governor-turbine plant control models at most generators;
- ✓ Review the 2013-2014 Winter and 2014 Summer Assessments, including, the SERN (SERC East-ReliabilityFirst-NPCC) and the MRSwS (Midwest Reliability Organization-ReliabilityFirst-SERC West-Southwest Power Pool) Assessments of anticipated inter-regional, inter-Balancing Authority transfer limit conditions and sensitivities;
- ✓ Participate in discussions with NERC staff, North American Transmission Forum, NERC System Analysis and Modeling Subcommittee, FERC staff and possibly North American Generation Forum representatives regarding base case modeling improvements and future general industry modeling improvements;
- ✓ Develop ERAG Strategic Direction (i.e. anticipated new developments in MMWG process and system assessments); and,
- ✓ Confirm MMWG cases and assessments continue to have sufficient protections in place for use and transmittal of confidential data and information.
- ✓

⁴² ERO Goal 6.b. Reliability models and data accurately represent system behavior and are shared among reliability entities.

Multi-Regional Modeling Working Group Items

- ✓ Complete the steady state and dynamic simulation base cases for the 2014 series of cases;
- ✓ Complete necessary changes to the modeling of governor-turbine control systems to achieve frequency response that more closely reflects actual response during system frequency deviation events;
- ✓ Continue the review of the NERC governor survey information to assess how to revise the governor-turbine plant control models at most generators. Recommend the necessary changes in the models for specific generators;
- ✓ Incorporate dispatch information into the future and seasonal ERAG MMWG base cases so that the dispatches are more closely aligned with economic dispatch practices;
- ✓ Determine how the regional MMWG case development processes will change due to the use of the new web-based System Dynamics Data Base program;
- ✓ Develop a procedure to require that the contractor, Powertech, follow all procedures in the MMWG manual in order to avoid minimize future coordination problem;
- ✓ Check and confirm that the dynamic model data passes all applicable checks and acceptance criteria. Include 60 second steady state simulation of each case to detect numerical errors; and,
- ✓ Apply changes to the MMWG dynamics case so they are available for interconnection frequency studies.

System Assessments Items

- ✓ Completion of 2014 Summer and 2014-2015 Winter Assessments, including, the SERN and the MRSwS Assessments of anticipated inter-regional, inter-Balancing Authority transfer limit conditions and sensitivities; and,
- ✓ Take additional steps to achieve consistency among the SERN and the MRSwS study forums assessments and practices. Make additional recommendations to the ERAG Management Committee on how to complete this process.

NERC ⁴³

NPCC will continue to provide the NPCC Regional perspective with active NPCC RAPA staff participation on the NERC Planning and Operating Committees and key related NERC Subcommittees, Task Forces and Working Groups:

- ✓ Reliability Assessment Data Working Group (RADWG);
- ✓ Protection System Mis-operations Task Force (PSMTF);
- ✓ Spare Equipment Database Task Force (SEDTF);
- ✓ Demand Response Availability Data System Working Group (DADSWG);
- ✓ Generating Availability Data System Working Group (GADSWG);
- ✓ Transmission Availability Data System Working Group (TADSWG);
- ✓ Model Validation Working Group (MVWG);
- ✓ Reliability Assessment Subcommittee (RAS) - Seasonal and Long-Term Reliability Assessments;
- ✓ System Analysis and Modeling Subcommittee (SAMS);
- ✓ Performance Analysis Subcommittee (PAS);
- ✓ Regional support and coordination of the NERC:
 - Generator Availability Data System (GADS);
 - Demand Availability Data System (DADS);

⁴³ ERO Goal 6.a. Promote effective actions as needed to address identified gaps in future reliability.

- Transmission Availability Data System (TADS);
- Spare Equipment Data Base System (SEDS);
- Reliability Assessment Data System (RADS)
- ✓ Incorporating probabilistic reliability metrics required for the 2014 NERC Long-Term Reliability Assessment through the NPCC 2014 Long Range Adequacy Overview;
- ✓ Providing analytic support to ERO-RAPA group for the:
 - Analysis of Relay mis-operations;
 - Regional coordination of data required for the calculation of metrics proposed by the NERC Reliability Metrics Working Group; and,
 - Other activities directed by the ERO-Executive Management Group.

As well as:

- ✓ Updating the NPCC Electric System Map;
- ✓ Liaison with the New York Defensive Strategies Working Group in coordination and implementation of Synchro-Phasor measurement devices on the NPCC and neighboring systems and monitor related efforts of the NERC North American Synchro-Phasor Initiative;⁴⁴
- ✓ Review of projects proposed in conjunction with the New York Energy Highway Initiative;
- ✓ Coordinating the NPCC implementation of the FERC approved NERC BES definition and BES Exception Process;
- ✓ Participating in on-going NERC analysis of the Eastern Interconnection Frequency Response;
- ✓ Developing NPCC guidelines for load modeling in system reliability studies;
- ✓ Conducting NPCC resource adequacy assessments addressing impacts of emerging reliability issues identified by NERC (e.g., environmental requirements, gas-electric system interdependency, delays in transmission plans, etc.);
- ✓ Coordinating any resulting NPCC inter-Area reliability analyses required to assess the proposed integration of related large-scale renewable resource proposals from Regional activities;
- ✓ Completing the 2014 NERC Seasonal (and post Seasonal) Reliability Assessments; and,
- ✓ Completing the 2014 NERC Long-Term Reliability Assessment.

2014 Goals and Key Deliverables

Task Force on Coordination of Planning

The primary mission of the NPCC Task Force on Coordination of Planning (TFCP) is to promote reliability through the coordination of NPCC Area and NERC planning processes and activities. In addition, the TFCP provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

TFCP activities include, but are not limited to:

- Leading the NPCC Task Force review of the revision of NPCC criteria, guidelines, and procedures related to planning, and of those documents which provide for the uniform implementation, interpretation and monitoring of compliance with criteria, guidelines and procedures related to planning.

⁴⁴ ERO Goal 6.b. Evaluate event disturbances using phasor measurements and other methods to assess sufficiency of data and models.

- Supporting the NPCC Directory Project by either drafting, reviewing or approving directories.
- Coordinating, monitoring, reviewing, and making recommendations on proposed or modified Special Protection Systems.
- Facilitating Wide-Area Planning by supporting the Joint ISO/RTO Planning Committee Activities, implementation of the Northeast Planning Protocol, and performing any NPCC interconnection reliability analyses, as required.
- Reviewing the overall reliability of the NPCC Areas and performing multi-Area probabilistic reliability assessments.
- Identifying and assisting in the development of new Regional Reliability Standards.
- Assisting the NPCC Compliance Subcommittee, to monitor and coordinate the compliance efforts of the Areas with NPCC planning documents and registered entities with NERC Reliability Standards.
- Reviewing the Standards Authorization Requests and NERC Reliability Standards as well as participating in the NERC process. Educating and informing NPCC membership and registered entities of developments.
- Ensuring coordination of data and assumptions for conducting NPCC planning studies (i.e. load forecasts, reserve requirements, DOE EIA 411 data, and new facilities)
- Monitoring the activities of other NPCC Task Forces to ensure coordination with planning activities.
- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserve margins in accordance with NPCC Directory No. 1 based on a schedule set forth in the Reliability Assessment Program.
- Coordinating the review of the compliance of future Area plans with the Basic Criteria, including an analysis of resource and transmission system additions, and the potential inter-Area effects of special protection systems, in accordance with NPCC Reliability Directory No.1 based on a schedule set forth in the Reliability Assessment Program. (Specific projects, which in the opinion of the task force could have an impact on the reliability of the NPCC Bulk Power System, may be reviewed outside of the set schedule).

Key TFCP Reliability Assessment and Performance Analysis Deliverables

- ✓ Coordinating activities related to reactive power and voltage control practices, which includes Under Voltage Load Shedding (UVLS) with the Task Force on Coordination of Operation and the Task Force on System Studies to ensure that developments in the NERC Planning Committee and its Subcommittees are addressed.
- ✓ Monitoring the actions of the NERC Performance Analysis Subcommittee (PAS).
- ✓ Monitoring the actions of the NERC System Analysis and Modeling Subcommittee (SAMS).
- ✓ Overseeing the A-10 BPS Implementation Plan.
- ✓ Overseeing the summer 2014 and winter 2014-2015 NPCC multi-area probabilistic reliability evaluations.
- ✓ Overseeing the 2014 NPCC Long-Range Adequacy Overview.
- ✓ Evaluating and approving Balancing Authority Area Transmission Reviews.
- ✓ Coordinating, monitoring, reviewing, and making recommendations on the retirement of existing in-service Special Protection Systems (SPS); and the implementation of proposed new or modified Special Protection Systems.
- ✓ Review the NPCC SPS criteria with respect to proposed NERC SPS Standards.

-
- ✓ Monitoring industry practices and making recommendations to NPCC on transmission adequacy standards related to intermittent generation such as wind or solar-voltaic.
 - ✓ Reviewing and giving direction to other task forces on changes required to the Underfrequency Load Shedding (UFLS) program required to take into account increasing amounts of distribution connected generation and/or intermittent generation.
 - ✓ Evaluating and recommending approval of NPCC Balancing Authority Area Resource Adequacy Assessments.
 - ✓ Monitoring the developments in demand resources, energy efficiency and conservation methods including all intermittent renewable resources.
 - ✓ Conducting resource adequacy assessment studies addressing emerging reliability issues as identified by the NERC Planning Committee (e.g., environmental requirements, etc.)
 - ✓ Supporting Joint ISO/RTO Planning Committee activities.
 - ✓ Facilitating Wide-Area Planning through participation in Regional activities (such as the Eastern Interconnection Planning Collaborative) and coordinating any resulting required inter-Area Reliability Assessment of the proposed integration related large-scale renewable resource proposals.
 - ✓ Review of projects proposed in conjunction with the New York Energy Highway Initiative
 - ✓ Completion of the NERC 2014 Long-Term Reliability Assessment.

Task Force on System Studies

The primary mission of the NPCC Task Force on System Studies (TFSS) is to provide active overall coordination of system studies of the reliability of the interconnected bulk power systems and for the review of certain NPCC documents. In addition, the TFSS provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

The activities of the TFSS include, but are not limited to:

- Participating with the Task Force on Coordination of Planning, the Task Force on Coordination of Operation, and the Task Force on System Protection in reviews of the NPCC Reliability Directory No.1 and other NERC Reliability Standards and NPCC criteria, guidelines, procedures and documents which provide for the uniform implementation, interpretation and monitoring of conformance to criteria, guidelines and procedures related to system studies.
- Conducting NPCC Balancing Authority Area Reviews, in accordance with NPCC Reliability Directory No. 1, based on material presented by the Balancing Authority Areas. These reviews will assess the impact of planned transmission and resource additions or modifications on system reliability, and determine the Balancing Authority Area's conformance with the NPCC Basic Criteria.
- Reviewing and approving changes to Balancing Authority Areas' lists of bulk power system elements, in accordance with the *Classification of Bulk Power System Elements* (Document A-10). Annually review and update the NPCC BPS List.
- Reviewing and classifying new and modified Special Protection Systems, in accordance with NPCC Reliability Directory No. 7. Annually reviewing and updating the NPCC Special Protection System List.
- Conducting such load flow, transient stability, and other studies as required analyzing the overall reliability of the planned bulk power transmission systems of NPCC and the interconnections between NPCC and other Regional reliability organizations. As a part of this effort, analyze potential inter-Area effects of Special Protection Systems.

- Conducting analytical studies as appropriate to support the coordination of system planning, system operation and system protection in NPCC.
- Maintaining, through the SS-37 Working Group, a library of load flow base cases and associated dynamics data, for use in and support of Balancing Authority Area Reviews, overall transmission assessments, operational studies, inter-regional studies, etc. Coordinate this effort with the NERC inter-regional base case development process.
- In conjunction with other Task Forces, reviewing major system disturbances to ascertain the adequacy of the interconnected systems. Also, reviewing any associated recommendations for system modifications and considering the need for criteria changes.
- Identifying and recommending improved system study techniques. This includes, but is not limited to, the following:
 - improved techniques and models for power system simulation;
 - improved techniques for power system Reliability Assessment;
- Conducting a periodic review of the adequacy of the NPCC underfrequency load shedding program. Annually reviewing and updating the NPCC underfrequency load shedding database.
- Maintaining a listing and monitoring the status of major transmission and generation projects within NPCC.
- Maintaining liaison with other NPCC Task Forces and report to the Reliability Coordinating Committee as required.
- Monitoring the work of industry research and development organizations such as the IEEE, Canadian Electricity Association, Electric Power Research Institute, CIGRE and other technical organizations.
- Annually developing updates to the NPCC Electric System Map

Key TFSS Reliability Assessment and Performance Analysis Deliverables:

- ✓ Conducting Balancing Authority Area reviews, in accordance with the *Guidelines for NPCC Area Transmission Reviews* (Appendix B of NPCC Reliability Directory No. 1), based on material presented by the Balancing Authority Areas. These reviews assess the impact of planned transmission and resource additions or modifications on system reliability, and determine the Area's conformance with the NPCC Basic Criteria. Through the Area Transmission Reviews, re-evaluate the performance and classification of existing SPSs and Dynamic Control Systems as appropriate.
- ✓ Reviewing and classifying new and modified Special Protection Systems, in accordance with NPCC Reliability Directory No. 7 *Procedure for NPCC Review of New or Modified Bulk Power System Special Protection Systems* as required.
- ✓ Reviewing and approving changes to the Balancing Authority Areas' lists of bulk power system elements, in accordance with the *Classification of Bulk Power System Elements* (Document A-10), as required.
- ✓ Updating the NPCC Bulk Power System List.
- ✓ Through the ad hoc Load Modeling Task Force, address the recommendations from the SS-38 Load Modeling White Paper.
- ✓ Reviewing and updating NPCC Undervoltage Load Shedding Database.
- ✓ NPCC UFLS Adequacy Assessment Study scheduled completion by November 2014.
- ✓ Participation in on-going NERC analysis of the Eastern Interconnection Frequency Response.
- ✓ Through the SS-37 Working Group, develop the annual library of power flow base cases and associated dynamic models for use by NPCC members and input into the

development of the MMWG library of power flow and dynamic cases and databases for the Eastern Interconnection

- i. Final development of NPCC power flow models for 2014
 - ii. Final development of NPCC dynamic models for 2014
 - iii. Address wind modeling issues including maintaining a database of NPCC wind models for use in the MMWG library of power flow and dynamic cases and databases for the Eastern Interconnection.
- ✓ Annually performing event replication and exercise the procedure. Reviewing existing Regional criteria and procedures for validation of data used in power flow and dynamic simulations by benchmarking against actual system performance. If the existing criteria or procedures are found to be deficient, propose changes to provide for adequate data validation (NERC Blackout Recommendation No. 14)
 - ✓ Updating the NPCC SS-37 Working Group Procedure Manual and other related documents including the Master Tie line Data, and Interchange Schedule, as required.
 - ✓ Providing mid-term updates to the Library of NPCC/MMWG cases
 - ✓ Enhancing the governor modeling on a unit by unit basis suitable for use in the system simulation.
 - ✓ Annually reviewing and updating a list of NPCC underfrequency load shedding.
 - ✓ Coordinate activities with those of the New York State Defensive Strategies Working Group, regarding the coordination and implementation of Synro-Phasor measurement devices.
 - ✓ Incorporate NPCC guidelines for load and power system modeling approved by the RCC in 2013.
 - ✓ Classification of Bulk Power System Elements.
 - ✓ Participate at Siemens PTI User Group meetings to provide PSSE program enhancements
 - ✓ Supporting Regional system studies to integrate large-scale renewable resources.
 - ✓ Provide support to NERC Event Analysis process, as needed.
 - ✓ Develop updates to the NPCC Electric System Map.
 - ✓ Review of projects proposed in conjunction with the New York Energy Highway Initiative
 - ✓ Provide support to the NERC Model Validation Working Group (MVWG) as needed.

Task Force on System Protection (TFSP)

The purpose of the NPCC Task Force on System Protection (TFSP) is to promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America through the establishment of directories, criteria, guidelines, and procedures and coordination of design, relative to the protection associated with the bulk power systems. In addition, the TFSP provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

The Reliability Assessment and Performance Analysis activities of the TFSP include, but are not limited to:

- Assessing proposed protection systems and special protection systems in accordance with NPCC Reliability Directory No. 4 and No. 7.
- Reviewing and analyzing the performance of protection systems following selected major power system disturbances and events, inside as well as outside NPCC in accordance with NPCC Reliability Directory No. 4. Issue recommendations for changes to NPCC Documents, as appropriate.

- Providing technical advice on protection issues to NPCC and coordinate with other Task Forces on the application of Intelligent Electronic Devices (IEDs) that include functions related to energy management systems in addition to their protective functions, in order to safeguard the integrity of the protective functions.
- Through the SP-7 Working Group, review, on a quarterly basis all protection system misoperations reported to NPCC.
- Reviewing and assessing significant protection issues of common interest or informational value.
- Reviewing and assessing regulatory and industry based documents as they relate to system protection.
- Maintaining an effective liaison with North America groups working in the protection areas (for example: NERC System Protection & Control Subcommittee.)
- Exchanging information with other power pools, Regional Reliability Councils, Regional Transmission Organizations and other industry groups on matters concerned with system protection.
- Identifying the need for special studies and new documents, recommend action to the Reliability Coordinating Committee.

Key TFSP Reliability Assessment and Performance Analysis Deliverables:

- ✓ Assessing proposed protection systems and special protection systems for compliance with NPCC Directory No. 4 and No. 7 criteria.
- ✓ Reviewing and analyzing the performance of protection systems in power system disturbances and events, brought to the attention of the Task Force, inside as well as outside NPCC in accordance with *Procedures for Task Force on System Protection Review of Disturbances* (Document C-30). Issuing recommendations for changes to NPCC Documents, as appropriate.
- ✓ Participate or serve as lead Task Force in the development and/or implementation of Regional Reliability Standards.
- ✓ Providing support to the NERC Event Analysis process as required.
- ✓ Participate in the ongoing development and submission of NPCC input into the development of related NERC Reliability Standards.
- ✓ Conducting any follow-up to the bulk power system protection risk assessment as directed by the Reliability Coordinating Committee.
- ✓ Through the SP-7 Working Group, monitor the review of protection system misoperations as they occurred in the NPCC Region and participation in providing the NPCC input for NERC Metric ALR4-1 on Protection Mis-operations.
- ✓ Monitor and review industry activities on the mitigation of the effects of SMD on protection systems. Report to RCC on any significant findings.
- ✓ Review mitigations and/or progress reports for BPS Risk Reduction Implementation at each meeting and annually report to the RCC on the status of this implementation.
- ✓ Participate in the development and submission of NPCC inputs/comments into the development of protection related NERC technical documents.
- ✓ Review best practices from its members and industry to pull together design considerations for the new IEC 61850 protection implementation with the output being possible additions to NPCC Directory No. 4 and Directory No. 7.

Task Force on Coordination of Operation

The NPCC Task Force on Coordination of Operation (TFCO) facilitates the coordination of operations among the NPCC Reliability Coordinator areas and adjacent NERC Regions to

enhance the reliability of the bulk power system. In addition, the TFCO provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

The activities of the NPCC TFCO include, but are not limited to:

- Conducting seasonal reviews of the overall reliability of the generation and transmission systems in NPCC, and coordinating these efforts with parallel assessments conducted by the NPCC Task Force on Coordination of Planning and by NERC. Reviewing the operational preparedness of NPCC and recommending possible actions to mitigate any potential problems identified for each operating period.
- Reviewing operations and system disturbances and providing any necessary follow-up, including the recommendation of remedial or mitigating actions.
- Facilitating the reliable operational integration of new bulk power system facilities.
- Coordinating the development of operating NPCC requirements and procedures affecting the reliability and operability of the bulk power system in coordination with, and as directed by, NERC and NPCC.
- Promoting and sponsoring inter-Balancing Authority Area and interregional studies to enhance reliability and operational effectiveness of the bulk power system.
- Providing coordination of operating issues with other NPCC Task Forces and other Regions.
- Reviewing, and acting upon, NERC actions, motions and recommendations in relation to the operation of the power system.
- Formulating the position of the TFCO on NERC Standards, and providing this position to the NPCC Regional Standards Committee as appropriate.
- Providing assistance as requested by the NPCC Regional Standards Committee in the development of Regional Standards and Directories.
- Providing assistance as requested by the NPCC Compliance Committee in monitoring and coordinating the compliance efforts of the registered entities of NPCC.

Key TFCO Reliability Assessment and Performance Analysis Deliverables:

- ✓ Develop and implement a wide area restoration exercise including participation by all Reliability Coordinators of NPCC as well as the MISO and PJM.
- ✓ Manage the implementation of action items emanating from the NERC report, "High-Impact, Low-Frequency Event Risk to the North American Bulk Power System-June 2010," and its subsequent reports:
 - Severe Impact Resilience Severe Impact Resilience Task Force
 - Geomagnetic Disturbance Task Force
 - Cyber Attack Task Force
 - Spare Equipment Database Task Force
 - Smart Grid Task Force
- ✓ Monitor the development of the NERC North American Synchro-Phasor Initiative in its effort to establish an effective control monitoring tool.
- ✓ Provide assistance to the NPCC Regional Standards Committee in the second phase of the NPCC directories process, re-drafting NPCC Reliability Directory No. 8 as a template.
- ✓ Review NPCC Reliability Coordinator Area Restoration Plans.
- ✓ Complete the NPCC 2014 summer and winter Operational Reliability Assessments.
- ✓ Completion of the NERC 2014 seasonal assessments.
- ✓ Reliability assessment of increased penetration of electric vehicles

NPCC Regulatory/Governmental Affairs Advisory Group

The purpose of the NPCC Regulatory/Governmental Affairs Advisory Group is to promote NPCC interaction and coordination with Federal/State/Provincial governmental and/or regulatory agencies on a coordinated Regional basis, and identify and develop policy input for NPCC and Northeast Regional governmental and/or regulatory bodies.

The NPCC Governmental/Regulatory Affairs Advisory Group provides a forum where industry and governmental and/or regulatory representatives can exchange views and strive to develop consensus policy recommendations on reliability issues specific to the NPCC Region (Northeastern United States and Eastern Canada) and share actionable information among NPCC, NERC and other related governmental and/or regulatory agencies related to Regional energy and reliability matters.

Based on the portion of professional/technical staff time and other resources devoted to Reliability Assessment and Performance Analysis, NPCC estimates that it will expend 21 percent of its resources on these activities.

Funding Sources and Requirements — Explanation of Increase (Decrease)**Funding Sources (Other than ERO Assessments)**

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

Personnel Expenses

- Additional RAPA FTEs are not anticipated to be required to meet the NERC expectation for Regional Entity support of the proposed RAPA activities, as described above.
- Decrease in salaries expense is due to filling the 2013 open position with a qualified yet less seasoned employee.

Meeting and Travel Expenses

- While the amount of activity is expected to significantly increase in 2014, due to the volume of work described above, meeting expenses will be minimized to the extent possible due to continued efforts to keep costs down by holding meetings via teleconference as appropriate, conducting meetings at the NPCC offices or member facilities, as well as negotiating lower meeting space rental rates. The increase in expected Travel expenses due to the significant amount of proposed activity will be mitigated by using advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference.

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2013 Budget & Projection, and 2014 Budget						
Reliability Assessment and Performance Analysis						
	2013	2013	Variance	2014	Variance	
	Budget	Projection	2013 Projection	Budget	2014 Budget	
			v 2013 Budget		v 2013 Budget	
			Over(Under)		Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 2,892,110	\$ 2,892,110	\$ -	\$ 2,910,322	\$ 18,212	
Penalty Sanctions	64,529	64,529	-	32,017	(32,513)	
Total ERO Funding	\$ 2,956,639	\$ 2,956,639	\$ -	\$ 2,942,339	\$ (14,300)	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 2,956,639	\$ 2,956,639	\$ -	\$ 2,942,339	\$ (14,300)	
Expenses						
Personnel Expenses						
Salaries	\$ 938,733	\$ 938,733	\$ -	\$ 904,028	\$ (34,705)	
Payroll Taxes	63,449	63,449	-	60,329	(3,121)	
Benefits	215,362	215,362	-	226,225	10,862	
Retirement Costs	183,530	183,530	-	190,390	6,860	
Total Personnel Expenses	\$ 1,401,076	\$ 1,401,076	\$ -	\$ 1,380,972	\$ (20,104)	
Meeting Expenses						
Meetings	\$ 45,000	\$ 45,000	\$ -	\$ 45,000	\$ -	
Travel	160,000	160,000	-	175,000	15,000	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 205,000	\$ 205,000	\$ -	\$ 220,000	\$ 15,000	
Operating Expenses						
Consultants & Contracts	\$ 285,000	\$ 285,000	\$ -	\$ 275,000	\$ (10,000)	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	13,000	13,000	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 285,000	\$ 285,000	\$ -	\$ 288,000	\$ 3,000	
Total Direct Expenses	\$ 1,891,076	\$ 1,891,076	\$ -	\$ 1,888,972	\$ (2,104)	
Indirect Expenses	\$ 1,107,348	\$ 1,107,348	\$ -	\$ 1,105,682	\$ (1,666)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 2,998,424	\$ 2,998,424	\$ -	\$ 2,994,654	\$ (3,770)	
Change in Assets	\$ (41,785)	\$ (41,785)	\$ -	\$ (52,315)	\$ (10,531)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(41,785)	(41,785)	-	(52,315)	(10,531)	
Inc(Dec) in Fixed Assets (C)	(41,785)	(41,785)	-	(52,315)	(10,531)	
TOTAL BUDGET (=B+C)	2,956,639	2,956,639	-	2,942,339	(14,300)	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ 0	\$ (0)	

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.10	0.10	0.00
Direct Expenses	\$199,339	\$177,787	(\$21,552)
Indirect Expenses	\$18,994	\$18,965	(\$29)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$717)	(\$897)	(\$181)
Total Funding Requirement	\$217,617	\$195,855	(\$21,761)

Program Scope and Functional Description

The NPCC Training, Education, and Operator Certification program supports NERC Rules of Procedure Section 900. The program provides education and training necessary to understand and operate the bulk electric system. The target audience of the program is bulk power system operating personnel - including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports NPCC staff training and development needs as well as the administration of records necessary to maintain status as a NERC Continuing Education provider.

Training Program Background and Description

NPCC establishes and coordinates programs for system operator training relating to inter-Reliability Coordinator area matters, criteria, terminology, standards and operating procedures and instructions. It develops and conducts training seminars, held twice yearly, at which potential operational problems for the coming season are discussed, the implementation of NPCC standards and procedures are discussed, significant disturbances are reviewed for lessons to be learned and table-top drills and communication and coordination exercises are conducted. The seminars promote camaraderie and better communication among system operators from the NPCC Reliability Coordinator Areas.

NPCC shares, evaluates and proposes new techniques and training aids as they become available; reviews opportunities to consolidate training among the NPCC Reliability Coordinators, which includes opportunities to share training material and training sessions and exchanges information on internal methods of system operator selection and training.

In addition, NPCC participates in the activities of the NERC Training and Education Group (TEG). The main objective of the NERC TEG is to coordinate the development of Regional Entity and NERC staff training and registered entity education materials to support and continually enhance reliability across North America for the benefit of all bulk electric system users, owners, and operators. The initial focus of this group has been on NERC compliance auditor training.

Funding Drivers and Reliability Benefits

- Provide two high-quality continuing education seminars for system operators
 - System operators participating in the Seminars get exposure to NPCC issues and current industry operations topics, review recent NPCC or major external disturbances, discuss projected conditions for the coming summer or winter peak season and participate in hands on exercises “table top exercises” pertaining to system operation practices. PJM operators also attend and participate in these seminars.
 - Seminar attendees also receive Continuing Education (CE) hours and each Balancing Authority Area utilizes the seminar content by including it in their internal training programs to provide CE hours to all system operators
 - The seminars help to improve system operation coordination through better camaraderie among operators
- Review and revise the curriculum of the training seminars to better emphasize NERC standards, Regional Standards and business practices, NPCC wide-area operations and Regionally-specific criteria and procedures.⁴⁵
- Enhance the system operator’s awareness and knowledge of the standards, criteria and procedures they apply in real time operation.⁴⁶ In 2012 and 2013 Seminars the Table Top Exercises include sessions addressing Simultaneous Activation of Reserve to reinforce the system operators ability to implement this without error.
- Provide more sharing of new training approaches, exchange of information on internal methods of system operator selection, training material and training sessions
 - Enhance efficiency and cost savings in the training programs in the NPCC Balancing Authority Areas
- Provide a forum among NPCC Balancing Authority Areas for sharing of strategies and approaches for enhancing their individual training programs and for meeting the requirements of the NERC PER standards.

2014 Key Assumptions

NPCC will conduct two workshops in 2014, for NPCC Stakeholders, for the express purpose of providing the most current and applicable information related to the development of NERC and Regional Reliability Standards and the implementation of the Compliance Monitoring and Enforcement Program (CMEP). These workshops, attended in the past by up to 250 participants, are specifically designed, primarily through the conduct of targeted breakout class room sessions and presentations on current industry related activities, to provide for the most efficient exchange of information between the NPCC Compliance and Standards Staff and the NPCC Stakeholders. Presentations in the past have been conducted by FERC, NERC and Stakeholder representatives in addition to NPCC Staff members. To supplement these workshops, NPCC is also considering additional methods for the dissemination of timely information, possibly in the form of on-line webinars. These webinars will focus on a specific topic pertinent to developments related to compliance program implementation and/or standards development that may arise in between the two regularly scheduled workshops.

⁴⁵ ERO goal 4.b. Provide lessons learned and recommendations from events and identified risks.

⁴⁶ ERO goal 4.b. Analyze significant events to identify gaps in standards, compliance effectiveness, registration, and risk controls effectiveness.

NPCC also regularly conducts spring and fall System Operator Seminars. These seminars involve system operators from the NPCC Reliability Coordinator / Balancing Authority Areas and PJM. These will be held in early May and early November.

With the exception of meeting expenses, it is proposed that the NPCC resources to support Training and Education will remain virtually unchanged for the calendar year. In 2014, to be consistent with NERC and other Regional Entities, NPCC will charge for participation in NPCC workshops in an effort to defray some of the costs.

Although NERC anticipates a significant expansion of its training efforts, including the targeting of numerous subject areas in a cooperative effort with the Regions, the details have yet to be fully presented. For this reason, it is proposed that the NPCC resources to support Training and Education remain constant, except in the area of meeting expenses, which are budgeted for an approximate 11% reduction from the 2013 budget.

2014 Goals and Key Deliverables

- Prepare and conduct the spring and autumn NPCC System Operator Seminars
- Review approaches to reliability related-task definition, task instruction, and instruction tracking on an individual basis
- Coordinate the implementation of PER-005 within the NPCC BA Areas and RC Areas.
- Expand the content of the Reliability Coordinator training programs, based on the new requirements generated by PER-005, for training of SCADA and field operators, as necessary, including description of tasks, verification of system operator capability to perform tasks. simulation exercises replicating system operation conditions, tracking of Continuing Education Hours and development of Individual Learning Activities
- Continue collaboration and sharing of the intended Reliability Coordinator/Balancing Authority approaches, experiences and materials to task identification and training development associated with NERC Standard PER-005, “System Personnel Training”
- Expand the NPCC repository of training resources and learning verification activities addressing fundamental power system topics, training methods and operation procedure training exercises, which may be shared as elements of operator training in compliance with NERC Standard PER-005, “System Personnel Training”
- Expand the NPCC repository of training resources and learning verification activities addressing NPCC procedures employed in real-time by RC/BA operators, which may be shared as elements of operator training in compliance with “System Personnel Training”
- Share among the NPCC RCs/BAs experiences on implementation of new NERC standard PER-005. Consider strategies to deal with any implementation difficulties
- Participate in NERC Training and Education Group activities and provide NPCC input to the development of training policies by this group.

Based on the portion of professional/technical staff time and other resources devoted to training, education, and operator certification, NPCC estimates that it will expend 1 percent of its resources on this activity.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2013 Budget & Projection, and 2014 Budget						
Training, Education, and Operator Certification						
	2013	2013	Variance	2014	Variance	
	Budget	Projection	2013 Projection	Budget	2014 Budget	
			v 2013 Budget		v 2013 Budget	
			Over(Under)		Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 136,510	\$ 136,510	\$ -	\$ 131,306	\$ (5,204)	
Penalty Sanctions	1,107	1,107	-	549	(558)	
Total ERO Funding	\$ 137,617	\$ 137,617	\$ -	\$ 131,855	\$ (5,761)	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	80,000	80,000	-	64,000	(16,000)	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 217,617	\$ 217,617	\$ -	\$ 195,855	\$ (21,761)	
Expenses						
Personnel Expenses						
Salaries	\$ 17,338	\$ 17,338	\$ -	\$ 17,448	\$ 110	
Payroll Taxes	1,088	1,088	-	1,063	(25)	
Benefits	4,129	4,129	-	4,500	371	
Retirement Costs	4,785	4,785	-	4,776	(9)	
Total Personnel Expenses	\$ 27,339	\$ 27,339	\$ -	\$ 27,787	\$ 448	
Meeting Expenses						
Meetings	\$ 152,000	\$ 152,000	\$ -	\$ 135,000	\$ (17,000)	
Travel	20,000	20,000	-	15,000	(5,000)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 172,000	\$ 172,000	\$ -	\$ 150,000	\$ (22,000)	
Operating Expenses						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Direct Expenses	\$ 199,339	\$ 199,339	\$ -	\$ 177,787	\$ (21,552)	
Indirect Expenses	\$ 18,994	\$ 18,994	\$ -	\$ 18,965	\$ (29)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 218,333	\$ 218,333	\$ -	\$ 196,753	\$ (21,581)	
Change in Assets	\$ (717)	\$ (717)	\$ -	\$ (897)	\$ (181)	
Fixed Assets						
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(717)	(717)	-	(897)	(181)	
Inc(Dec) in Fixed Assets (C)	(717)	(717)	-	(897)	(181)	
TOTAL BUDGET (=B+C)	217,617	217,617	-	195,855	(21,761)	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ (0)	\$ (0)	

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$988,341	\$922,070	(\$66,271)
Indirect Expenses	\$569,819	\$568,962	(\$857)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$21,501)	(\$26,920)	(\$5,419)
Total Funding Requirement	\$1,536,658	\$1,464,111	(\$72,547)

Program Scope and Functional Description

The Situation Awareness and Infrastructure Security Program is the combination of near real time awareness of conditions on the bulk power system with the programs necessary to increase the physical and cyber security of the electricity infrastructure, including the operation and maintenance of tools and other support services for the benefit of Reliability Coordinators and the system operators within the registered entities. Maintaining the real-time awareness of conditions on the interconnected bulk power systems by the NPCC Reliability Coordinator is critical to maintaining reliable operation within NPCC, including the communication of information concerning system conditions and abnormal events among the neighboring system operators responsible for the reliable operation of the bulk power systems. When a disturbance does occur, it is necessary to use the event as a learning opportunity and provide a forum for the active coordination of reliability and operation among the NPCC Reliability Coordinator areas and neighboring NERC Regions to enhance the reliability of the interconnected bulk power system through the lessons to be learned which can be gleaned from such an event.

Event Analysis Program

NERC and the industry pursue three avenues in the analysis of a disturbance: the identification of lessons to be learned, a formal cause code analysis and a review of applicable standards.

Following two industry trials beginning in the autumn of 2010, the NERC approved, at its February meeting of the NERC Board of Trustees, an enhanced, industry wide Event Analysis Program. The Event Analysis Program recognizes that many events which occur on the bulk power system beyond the routine reporting requirements previously in place can have varying levels of significance to the electric system, providing otherwise unrealized lessons to be learned from these events and the trending of such events to identify possible reliability concerns. By integrating a “bottom-up” approach to a disturbance review within the framework of the NERC Event Analysis Program, consistency, comparability, flexibility and timeliness in the event analysis process will be promoted by NPCC, the registered entities and NERC in a collaborative initiative. Upon the identification of an event, the goal of the Event Analysis Program is to:

- identify what transpired;
- categorize the event within the NERC Event Analysis Program;
- establish the sequence of events;

- understand the essential root causes of the event;
- identify recommendations or corrective actions; and
- develop, and disseminate to the industry, lessons to be learned so that the operational reliability of the bulk power system can be further enhanced.

In assessing any system event, it is recognized that, if the timely dissemination of lessons learned from an event or disturbance is to be realized, any potential compliance implications associated with an event must be addressed and dismissed⁴⁷. Throughout an event analysis effort, to make this process successful and complete, and to solidify the “bottom-up” approach, registered entities are encouraged to establish a liaison between the event analysis and compliance functions internal to the registered entity during the event analysis process. This serves to facilitate the development of a registered entity compliance self assessment report which will perform a sufficiency review of the reliability standards deemed applicable to the event, assisting in the self-reporting of possible violations should any be discovered.

To complete this effort, the entity, the Region and NERC staff collaborate to assess the NERC Event Analysis Report and perform a formal cause code analysis, identifying a root cause and complementing any lessons learned gathered from the disturbance.

The adoption by NERC of the Event Analysis Program brings clarity and certainty about what system events are relevant to analyze and to what level of detail, targeting potential vulnerabilities to the reliability of the bulk power system for detailed and in depth analysis; only concise and succinct reviews are desired for more minor events. It also delineates the expectations of roles and responsibilities of the registered entities, NPCC and NERC in a uniform review of system disturbances by the industry, and, ultimately, the program promotes the timely development and dissemination of valuable lessons learned to the industry. The identification and tracking of emerging common elements in system events will further distinguish trends which may be of concern to reliability. By rigorously pursuing the lesser events on the system and learning from these disturbances, the larger event can be avoided or mitigated.

NPCC Staff works step-by-step with the registered entity in the total event analysis process, permitting the entity to assume the primary role in the initial analysis, the development of lessons learned which may benefit the industry and the Standards sufficiency review.

NERC Alert Process

NPCC Staff works with the registered entities to appropriately respond to the NERC Alert system, a process through which notifications of potential threats to electric reliability are disseminated to the industry with the expectations placed on the entity proportional to the severity of the Alert being issued.

20142014

NPCC Staff is also working closely with the NERC Staff to incorporate greater efficiencies, industry input and precision into the NERC proposal for a more streamlined NERC Alert process which can disseminate critical information to the appropriate Subject Matter Expert within the organization who can promptly act on the alert.

⁴⁷ ERO Goal 4.b. Analyze significant events to identify gaps in standards, compliance effectiveness, registration, and risk controls effectiveness

Operational Status⁴⁸

On an ongoing, but non-real time basis, NPCC monitors the operational status of the bulk power system and coordinates normal and pre-emergency communication, awareness and assistance in addition to the same during an emergency among the Reliability Coordinators within NPCC and its neighboring RCs: the New Brunswick System Operator, Hydro-Québec TransÉnergie, the ISO New England, Inc., the New York ISO and the Independent Electricity System Operator in Ontario. The industry is notified of significant bulk power system events that have occurred in one Reliability Coordinator Area, and which have the potential to impact reliability in other NPCC Reliability Coordinator Areas or Regions external to NPCC. These events include contingencies on the bulk power system, potential shortfalls of operating reserve, operating problems, potential security threats and potential threats or disruptions to the cyber systems.

The “NPCC Emergency Preparedness Conference Call Procedures” provide a mechanism that enables the Reliability Coordinator in NPCC, and, as circumstances may require, their counterparts in neighboring Regions, to rapidly communicate the status of current operating conditions, to facilitate the procurement of assistance during emergency conditions and to identify potential physical or cyber threats to the system.

Items of particular concern that can be discussed during the calls may include, but are not limited to, the following: anticipated weather conditions critical to the system or systems experiencing or projecting resource deficiencies; load forecast; largest first and second contingencies; potential need for emergency transfers; operating reserve requirements and expected available operating reserve capacity deficiencies; potential fuel shortages or potential fuel supply disruptions which could lead to energy shortfalls; identified or projected voltage conditions; status of short term transactions; additional capability available within four hours and additional capability available within twelve hours; generator outages; significant transmission outages; expected transfer limits and limiting elements; anticipated implementation of NERC Transmission Loading Relief (TLR); changes in the status of relay protection systems; arming of special protection systems not normally armed; and/or the application of abnormal operating procedures.

NPCC has also established a daily conference call to serve as a complement to the NPCC Emergency Preparedness Conference Call. The participants of the call are the Reliability Coordinators within NPCC and its neighboring RCs, the Midwest ISO and PJM. The conference call is implemented through a bridge, the initiation of the call quickly ringing all pre-selected telephones simultaneously. The goal of the call is to alert all Reliability Coordinators of emerging problems. If no system difficulties are anticipated for the day, no unnecessary information is to be discussed. Subjects for discussion are limited to credible events which could impact the ability of an entity to serve its load and meet its operating reserve obligations or would impose a burden to the interconnection, including the following: Projected Load; Adverse Weather; Operating Reserve; Generation; Transmission; and Sabotage. If conditions worsen in the course of the day, the NPCC Emergency Preparedness Conference Call will be implemented.

NPCC monitors the status of the bulk power system through the the NERC Situational Awareness-FERC, NERC, Regions (SAFNR) initiative, a near real-time operating display for the United States portion of the Reliability Coordinators footprints of North America.

⁴⁸ ERO Goal 5.a.Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

Transmission voltage levels of 230 kV and above are displayed, and the tool provides the ability to “drill down” to detailed bus information.

To ensure the capability for continued voice communications among NPCC and its Reliability Coordinators, a satellite telephone network was also established, and it is tested on a monthly basis. This back-up communications system will function in the event of a collapse of the Public Switched Telephone Network (PSTN), and cross-border voice communications can still be maintained among the Canadian Reliability Coordinators of NPCC and the Reliability Coordinators in the United States.

Critical Infrastructure Objectives

NPCC’s critical infrastructure objectives are defined within the scope of the NPCC Task Force on Infrastructure Security & Technology, (TFIST) and include, but are not confined to:

- Providing a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC)
- Representing and advocating NPCC’s position in the activities of NERC groups involved in the development and/or implementation of physical and cyber security

NPCC’s 2014 critical infrastructure goals and objectives, as identified by the 2013-2014 Work Plan of the Task Force on Infrastructure Security and Technology include, but are not confined to:

- Oversee the implementation of version 5 of the CIP Standards
- Monitor the Homeland Security Information Network (HSIN), ES-ISAC, Critical Information Protection Information Sharing (CIPIIS), NERC Alerts and Canadian Information Sharing and share information with CO-8⁴⁹
- Review and submit comments on NERC proposed Reliability Standards, modified Reliability Standards, proposed Guidelines and modified Guidelines related to Infrastructure Security and Technology
- Keep current on all governmental agencies regarding applicable security recommendations and requirements, and other applicable security and reliability recommendations and keep the RCC and its committees appropriately informed, e.g. Sector Specific Plan.
- Develop and maintain levels of expertise in those areas of concern to the task force through activities such as periodic workshop presentations, seminars, and meetings, open to the general NPCC membership⁵⁰..
- Regarding the Cross Border Emergency Telecommunications recommendation
 - Continue to annually report to RCC on this testing
 - Continue to support CO-8’s monthly testing
- Assess the telecommunications industry’s desire to convert Frame Relay customers to Multiprotocol Label Switching (MPLS) and potentially provide recommendations to RCC

System Operations Security Objectives

NPCC’s system operations security objectives are defined within the scope of the NPCC Task Force on Coordination of Operation (TFCO) and include, but are not confined to:

- Coordinating interregional pre-emergency actions in the event of a threat to the security of the Northeastern North American bulk power supply system⁵¹

⁴⁹ ERO Goal 5.b. Issue and track security recommendations to protect the bulk power system (related to 5.a.ii.)

⁵⁰ ERO Goal 5.b. Expand the use and value of security threat and vulnerability information sharing, analytics, and analysis

⁵¹ ERO Goal 5.b. Issue and track security recommendations to protect the bulk power system (related to 5.a.ii.)

- Assisting in the development of real time operating tools assuring cyber security concerns are addressed⁵²

NPCC's 2014 operational situation awareness goals and objectives, as identified by the 2013-2014 Work Plan of the NPCC Task Force on Coordination of Operation (TFCO) include, but are not confined to:

- Implementation of version 5 of the Cyber Standards.⁵³
- Disseminate the Lessons Learned from the NERC Event Analysis Program to the NPCC member entities and track to completion actionable items from these Lessons Learned.⁵⁴
- Identify real time control room applications of the NERC North American Synchro-Phasor Initiative (NASPI) for use within NPCC.⁵⁵

2014 Key Assumptions

- The approved NERC Event Analysis Program will be augmented with a robust program of causal analysis and metrics trending.
- Critical infrastructure protection will fully integrate the requirements of version 5 of the Cyber Standards in 2014.
- The complete Phase II initiative for NERC Situation Awareness-FERC, NERC, Regions (SAFNR) will be integrated into the NERC and Regional Situational Awareness programs.

2014 Goals and Key Deliverables

- In concert with the registered entity in the total event analysis process, develop actionable lessons to be learned.
- Work directly with registered entities and NERC Staff to develop cause codes for all NPCC events analysis reports and industry wide Category 2 and 3 events⁵⁶.
- Expand the NPCC Events Data Base to track to Region-wide consideration of Lessons Learned and corrective actions identified in the Event Analysis Reports and report on implementation to RCC⁵⁷
- Contribute to the reduction of Category 3 events and no Category 4 or 5 events in NPCC- by disseminating to the RCC compiled information on NPCC Region specific, as well as industry wide, event related causal analysis and analysis of Lessons Learned.⁵⁸

Based on the portion of professional/technical staff time and other resources devoted to situation awareness and infrastructure security, NPCC estimates that it will expend 11 percent of its resources on this activity.

⁵² ERO Goal 5.a. Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

⁵³ ERO Goal 5.a. Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

⁵⁴ ERO Goal 5.a. Develop and deploy a recommendations tracking system

⁵⁵ ERO Goal 6.b. Evaluate event disturbances using phasor measurements and other methods to assess sufficiency of data and models

⁵⁶ ERO Goal 4.b. Events and system performance are consistently analyzed for sequence, cause, and remediation to identify reliability risks and trends, and to inform standards, compliance, and other programs. Industry is well informed of system events, emerging trends, risk analysis, lessons learned and expected actions.

⁵⁷ ERO Goal 5.a. Develop and deploy a recommendations tracking system

⁵⁸ ERO Goal 4.b. Provide lessons learned and recommendations from events and identified risks

Funding Sources and Requirements — Explanation of Increase (Decrease)**Funding Sources (Other than ERO Assessments)**

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- Meeting and travel expenses are lower than 2013 budget based upon the expectation that 2014 expenses in these areas will be closer to historical actual expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2013 Budget & Projection, and 2014 Budget						
Situation Awareness and Infrastructure Security						
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,503,453	\$ 1,503,453	\$ -	\$ 1,447,636	\$ (55,817)	
Penalty Sanctions	33,206	33,206	-	16,475	(16,730)	
Total ERO Funding	\$ 1,536,658	\$ 1,536,658	\$ -	\$ 1,464,111	\$ (72,547)	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,536,658	\$ 1,536,658	\$ -	\$ 1,464,111	\$ (72,547)	
Expenses						
Personnel Expenses						
Salaries	\$ 519,676	\$ 519,676	\$ -	\$ 522,672	\$ 2,996	
Payroll Taxes	33,338	33,338	-	32,961	(377)	
Benefits	82,596	82,596	-	88,851	6,254	
Retirement Costs	117,730	117,730	-	117,586	(144)	
Total Personnel Expenses	\$ 753,341	\$ 753,341	\$ -	\$ 762,070	\$ 8,729	
Meeting Expenses						
Meetings	\$ 45,000	\$ 45,000	\$ -	\$ 25,000	\$ (20,000)	
Travel	90,000	90,000	-	60,000	(30,000)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 135,000	\$ 135,000	\$ -	\$ 85,000	\$ (50,000)	
Operating Expenses						
Consultants & Contracts	\$ 100,000	\$ 100,000	\$ -	\$ 75,000	\$ (25,000)	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 100,000	\$ 100,000	\$ -	\$ 75,000	\$ (25,000)	
Total Direct Expenses	\$ 988,341	\$ 988,341	\$ -	\$ 922,070	\$ (66,271)	
Indirect Expenses	\$ 569,819	\$ 569,819	\$ -	\$ 568,962	\$ (857)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,558,160	\$ 1,558,160	\$ -	\$ 1,491,031	\$ (67,128)	
Change in Assets	\$ (21,501)	\$ (21,501)	\$ -	\$ (26,920)	\$ (5,419)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(21,501)	(21,501)	-	(26,920)	(5,419)	
Inc(Dec) in Fixed Assets (C)	(21,501)	(21,501)	-	(26,920)	(5,419)	
TOTAL BUDGET (=B+C)	1,536,658	1,536,658	-	1,464,111	(72,547)	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -	\$ (0)	\$ 0	

Administrative Services

Administrative Services Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	9.00	9.00	0.00
Total Direct Expenses	\$5,508,249	\$5,689,616	\$181,367
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Less: Other Funding Sources	\$0	\$0	\$0
Total Allocation to Regional Entity Division Programs as Indirect Expenses	(\$5,101,778)	(\$5,283,757)	(\$181,978)
Total Allocation to Criteria Services Division Programs as Indirect Expenses	(\$406,471)	(\$405,859)	\$612
Funding Requirement for Working Capital	(\$1,115,163)	(\$300,126)	\$815,037

Program Scope and Functional Description

Administrative services support the previously identified five program areas of: reliability standards; compliance monitoring and enforcement and organization registration and certification; training, education, and operator certification; reliability assessment and performance analysis; and situation awareness and infrastructure security. Administrative services consist of: technical committees and members' forums; general and administrative; legal and regulatory; information technology; human resources; and finance and accounting.

Methodology for Allocation of Administrative Services Expenses to Programs

NPCC total overhead expenses, such as office rent and office costs, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Administrative Services

Funding sources and related expenses for the Administrative Services section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2013 Budget & Projection, and 2014 Budget						
ADMINISTRATIVE SERVICES						
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ (1,115,163)	\$ (1,115,163)	\$ -	\$ (300,126)	\$ 815,037	
Penalty Sanctions	-	-	-	-	-	
Total ERO Funding	\$ (1,115,163)	\$ (1,115,163)	\$ -	\$ (300,126)	\$ 815,037	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ (1,115,163)	\$ (1,115,163)	\$ -	\$ (300,126)	\$ 815,037	
Expenses						
Personnel Expenses						
Salaries	\$ 1,604,849	\$ 1,604,849	\$ -	\$ 1,676,735	\$ 71,886	
Payroll Taxes	95,230	95,230	-	96,083	853	
Benefits	462,410	462,410	-	442,256	(20,154)	
Retirement Costs	406,249	406,249	-	425,270	19,020	
Total Personnel Expenses	\$ 2,568,739	\$ 2,568,739	\$ -	\$ 2,640,344	\$ 71,605	
Meeting Expenses						
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 110,000	\$ 50,000	
Travel	105,000	105,000	-	155,000	50,000	
Conference Calls	87,000	87,000	-	77,000	(10,000)	
Total Meeting Expenses	\$ 252,000	\$ 252,000	\$ -	\$ 342,000	\$ 90,000	
Operating Expenses						
Consultants & Contracts	\$ 120,000	\$ 120,000	\$ -	\$ 150,000	\$ 30,000	
Office Rent	706,500	706,500	-	737,272	30,772	
Office Costs	468,500	468,500	-	523,500	55,000	
Professional Services	1,120,000	1,060,000	(60,000)	966,500	(153,500)	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	80,000	80,000	-	80,000	-	
Depreciation	192,510	192,510	-	250,000	57,490	
Total Operating Expenses	\$ 2,687,510	\$ 2,627,510	\$ (60,000)	\$ 2,707,272	\$ 19,762	
Total Direct Expenses	\$ 5,508,249	\$ 5,448,249	\$ (60,000)	\$ 5,689,616	\$ 181,367	
Indirect Expenses	\$ (5,508,249)	\$ (5,508,249)	\$ -	\$ (5,689,616)	\$ (181,367)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ -	\$ (60,000)	\$ (60,000)	\$ -	\$ 102	
Change in Assets	\$ (1,115,163)	\$ (1,055,163)	\$ 60,000	\$ (300,126)	\$ 814,935	
Fixed Assets						
Depreciation	(192,510)	(192,510)	\$ -	(250,000)	\$ (57,490)	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	192,510	192,510	-	250,000	57,490	
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-	
TOTAL BUDGET (=B+C)	-	(60,000)	(60,000)	-	102	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,115,163)	\$ (1,055,163)	\$ 60,000	\$ (300,126)	\$ 814,935	

Technical Committees and Member Forums

Technical Committees and Members Forum Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	0.00
Total Direct Expenses	\$73,531	\$75,711	\$2,180
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

Program Scope and Functional Description

The success of the NPCC programs depends on the active and direct volunteerism and participation of its members. The stakeholders are the source of expertise in the industry. To promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America, NPCC invites high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior executives within NPCC and NERC to identify and discuss emerging issues related to the reliability of the NPCC Region.

2014 Key Assumptions

- NPCC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2014
- NPCC will continue to utilize methods to encourage active involvement in its Regional programs that require less stakeholder travel and face-to-face meetings, as the economy improves in 2014
- NPCC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability

2014 Goals and Key Deliverables

The 2014 NPCC General Meeting provides an opportunity for NPCC Members to meet high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior NERC and NPCC executives to discuss topics related to the reliable planning and operation of the power system, including consideration of emerging reliability, critical infrastructure and environmental issues.

2014 Public Information Committee Goals and Objectives

The objective of the NPCC Public Information Committee is to highlight and summarize NPCC activities and accomplishments in the past year, disseminate and coordinate the appropriate release of information to the media, respond to related requests for information, and coordinate with related NPCC Area, NERC media and public information activities. Activities anticipated for include, but are not limited to:

- Conducting the Media Event – release of the Summer NPCC Reliability Assessment
- Developing the NPCC Summer and Winter Reliability Outlooks
- Participation in NERC Regional communication initiatives:

- Monthly Regional communications teleconferences
- Development of Compliance background information (FAQ) and sample press releases
- Preparation of NERC Standards background information and outreach to registered entities
- Coordination of Emergency or Blackout communications plans
- Coordination with other NERC activities as required (i.e., situation awareness, event analysis, reliability assessments, etc.)

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

General and Administrative

General and Administrative Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.50	2.50	0.00
Total Direct Expenses	\$3,138,099	\$3,293,356	\$155,258
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	(\$1,115,163)	(\$300,126)	\$815,037

Program Scope and Functional Description

The NPCC general and administrative function provides executive management of the corporation, management of NPCC office, and other administrative support programs.

NPCC total overhead expenses, such as office rent and office costs, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Funding Requirements — Explanation of Increase (Decrease)

The negative ERO assessment requirement identified equates to the reduction in assessments necessary to achieve the targeted working capital and operating reserve balance.

Funding Sources (Other than ERO Assessments)

- Not applicable

Personnel Expenses

- Benefits are lower than 2013 budget due to reimbursed education courses being completed in 2013.

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- In the areas of meetings, travel, consultants & contracts, office rent and office costs, expenses that were budgeted to various other program areas in 2013 are being budgeted to General and Administrative.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Legal and Regulatory

Legal and Regulatory Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$677,506	\$621,004	(\$56,502)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

Program Scope and Functional Description

NPCC's professional legal services provide counsel to the President and CEO, Board of Directors, Vice President and COO, Treasurer and staff on legal and regulatory matters including corporate law, code of conduct, confidentiality, governance, employment law and other areas affecting NPCC. Outside counsel reviews items filed with governmental agencies for legal sufficiency; maintains relationships with U.S. and Canadian jurisdictions, and provides contract review.

Funding Sources (Other than ERO Assessments)

- Not applicable

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Information Technology

Information Technology Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Total Direct Expenses	\$987,463	\$1,037,624	\$50,161
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

Program Scope and Functional Description

NPCC's Information Technology services ensure information assets and the environment in which they operate are secure and in conformance to NPCC IT Policies and Procedures. NPCC maintains an offsite backup server for continuity of essential operations in the event that its primary location is unavailable.

2014 Key Assumptions

- Continue to develop and maintain the compliance portal through collaboration with other Regions and NERC (CUG).
- Achieve greater consistency with the other Regions and NERC by participating in the NERC IT Steering Group (ITSG) and deriving the efficiencies and cost savings which may result from the projects of this group.⁵⁹
 - The ERO EMG identifies and prioritizes ERO-wide applications to be developed under a PMO housed at NERC. The NERC IT budget does not supplant the Regional Entities' need for IT expenditures for specific regional projects, but to the extent that agreed-upon ERO Enterprise applications provide greater efficiencies, there should not be any unnecessary, redundant expenditures at the regional level.
- Support the Event Analysis program through continued participation in the tools used for the tracking and analysis of system events.⁶⁰
- Support the Bulk Electric System Exception Process "BEP" to enable and facilitate tracking and processing of exceptions submitted.⁶¹

2014 Goals and Key Deliverables

Responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems. IT goals include, but are not limited to:

⁵⁹ ERO Goal 7.b. Develop test and deploy ERO enterprise applications, platform and database

⁶⁰ ERO Goal 6.b. Evaluate event disturbances using phasor measurements and other methods to assess sufficiency of data and models;

ERO Goal 4.b. Provide lessons learned and recommendations from events and identified risks;

ERO Goal 4.b. Merge event driven databases and cause codes into one (e.g., event analysis, TADS, GADS, relay mis-operations)

⁶¹ ERO Goal 2.a. Develop and implement BES exception process.

- Create an information security program and environment aimed at reducing breach of security risks
- Determine long-term software and systems needs and hardware acquisitions
- Develop and implement information security standards and procedures
- Ensure all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security
- Plan and implement organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems
- Provide outreach and education to NPCC members in IT best practices
- Coordinate Cyber Protection activities, discussions and hold workshops as may be required to maintain Cyber Security of BES Cyber Assets.⁶²
- Provide continued support and participation in NERC's Critical Infrastructure Protection Committee (CIPC)⁶³
- Continually improve Disaster Recovery policies and practices to ensure continuity of service

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

⁶² ERO Goal 1. b. Facilitate smooth transition of new standards (e.g., CIP Version 5); and ERO Goal 3.a. Initiate compliance phase-in learning periods for new standards

⁶³ ERO Goal 5.a. Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

Human Resources

Human Resources Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$174,401	\$178,931	\$4,530
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

Program Scope and Functional Description

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

Funding Sources (Other than ERO Assessments)

- Not applicable

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Accounting and Finance

Accounting and Finance Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$457,249	\$482,991	\$25,741
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

Program Scope and Functional Description

The accounting and finance function directs the overall financial plans and accounting practices of the organization; oversees treasury, accounting, budget, tax, and audit activities; and oversees financial and accounting system controls and standards. NPCC uses a CPA firm to prepare its unaudited statements of activities and financial statements for quarterly reviews. Independent audits have identified this system as a best practice.

2014 Goals and Key Deliverables

The objectives are to provide or obtain the financial and accounting services for NPCC and coordinate with NERC requirements:

- Utilize the NERC System of Accounts for consistency
- Utilize an accrual method of accounting for consistency with NERC in methodology
- Cash Management
- Budget Development using the NERC budget template formats
- Forecasts and Projections
- Alignment of NPCC Committees, Task Forces and Working Groups with the programs
- Payroll and expense administration
- Preparation of unaudited Quarterly Financial Statements
- IRS Reporting
- Annual Independent Audit initiated by the Regional Entity

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Regional Entity Assessment Analysis

In the area of assessments there are distinct funding mechanisms as outlined in the following table. For the Regional Entity division, the North American Electric Reliability Corporation (NERC) will assess load serving entities (LSEs) or their designees (within NPCC the designees are the Balancing Authority Areas (BAAs) for New York, New England, New Brunswick, Nova Scotia, Ontario and Québec) based upon 2012 proportional Net Energy for Load (NEL) and other specific program area funding arrangements and make quarterly remittances to the Regional Entity on or about the 15th day of January, April, July and October. For funding associated with the criteria services division, the Independent System Operators/Balancing Authority Areas (ISO/BAAs) will be assessed by NPCC for their proportional share of the divisional budget based upon 2012 NEL within the Region. Non ISO/BAA Full Members will be assessed no membership fee.

NPCC Cost Allocation Methodology

The accompanying table provides information regarding cost allocation for both the Regional Entity division and the criteria services division of NPCC, including the details associated with the funding of the Compliance Program within the RE division. For purposes of determining assessments to support NPCC's resource requirements, costs are allocated among the BAAs within NPCC as the designees for the load-serving-entities in New York, New England, Ontario, Québec, New Brunswick and Nova Scotia (Column A-1).

In order to reflect and respect the international membership and nature of NPCC, the compliance responsibilities and authorities within the U.S., and the specific compliance responsibilities within each of the Canadian provinces within NPCC, the attendant costs of portions of the compliance program differ among the areas within the Regional Entity. Within the U.S. portion of NPCC all costs attributable to delegated (statutory) functions performed by NPCC, including all compliance functions, are assessed based on an NEL allocation. Within the Canadian portion of NPCC those costs attributable to compliance functions performed by NPCC on behalf of provincial governmental and/or regulatory authorities are allocated consistent with the unique Memoranda of Understanding or Agreements that have been entered into for those provinces. To address these different compliance regimes, NPCC developed a composite cost allocation methodology that allocates compliance costs on a fair and equitable basis within the Regional Entity.

As an initial step of that methodology, the NEL for each of the BAAs and their relative percentage to the NPCC total NEL is calculated for the most recent year for which data is available, the second previous year (Columns B-1 and C-1, respectively). In order to establish the RE division funding requirements for each balancing authority area on an NEL basis for all programs except for compliance (Column F-1), the proposed expenses and fixed assets of all other programs are calculated (Column D-1) and the adjustment for the RE division cash reserve requirement is identified (Column E-1). Any penalty monies received from NPCC registered entities within the U.S. prior to June 30th of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs (Columns B-1a., C-1a. and G-1, respectively). Consistent with each of the Canadian provincial MOUs and agreements, all penalty monies resulting from compliance actions within Canada, if any, would remain within the applicable province. The total budgeted fees for NPCC workshop participation are indicated as a credit

(Column H-1), with the resultant addition being the RE division assessment, without the compliance program costs, calculated on a NEL basis (Column I-1).

In accordance with the *NPCC Amended and Restated Bylaws* the CS division proposed expenses and fixed assets of all programs are calculated (Column J-1) and the adjustment for the CS division cash reserve requirement is identified (Column K-1), with the resultant addition being the CS division funding requirement and assessment, calculated on a NEL basis (Column L-1).

For costs associated with the RE division compliance program, NPCC's allocation methodology allocates 22.43% of the costs for the program, attributed to CORC Fundamentals (CF), between the BAAs in the United States and Canada on a NEL basis (Column B-2).

Audits and Investigations (AI) related costs, representing 51.32% of the costs of the compliance program, are apportioned between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an audit-based methodology (Columns C-2a., C-2c., and D-2b., respectively). The audit-based methodology incorporates relative costs based on categories of compliance audits which are reflective of their size and complexity, as well as the differing compliance program implementation models that are utilized in NPCC due to the international nature of the Regional Entity. The portion allocated to the U.S. BAAs in NPCC is calculated using the audit-based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL (Columns C-2b. and D-2a.).

The remaining 26.25% of the costs of the compliance program represent Mitigation and Enforcement (ME) related costs and are allocated between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an enforcement activity based methodology, (Columns E-2a., E-2c., and F-2b., respectively). Based on historical data, NPCC reviewed each BAAs percentage of violations, mitigation plans and settlement agreements to determine each BAAs total average percentage of enforcement activities. The portion allocated to the U.S. BAAs in NPCC is calculated using the enforcement activity based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL (Columns E-2b. and F-2a.).

Any penalty monies received from NPCC registered entities within the U.S. by June 30th of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs, and then added to the total compliance program expenses and fixed assets to yield a total compliance program assessment (Columns C-1a., H-2, G-2 and I-2, respectively).

Column M-1 reflects a one-time adjustment of 2012 and 2013 assessments. The 2012 and 2013 assessments were calculated based upon estimated 2010 and 2011 NEL data for the NPCC Region available at the time that the respective business plans and budgets were completed. Based on final actual NEL data that is now available for 2010 and 2011 and FERC audit recommendations, NPCC is adjusting the Northeast Region Balancing Authorities' 2014 assessments by the respective net amount over or under paid.

Finally, the total RE division funding requirements and assessments by BAA are tabulated and the total funding requirements and assessments for NPCC, both the RE and CS divisions, are combined (Column N-2).

**NPCC 2014 Regional Entity (RE)
and Criteria Services (CS) Divisional Funding Information**

A-1	B-1	B-1a	C-1	C-1a	D-1	E-1	F-1	G-1	H-1	I-1	J-1	K-1	L-1	M-1
NPCC Balancing Authorities (LSE Disagress)	2012 Net Energy for Load (MWh)	2012 NPCC US NEL (MWh)	2012 NPCC NEL % of NPCC Total	2012 NPCC NEL % of NPCC Total	2014 NPCC RE Division Expenses & Minus	2014 NPCC RE Division Funding Requirement Minus	2014 NPCC RE Division Funding Requirement Minus	2014 NPCC RE Division Penalty Monies Applied to RE Division Minus	Budgeted Workshop Fees	2014 NPCC RE Division Assessment Minus CORC Program (F-1 plus G-1 plus H-1)	2014 NPCC CS Division Expenses & Fixed Assets	2014 NPCC CS Division Adjustment to CS Division Cash Reserve Requirement	2014 NPCC CS Division Funding Requirement & Member Fees (L-1 plus K-1)	Adjustment Resulting from True Up of 2012 and 2013 Assessments ⁵
New England	128,081,000	128,081,000	19.9653%	44.02574%	1,208,084	-59,934	1,148,150	-28,675	-12,781	1,106,695	212,695	-15,055	197,640	-183,138
New York	162,842,000	162,842,000	25.38924%	55.97426%	1,535,956	-76,200	1,459,756	-36,457	-16,249	1,407,089	270,421	-19,141	251,279	14,660
Ontario	141,297,000	141,297,000	22.02853%		1,332,645	-66,113	1,266,532	0	-14,098	1,252,434	234,626	-16,608	218,018	69,625
Quebec	184,822,000	184,822,000	28.81621%		1,743,276	-86,485	1,656,791	0	-18,442	1,638,348	306,921	-21,725	285,196	21,446
New Brunswick	13,906,000	13,906,000	2.16813%		131,164	-6,507	124,657	0	-1,388	123,269	23,093	-1,635	21,458	80,225
Nova Scotia	10,444,000	10,444,000	1.62836%		98,510	-4,887	93,623	0	-1,042	92,580	17,344	-1,228	16,116	-2,818
Total	641,382,000	290,923,000	100.00000%	100.00000%	\$6,049,635	-\$300,126	\$5,749,509	-\$65,132	-\$64,000	\$5,620,377	\$1,065,100	-\$75,391	\$989,708	\$0

A-2	B-2	C-2	D-2	E-2	F-2	G-2	H-2	I-2	J-2	K-2	L-2	M-2	N-2
NPCC Balancing Authorities (LSE Disagress)	2012 NEL Based Allocation of 22.4% of 2014 CORC Program Fundamentals ²	2014 CORC Audit and Investigation Methodology	2014 CORC Program Expenses & Minus	2014 Mitigation and Enforcement Methodology	2014 CORC Program Expenses & Minus	2014 CORC Program Expenses & Fixed Assets	2014 CORC Program Penalty Monies Applied to CORC Program	2014 CORC Program Assessment	2014 RE Division Total Funding Requirement	2014 RE Division Total Assessment	2014 NPCC Total Funding Requirement	2014 NPCC Total Assessment & Member Fees	2014 NPCC Adjusted Total Assessment & Member Fees ⁵
New England	361,888	37,54432%	1,556,713	36.1800%	806,822	2,725,423	-38,684	2,686,738	3,873,573	3,793,433	4,071,213	3,991,073	3,807,935
New York	460,105	34.33970%	1,979,202	50.2300%	1,025,792	3,465,099	-49,183	3,415,915	4,924,855	4,822,965	5,176,135	5,074,245	5,088,905
Ontario	399,202	4.4974%	186,574	5.6967%	120,817	706,593	0	706,593	1,973,125	1,959,027	2,191,143	2,177,045	2,246,669
Quebec	522,208	4.9176%	205,903	6.7567%	143,298	869,409	0	869,409	2,526,200	2,507,757	2,811,386	2,792,954	2,814,399
New Brunswick	39,291	2.99685%	124,259	0.60667%	12,866	176,417	0	176,417	301,073	299,686	322,532	321,144	401,369
Nova Scotia	29,599	2.30763%	95,682	0.53000%	11,240	136,431	0	136,431	230,054	229,012	246,170	245,128	242,310
Total	\$1,812,203	85.27812%	\$610,418	100.0000%	\$1,832,613	\$8,079,371	-\$87,868	\$7,991,504	\$13,828,880	\$13,611,880	\$14,818,589	\$14,601,589	\$14,601,588

1 Consistent with NERC's Policy on Allocation of Certain Compliance and Enforcement Costs, the NPCC Board approved Allocation Methodologies for Certain NPCC Compliance Program Area Costs Assessed to Non-U.S. Entities.

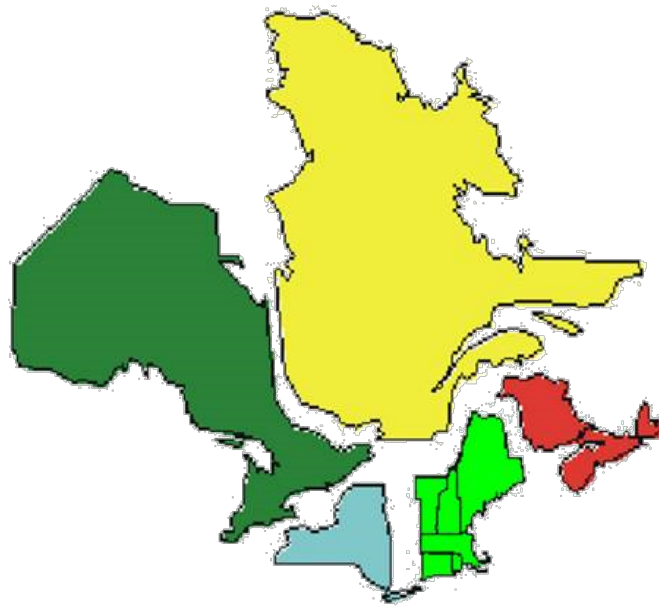
2 CORC Program Fundamentals expenses of \$1,812,203 represent 22.4% of the Total CORC Program Costs. The Canadian costs are allocated utilizing an audit based methodology. The portion of \$5,278,12% attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a and C-1a. The ratios in C-1a are applied to the \$5,278,12% of CORC costs. Audit based allocation uses Compliance Registry Data registrations as of May 1, 2013.

3 Audit and Investigation expenses of \$4,146,333 represent 45.35% of the Total CORC Program Costs. The Canadian costs are allocated utilizing an enforcement activity based methodology. The portion of the 86.41000% attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a and C-1a. The ratios in C-1a are applied to the 86.41000% of CORC costs. Audit based allocation uses Compliance Registry Data registrations as of May 1, 2013.

4 Mitigation and Enforcement expenses of \$2,120,835 represent 26.25% of the Total CORC Program Costs. The Canadian costs are allocated utilizing an enforcement activity based methodology. The portion of the 86.41000% attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a and C-1a. The ratios in C-1a are applied to the 86.41000% of CORC costs.

5 One-time adjustment of 2012 and 2013 assessment based on final actual NEL data for 2010 and 2011 and FERC audit recommendations. All 2012 NEL data above is final actual data verified by the Balancing Authorities.

Section B – Supplemental Financial Information 2014 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1 – Reserve Balance

Working Capital and Operating Reserve Analysis 2013-2014			
REGIONAL ENTITY DIVISION			
	Total Reserve	Working Capital	Operating Reserve
Beginning Working Capital, December 31, 2012	3,675,528	3,675,528	0
Plus: 2013 ERO Funding (from LSEs or designees)	12,352,264	12,352,264	0
Plus: 2013 Other funding sources	411,800	411,800	0
Less: 2013 Projected expenses & capital expenditures	(13,784,726)	(13,784,726)	0
Projected Working Capital, December 31, 2013	2,654,866	2,654,866	0
Desired Working Capital and Operating Reserve, December 31, 2014 ¹	2,354,740	1,177,370	1,177,370
16.66% of Total Regional Entity Budget of \$14,129,006.00			
Less: Projected Working Capital and Operating Reserve, December 31, 2013	(2,654,866)	(1,477,496)	(1,177,370)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(300,126)	(300,126)	0
2014 Expenses and Capital Expenditures	14,129,006		
Less: Penalty Sanctions ²	(153,000)		
Less: Other Funding Sources	(64,000)		
Adjustment to achieve desired Working Capital and Operating Reserve balance	(300,126)		
2014 Assessment	13,611,880		

¹ On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy which reduced the required level of total reserves to 16.66% (from 20%) and segregated funds into Working Capital and Operating Reserves, each with a desired level of 8.33% or 1 month of the annual budget of \$14,129,006

² Represents collections prior to June 30, 2013

Explanation of Changes in Reserve Policy from Prior Year

On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy. The policy calls for a reduction in the required level of total reserves from 20% to 16.66% (representing two months of the annual budget) and segregation of funds into separate Working Capital and Operating Reserves, each with a targeted level of 8.33% (one month) of the annual budget.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Regional Entity division Statement of Activities on page 12 of the 2014 Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

U.S. penalty monies received prior to June 30, 2013 are to be used to offset assessments in the 2014 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, 2013 through June 30, 2014 will be used to offset U.S. load serving entity designee assessments in the 2015 Budget.

All penalties received prior to June 30, 2013 are detailed below, including date received and the penalty amount.

Allocation Method: U.S. penalty sanctions received have been allocated to the following Regional Entity division programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. U.S. penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2 – Penalty Sanctions

Penalty Sanctions Received Prior to June 30, 2013	Date Received	Amount Received
Penalty Payment 1	7/3/2012	\$ 8,000.00
Penalty Payment 2	7/18/2012	\$ 25,000.00
Penalty Payment 3	10/2/2012	\$ 15,000.00
Penalty Payment 4	1/3/2013	\$ 30,000.00
Penalty Payment 5	1/17/2013	\$ 40,000.00
Penalty Payment 6	5/30/2013	\$ 6,000.00
Penalty Payment 7	5/30/2013	\$ 5,000.00
Penalty Payment 8	5/30/2013	\$ 6,000.00
Penalty Payment 9	5/30/2013	\$ 6,000.00
Penalty Payment 10	5/30/2013	\$ 6,000.00
Penalty Payment 11	5/30/2013	\$ 6,000.00
Total Penalties Received		\$ 153,000.00

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - WECC CEA	\$ 34,500	\$ 34,500	-	\$ (34,500)
Total	\$ 34,500	\$ 34,500	\$ -	\$ (34,500)
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ 80,000	\$ 80,000	\$ 64,000	\$ (16,000)
Total	\$ 80,000	\$ 80,000	\$ 64,000	\$ (16,000)
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
Total	\$ -	\$ -	\$ -	\$ -
Administrative Services Programs				
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ 114,500	\$ 114,500	\$ 64,000	\$ (50,500)

Explanation of Significant Variances –2014 Budget versus 2013 Budget

- WECC CEA Funding is not included in 2014 as NPCC will no longer be performing the CEA responsibilities for the WECC Registered Functions, based on the proposed WECC restructuring to be effective, if approved by FERC, January 1, 2014. Workshop fees are based on projected number of attendees and fee per person for two workshops.
- NPCC assumed no interest income because of continuing low market interest rates.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Salaries					
Salary	\$ 5,652,141	\$ 5,652,141	\$ 5,886,227	\$ 234,086	4.1%
Employment Agency Fees	\$ 20,000	\$ 20,000	\$ 15,000	\$ (5,000)	-25.0%
Temporary Office Services	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.0%
Total Salaries	\$ 5,682,141	\$ 5,682,141	\$ 5,911,227	\$ 229,086	4.0%
Total Payroll Taxes	\$ 377,689	\$ 377,689	\$ 384,311	\$ 6,622	1.8%
Benefits					
Education Reimbursement	\$ 70,000	\$ 70,000	\$ -	\$ (70,000)	-100.0%
Training and Seminars	\$ -	\$ -	\$ 36,123	\$ 36,123	-
Medical Insurance	\$ 787,727	\$ 787,727	\$ 915,306	\$ 127,579	16.2%
Life-LTD-STD Insurance	\$ 62,524	\$ 62,524	\$ 63,552	\$ 1,028	1.6%
Worker's Compensation	\$ 15,000	\$ 15,000	\$ 14,700	\$ (300)	-2.0%
Vacation	\$ 396,051	\$ 396,051	\$ 400,580	\$ 4,529	1.1%
Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Benefits	\$ 1,331,302	\$ 1,331,302	\$ 1,430,261	\$ 98,959	7.4%
Retirement					
Pension Contribution	\$ 590,911	\$ 590,911	\$ 590,892	\$ (20)	0.0%
Employee Savings Plan	\$ 446,653	\$ 446,653	\$ 478,469	\$ 31,816	7.1%
Savings Admin	\$ 32,000	\$ 32,000	\$ 32,000	\$ -	0.0%
Deferred Compensation	\$ 23,000	\$ 23,000	\$ 23,000	\$ -	0.0%
Total Retirement	\$ 1,092,565	\$ 1,092,565	\$ 1,124,361	\$ 31,796	2.9%
Total Personnel Costs	\$ 8,483,697	\$ 8,483,697	\$ 8,850,160	\$ 366,463	4.3%
FTEs	35.86	35.86	36.86	1.00	2.8%
Cost per FTE					
Salaries	\$ 158,453	\$ 158,453	\$ 160,370	\$ 1,916	1.2%
Payroll Taxes	\$ 10,532	\$ 10,532	\$ 10,426	\$ (106)	-1.0%
Benefits	\$ 37,125	\$ 37,125	\$ 38,803	\$ 1,678	4.5%
Retirement	\$ 30,468	\$ 30,468	\$ 30,504	\$ 36	0.1%
Total Cost per FTE	\$ 236,578	\$ 236,578	\$ 240,102	\$ 3,524	1.5%

Explanation of Significant Variances –2014 Budget versus 2013 Budget

- The increases in Salaries, Payroll Taxes, all insurances except Medical, and Employee Savings Plan are due primarily to an overall general wage increase of 3% and at risk (variable incentives) compensation at less than 100% of program levels.
- The decrease in Employment Agency Fee is due to no planned staff additions in 2014. Agencies would be used only to fill positions vacated during the year.
- Medical Insurance premium increase is based on discussions with providers. The full impacts of the Affordable Care Act are uncertain at this time.
- Expenses previously budgeted and recorded to Education Reimbursement are now recorded under Training and Seminars.
- A 2% vacancy factor is assumed based on historical vacancy trends.

Table B-5 – Consultants and Contracts

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Compliance Enforcement and Organization Registration and Certification	\$ 20,000	\$ 20,000	\$ 10,000	\$ (10,000)	-50.0%
Reliability Assessment and Performance Analysis	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)	-100.0%
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ 60,000	\$ 60,000	\$ -	\$ (60,000)	-100.0%
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 30,000	\$ 30,000	\$ 50,000	\$ 20,000	66.7%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ -	\$ -	\$ -	\$ -	-
Consultants Total	\$ 120,000	\$ 120,000	\$ 60,000	\$ (60,000)	-50.0%
Contracts	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Reliability Standards	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	0.0%
Compliance Enforcement and Organization Registration and Certification	\$ 1,558,000	\$ 1,558,000	\$ 1,384,433	\$ (173,567)	-11.1%
Reliability Assessment and Performance Analysis	\$ 275,000	\$ 275,000	\$ 275,000	\$ -	0.0%
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ 40,000	\$ 40,000	\$ 75,000	\$ 35,000	87.5%
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 86,000	\$ 86,000	\$ 90,000	\$ 4,000	4.7%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ 4,000	\$ 4,000	\$ 10,000	\$ 6,000	150.0%
Contracts Total	\$ 1,993,000	\$ 1,992,999	\$ 1,864,433	\$ (128,567)	-6.5%
Total Consultants and Contracts	\$ 2,113,000	\$ 2,112,999	\$ 1,924,433	\$ (188,567)	-8.9%

Explanation of Significant Variances –2014 Budget versus 2013 Budget

- Several contracts were previously budgeted under consultants but will be budgeted and recorded under contracts going forward.

Table B-6 – Office Rent

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 635,000	\$ 635,000	\$ 654,772	\$ 19,772	3.1%
Utilities	\$ 29,000	\$ 29,000	\$ 35,000	\$ 6,000	20.7%
Maintenance	\$ 20,000	\$ 20,000	\$ 15,000	\$ (5,000)	-25.0%
Security	\$ 2,500	\$ 2,500	\$ 2,500	\$ -	0.0%
Real Estate Taxes	\$ 20,000	\$ 20,000	\$ 30,000	\$ 10,000	50.0%
Total Office Rent	\$ 706,501	\$ 706,501	\$ 737,273	\$ 30,772	4.4%

Explanation of Significant Variances –2014 Budget versus 2013 Budget

Table B-7 – Office Costs

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Telephone	\$ 95,000	\$ 95,000	\$ 110,000	\$ 15,000	15.8%
Internet Expense	\$ 80,000	\$ 80,000	\$ 80,000	\$ -	0.0%
Office Supplies	\$ 30,000	\$ 30,000	\$ 35,000	\$ 5,000	16.7%
Computer Supplies and Maintenance	\$ 175,000	\$ 175,000	\$ 213,000	\$ 38,000	21.7%
Subscriptions & Publications	\$ 9,000	\$ 9,000	\$ 13,000	\$ 4,000	44.4%
Dues	\$ 3,000	\$ 3,000	\$ 4,000	\$ 1,000	33.3%
Postage	\$ 1,500	\$ 1,500	\$ 1,500	\$ -	0.0%
Express Shipping	\$ 9,000	\$ 9,000	\$ 10,000	\$ 1,000	11.1%
Copying	\$ 20,000	\$ 20,000	\$ 25,000	\$ 5,000	25.0%
Reports	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)	-100.0%
Stationary and Office Forms	\$ 6,000	\$ 6,000	\$ 5,000	\$ (1,000)	-16.7%
Equipment Repair/Service Contracts	\$ 5,000	\$ 5,000	\$ 10,000	\$ 5,000	100.0%
Bank Charges	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	0.0%
Sales and Use Tax	\$ -	\$ -	\$ -	\$ -	-
Merchant Credit Card Fees	\$ -	\$ -	\$ -	\$ -	-
Presentation and Publicity	\$ -	\$ -	\$ -	\$ -	-
Total Office Costs	\$ 468,500	\$ 468,499	\$ 536,500	\$ 68,000	14.5%

Explanation of Significant Variances –2014 Budget versus 2013 Budget

- Computer Supplies and Maintenance expense is based on contracts currently in place and historical actual expense.

Table B-8 - Professional Services

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
BOT Fee	\$ 300,000	\$ 300,000	\$ 280,000	\$ (20,000)	-6.7%
BOT Search Fee	\$ -	\$ -	\$ -	\$ -	-
Legal - Reorganization	\$ -	\$ -	\$ -	\$ -	-
Accounting & Auditing Fees	\$ 290,000	\$ 290,000	\$ 300,000	\$ 10,000	3.4%
Legal Fees - Other	\$ 500,000	\$ 500,000	\$ 350,000	\$ (150,000)	-30.0%
Insurance - Commercial	\$ 30,000	\$ 30,000	\$ 36,500	\$ 6,500	21.7%
Total Services	\$ 1,120,000	\$ 1,120,001	\$ 966,500	\$ (153,500)	-13.7%

Explanation of Significant Variances –2014 Budget versus 2013 Budget

- Decrease in BOT Fees is due to new BOT Travel account added in 2013. BOT travel was previously recorded under BOT Fees account. The BOT Travel account is grouped with Meetings and Travel expenses.
- Decrease in Legal Fees is associated with the retention of in-house counsel in 2012.

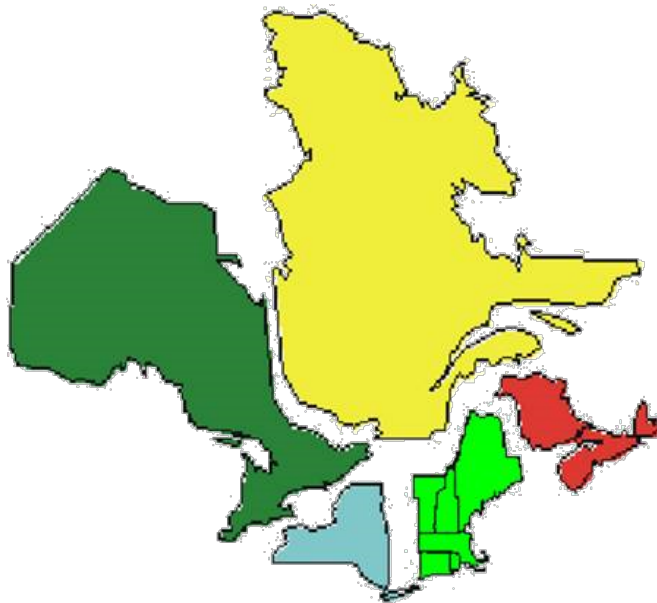
Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Table B-10 – 2015 and 2016 Projections

Statement of Activities and Capital Expenditures 2014 Budget & Projected 2015 and 2016 Budgets							
	2014 Budget	2015 Projection	\$ Change 14 v 15	% Change 14 v 15	2016 Projection	\$ Change 15 v 16	% Change 15 v 16
Funding							
ERO Funding							
ERO Assessments	\$ 13,611,880	\$ 14,556,831	\$ 944,951	6.9%	\$ 14,995,149	\$ 438,318	2.9%
Penalty Sanctions	153,000	-	(153,000)	-100.0%	-	-	-
Total ERO Funding	\$ 13,764,880	\$ 14,556,831	\$ 791,951	5.8%	\$ 14,995,149	\$ 438,318	2.9%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	64,000	64,000	-	0.0%	64,000	-	0.0%
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 13,828,880	\$ 14,620,831	\$ 791,951	5.7%	\$ 15,059,149	\$ 438,318	3.0%
Expenses							
Personnel Expenses							
Salaries	\$ 5,911,227	\$ 6,088,564	\$ 177,337	3.0%	\$ 6,271,221	\$ 182,657	3.0%
Payroll Taxes	384,311	395,841	11,529	3.0%	407,716	11,875	3.0%
Benefits	1,430,261	1,516,076	85,816	6.0%	1,607,041	90,965	6.0%
Retirement Costs	1,124,361	1,158,092	33,731	3.0%	1,192,835	34,743	3.0%
Total Personnel Expenses	\$ 8,850,160	\$ 9,158,573	\$ 308,413	3.5%	\$ 9,478,812	\$ 320,239	3.5%
Meeting Expenses							
Meetings	\$ 365,000	\$ 372,300	\$ 7,300	2.0%	\$ 379,746	\$ 7,446	2.0%
Travel	890,000	907,800	17,800	2.0%	925,956	18,156	2.0%
Conference Calls	77,000	78,540	1,540	2.0%	80,111	1,571	2.0%
Total Meeting Expenses	\$ 1,332,000	\$ 1,358,640	\$ 26,640	2.0%	\$ 1,385,813	\$ 27,173	2.0%
Operating Expenses							
Consultants & Contracts	\$ 1,924,433	\$ 1,962,922	\$ 38,489	2.0%	\$ 2,002,180	\$ 39,258	2.0%
Office Rent	737,272	759,390	22,118	3.0%	782,172	22,782	3.0%
Office Costs	536,500	552,595	16,095	3.0%	569,173	16,578	3.0%
Professional Services	966,500	985,830	19,330	2.0%	1,005,547	19,717	2.0%
Miscellaneous	80,000	81,600	1,600	2.0%	83,232	1,632	2.0%
Depreciation	250,000	252,500	2,500	1.0%	255,025	2,525	1.0%
Total Operating Expenses	\$ 4,494,705	\$ 4,594,837	\$ 100,132	2.2%	\$ 4,697,328	\$ 102,492	2.2%
Total Direct Expenses	\$ 14,676,865	\$ 15,112,050	\$ 435,184	3.0%	\$ 15,561,954	\$ 449,904	3.0%
Indirect Expenses	\$ (405,859)	\$ (418,035)	\$ (12,176)	3.0%	\$ (430,576)	\$ (12,541)	3.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses (B)	\$ 14,271,006	\$ 14,694,015	\$ 423,009	3.0%	\$ 15,131,377	\$ 437,363	3.0%
Change in Assets	\$ (442,126)	\$ (73,183)	\$ 368,943	-83.4%	\$ (72,228)	\$ 955	-1.3%
Fixed Assets							
Depreciation	\$ (250,000)	\$ (252,500)	\$ (2,500)	1.0%	\$ (255,025)	\$ (2,525)	1.0%
Computer & Software CapEx	108,000	109,080	1,080	1.0%	110,171	1,091	1.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
(Incr)Dec in Fixed Assets (C)	\$ (142,000)	\$ (143,420)	\$ (1,420)	1.0%	\$ (144,854)	\$ (1,434)	1.0%
TOTAL BUDGET (=B+C)	\$ 14,129,006	\$ 14,550,595	\$ 421,589	3.0%	\$ 14,986,523	\$ 435,929	3.0%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (300,126)	\$ 70,237	\$ 370,363	-123.4%	\$ 72,626	\$ 2,389	3.4%
FTEs	36.86	36.86	0	0.0%	36.86	0.00	0.0%

Section C – Criteria Services Division Activities 2014 Business Plan and Budget



Section C —2014 Criteria Services Division Business Plan and Budget

Criteria Services Division			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.14	2.14	0.00
Total Direct Expenses	\$630,191	\$683,240	\$53,050
Total Indirect Expenses	\$406,471	\$405,859	(\$612)
Other Non-Operating Expenses	\$0	\$0	\$0
Working Capital Reserve Requirement	\$117,518	(\$75,391)	(\$192,910)
Inc(Dec) in Fixed Assets	(\$14,490)	(\$24,000)	(\$9,510)
Funding Requirement for Working Capital	\$1,139,690	\$989,708	(\$149,982)

NPCC Regionally-Specific Criteria Services Background

NPCC Criteria Services division activities are in the development, maintenance and promulgation of Regionally-specific more stringent criteria as well as criteria establishing resource adequacy requirements within the Region. These criteria contain requirements which are more stringent and more specific than the existing NERC Reliability Standards requirements.

Membership and Governance

Full members are subject to compliance with Regionally-specific criteria, in addition to continent-wide Reliability Standards, and receive criteria-related services from the Criteria Services division.

Full Members, other than Full Members that perform the Balancing Authority function, are not assessed an annual membership fee. Those that perform Balancing Authority functions are assessed and remit a proportional net energy for load share of expenses for criteria services. NPCC would also directly assign criteria service division costs to a Balancing Authority Area or entity, where significant costs are incurred for that Balancing Authority Area. The funding for NPCC's Criteria Services division is approved by the NPCC Board of Directors.

Criteria Services Division Functional Scope

Through its Criteria Services division, NPCC promotes the reliable and efficient operation of the international, interconnected bulk power systems in Northeastern North America through the establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria.

NPCC provides Full Members with Regional reliability assurance services, and acts as the vehicle through which States and Provinces can fulfill their political mandates, with respect to resource adequacy, as well as overseeing the Northeastern North American electric infrastructure.

Major 2014 Assumptions and Cost Impacts

The Criteria Services division services are not expected to grow when compared to the Regional Entity division.

- The Criteria Compliance Enforcement Program (CCEP) review and evaluation process has matured and been enhanced after its inception in 2012. Criteria Compliance submittals to the CC are done as necessary.
- Past non-compliances, if any, followed the due process stated in the CCEP-1 process document and proper resolution/enforcement action taken.

2014 Primary Goals and Objectives

- Review, maintain, and revise the NPCC Regional Reliability Directories to facilitate compliance assessments and ensure the Criteria portions of the Directories are “not inconsistent” with nor duplicate with the approved and effective NERC Standards.
- The criteria services division and CCEP Working Group (reporting to the Compliance Committee) will work with the various Task Forces to develop Criteria Compliance Reporting Forms for additional NPCC Directories to ensure that the more stringent or Regionally-specific criteria is being met.
- The criteria services division and CCEP working group will work with TFCO, TFCP, TFSS, and TFSP to review criteria and measures within each specific NPCC Directory to identify and develop them into specific reporting forms for approval.
- Review impact of Bulk Electric System definition on Directory and Criteria content and compliance reporting.
- Review impact of Sector or NPCC organizational changes on the Directory and Criteria review, enforcement and arbitration processes
- Assist Legal with preparation of revised Directories for Regulatory filings with the individual Provinces in accordance with their respective Memorandum of Understandings (MOUs)

NPCC Reliability Directory Maintenance and Development

The NPCC Regional Reliability Directories were developed to demonstrate that the NPCC more stringent criteria are not inconsistent with the NERC Reliability Standards as mandated by the NERC Rules of Procedure. The Directory project was also undertaken to remove any redundancies with the NERC Reliability Standards and to clearly delineate the more stringent NPCC criteria requirements. In 2013 the directories were further reviewed and revised to move the criteria language into a “requirement type” format. This further revision facilitates the NPCC Region’s CCEP and ensures the continued delineation of the more stringent and more specific Regional criteria from the latest approved and effective set of NERC ERO standards.

In 2014, work will proceed with maintenance and revision of the Directories to address any future redundancies with NERC or NPCC Reliability Standards as well as the continued need for additional more stringent or specific NPCC Regional criteria requirements as new NERC Reliability Standards are developed and existing standards are revised.

The following Directories will either be under revision or reviewed for further development based on a schedule set forth in the NPCC Reliability Assessment Program:

Operations and Planning Directories

Directory #1, Basic Criteria for Design and Operation of Interconnected Power Systems

This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing NERC TPL, BAL, IRO, INT, MOD, TOP, PRC and VAR standards. The NPCC Task Force on Coordination of Planning will lead a multi-disciplinary working group, consisting of operations and planning subject matter experts to review and revise this directory to reflect the FERC ruling on TPL and other TOP changes.

Directory #2, Emergency Operations

This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing NERC EOP and TOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 3, Maintenance Requirements for BPS Protection

This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 4, BPS Protection

This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 5, Operating Reserve Requirements

This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing applicable NERC BAL, INT, and IRO standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 7, Special Protection Systems

This Directory documents NPCC's Regionally-specific, more stringent criteria for application and approval of SPS. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 8 System Restoration

This Directory documents NPCC's Regionally-specific, more stringent criteria with which each applicable entity must plan for and perform power system restoration following a major or a total blackout, and demonstrates coordination and consistency with applicable NERC EOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 9, Verification of Generator Gross and Net Reactive Power Capability

This Directory documents NPCC's Regionally-specific, more stringent criteria for verifying the Gross Reactive Power Capability and Net Reactive Power Capability of generators or generating facilities. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 11, *Disturbance Monitoring*, This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain existing

NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision until such time as the NPCC PRC-002-01 Disturbance Monitoring Regional Standard is adopted by FERC and the applicable governmental authorities.

Directory # 12, *UFLS Program*, This directory documents NPCC’s Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain existing NERC and NPCC developing PRC standard(s). The NPCC Task Force on System Studies will lead this review and revision until such time as the NPCC PRC-006-01 UFLS Regional Standard is approved by the NPCC membership, NERC BOT, the FERC and all the applicable governmental authorities in the Provinces of Canada within NPCC’s footprint.

NPCC Criteria Compliance Background

The NPCC criteria services division promotes the reliable operation of the bulk power system through implementation of a comprehensive compliance program. The compliance program that includes monitoring, assessing and enforcing compliance with more stringent, Regionally specific NPCC Criteria requirements, is known as the NPCC Criteria Compliance and Enforcement Program (CCEP) described in process document CCEP-1. This program was developed by the criteria services division and the CCEP Working Group under the purview of the NPCC Compliance Committee. The products of this program support the various Task Forces in their assessments of the NPCC Directories in meeting their goals for the Reliability Coordinating Committee as stated in Section A of this Business Plan.

The more stringent, Regionally specific NPCC Criteria requirements reflect the unique operational and planning aspects of the bulk power system within the NPCC Region and are included in the NPCC “A” documents and their successors, the NPCC Directories.

NPCC issues non-monetary sanctions to enforce compliance with NPCC Criteria.

- The CCEP program is described in document CCEP-1, *NPCC Criteria Compliance and Enforcement Program (CCEP) Process Document*
- The implementation plan is described in document CCEP-2, *Implementation Plan for 2011 NPCC Criteria Compliance and Enforcement Program*
- On April 5, 2011, the above became effective upon Full Member approval of CCEP-1, and CCEP-2 and retired the following
 - NPCC Criteria A-8, Reliability Compliance and Enforcement Program (RCEP)
 - NPCC Guide B-22, Guidelines for Implementation of the NPCC Inc. Compliance Program
 - NPCC Procedure C-32, Review Process for NPCC Reliability Compliance Enforcement Program
 - Each of the above have been annotated as “retired effective 4/5/11 upon Full Member approval of CCEP-1... and CCEP-2...” on the NPCC public website

The CCEP-1 document

- recognizes the applicability of NPCC’s Regionally-specific, more stringent reliability criteria to the Full Members of NPCC, consistent with the *Amended and Restated ByLaws*, and respects the provisions of the several Canadian Memoranda of Understanding in the execution of the processes described

- provides a comprehensive CCEP Process Diagram showing the process of evaluating and approving Criteria Certification submittals, and additional processes and responsibilities in the event that non-compliances, disputes and sanctions arise
- describes the roles and responsibilities of Reporting Members, CC, RCC and Enforcement Panel in the compliance review and enforcement process
- describes Levels of Non-Compliance, associated non-monetary Sanctions, Lateness Policy and the Arbitration/Dispute Resolution process
- addresses Mitigation Plans for any violations under the enforcement process; and
- lists the mandatory Certification Forms to be submitted for review by the Task Forces to ensure compliance with NPCC Directories are being met

The CCEP currently requires annual submittal of Certification Forms by the Reliability Coordinators and Balancing Authorities to confirm compliance with various NPCC Directories. Currently the required Certification forms are for Directory #1- *Area Transmission Review*, Directory #8 - *Key Facility List*, Directory #9 – *Generator Real Power Verification*, Directory #10 - *Verification of Generator Gross and Net Reactive Power Capability*, and Directory #12 - *UFLS Program Requirements*. In 2014 NPCC anticipates expansion of the CCEP to include compliance assessment activities to all active Directories.

The CCEP identifies those specific NPCC Directories that are subject to monitoring, assessment and enforcement. These Directories also are subject to NPCC Criteria Compliance Audits.

The NPCC Compliance Committee (CC) has final approval of compliance assessments related to CCEP. The CCEP describes the roles and responsibilities of committees and panels used to resolve contested compliance and/or sanction or penalty determinations related to NPCC Directories.

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- The decrease in Membership Dues is primarily the result of the Working Capital and Operating Reserve adjustment of (\$75,391) to maintain the required total reserve level.

2013 Budget and Projection and 2014 Budget Comparisons

Statement of Activities						
2013 Budget & Projection, and 2014 Budget						
CRITERIA SERVICES DIVISION						
				Variance		Variance
	2013	2013	2013 Projection	v 2013 Budget	2014	2014 Budget
	Budget	Projection	v 2013 Budget	Over(Under)	Budget	v 2013 Budget
						Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-	-
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	1,139,690	1,139,690	-	-	989,708	(149,982)
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Funding (A)	\$ 1,139,690	\$ 1,139,690	\$ -	\$ -	\$ 989,708	\$ (149,982)
Expenses						
Personnel Expenses						
Salaries	\$ 268,881	\$ 268,881	\$ -	\$ -	\$ 312,166	\$ 43,286
Payroll Taxes	19,614	19,614	-	-	21,536	1,922
Benefits	46,561	46,561	-	-	64,153	17,592
Retirement Costs	140,645	140,645	-	-	129,818	(10,826)
Total Personnel Expenses	\$ 475,701	\$ 475,701	\$ -	\$ -	\$ 527,674	\$ 51,973
Meeting Expenses						
Meetings	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ 10,000	\$ (10,000)
Travel	55,000	55,000	-	-	63,000	8,000
Conference Calls	-	-	-	-	-	-
Total Meeting Expenses	\$ 75,000	\$ 75,000	\$ -	\$ -	\$ 73,000	\$ (2,000)
Operating Expenses						
Consultants & Contracts	\$ 65,000	\$ 65,000	\$ -	\$ -	\$ 55,000	\$ (10,000)
Office Rent	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-	-
Miscellaneous	-	-	-	-	3,567	3,567
Depreciation	14,490	14,490	-	-	24,000	9,510
Total Operating Expenses	\$ 79,490	\$ 79,490	\$ -	\$ -	\$ 82,567	\$ 3,077
Total Direct Expenses	\$ 630,191	\$ 630,191	\$ -	\$ -	\$ 683,240	\$ 53,050
Indirect Expenses	\$ 406,471	\$ -	\$ -	\$ -	\$ 405,859	\$ (612)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,036,662	\$ 1,036,662	\$ -	\$ -	\$ 1,089,100	\$ 52,438
Change in Assets	\$ 103,028	\$ 103,028	\$ -	\$ -	\$ (99,391)	\$ (202,420)
Fixed Assets						
Depreciation	\$ (14,490)	(14,490)	\$ -	\$ -	\$ (24,000)	\$ (9,510)
Computer & Software CapEx	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(14,490)	(14,490)	-	-	(24,000)	(9,510)
TOTAL BUDGET (=B+C)	1,022,172	1,022,172	-	-	1,065,100	42,928
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 117,518	\$ 117,518	\$ -	\$ -	\$ (75,391)	\$ (192,910)

Personnel Analysis

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs ¹ 2014 Budget	Total FTEs 2014 Budget	Change from 2014 Budget
CRITERIA SERVICES DIVISION						
Operational Programs						
Reliability Standards	1.07	1.07	1.00	0.07	1.07	0.00
Compliance Enforcement and Organization Registration and Certification	0.00	0.00	0.00	0.00	0.00	0.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	1.07	1.07	1.00	0.07	1.07	0.00
Situation Awareness and Infrastructure Security	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Operational Programs	2.14	2.14	2.00	0.14	2.14	0.00
Administrative Programs						
Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General and Administrative	0.00	0.00	0.00	0.00	0.00	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Accounting and Finance	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs	2.14	2.14	2.00	0.14	2.14	0.00

¹A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

Reserve Analysis 2013–2014

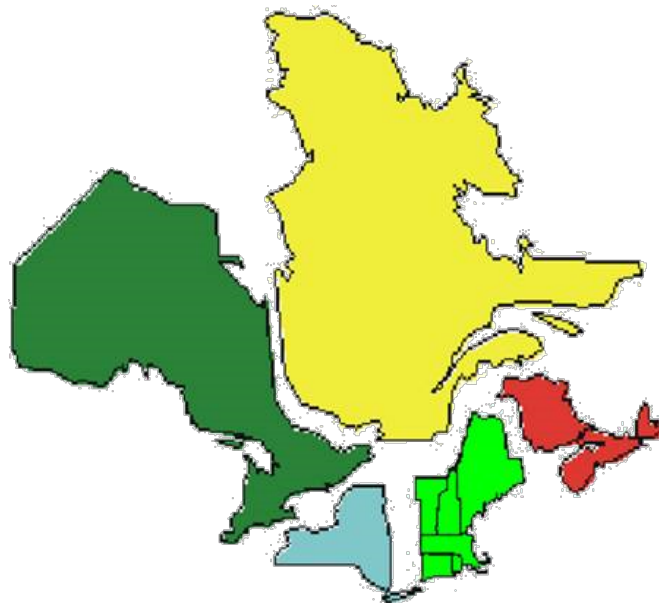
Working Capital and Operating Reserve Analysis 2013-2014			
CRITERIA SERVICES DIVISION			
	Total Reserve	Working Capital	Operating Reserve
Beginning Working Capital, December 31, 2012	135,383	135,383	0
2013 Non-Statutory Funding (from members)	1,139,690	1,139,690	0
2013 Other funding sources	0	0	0
Less: 2013 Projected expenses	(1,036,662)	(1,036,662)	0
Less: 2013 Fixed asset additions	14,490	14,490	0
Projected Working Capital, December 31, 2013	252,901	252,901	0
Desired Working Capital and Operating Reserve, December 31, 2014 ¹	177,510	88,755	88,755
Less: Projected Working Capital Reserve Balance December 31, 2013	(252,901)	(164,146)	(88,755)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(75,391)	(75,391)	0
2014 Funding requirement for expenses and fixed asset additions	1,065,100		
Adjustment to achieve desired Working Capital and Operating Reserve balance	(75,391)		
2014 Funding and reserve requirement	989,708		

¹ On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy which reduced the required level of total reserves to 16.66% (from 20%) and segregated funds into Working Capital and Operating Reserves, each with a desired level of 8.33% or 1 month of the annual budget of \$1,065,100

Explanation of Changes in Reserve Policy from Prior Year

On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy. The policy calls for a reduction in the required level of total reserves from 20% to 16.66% (representing two months of the annual budget) and segregation of funds into separate Working Capital and Operating Reserves, each with a targeted level of 8.33% (one month) of the annual budget.

Section D – Additional Consolidated Financial
Statements
2014 Business Plan and Budget



Section D

Statement of Financial Position

Statement of Financial Position				
2012 Audited, 2013 Projection, and 2014 Budget				
Regional Entity and Criteria Services Division				
	(Per Audit)	Projected	Budget	
	31-Dec-12	31-Dec-13	31-Dec-14	
ASSETS				
Cash and cash equivalents	6,724,986	5,324,000	4,808,000	
Restricted cash	649,950	452,000	300,000	
Temporary cash investments	2,210,894	2,211,000	2,211,000	
Prepaid expenses	271,074	271,000	271,000	
Other assets	335,714	21,000	19,000	
Equipment and leasehold improvements, net	1,274,059	1,048,000	888,000	
Total Assets	11,466,677	9,327,000	8,497,000	
LIABILITIES AND NET ASSETS				
Liabilities				
Accrued expenses and other liabilities	1,287,040	1,100,000	1,100,000	
Accrued liability for pension	3,676,153	3,500,000	3,500,000	
Deferred revenue	235,313	-	-	
Deferred rent	767,901	774,000	741,000	
Total Liabilities	5,966,407	5,374,000	5,341,000	
Net Assets - unrestricted	5,500,270	3,953,000	3,156,000	
Total Liabilities and Net Assets	11,466,677	9,327,000	8,497,000	

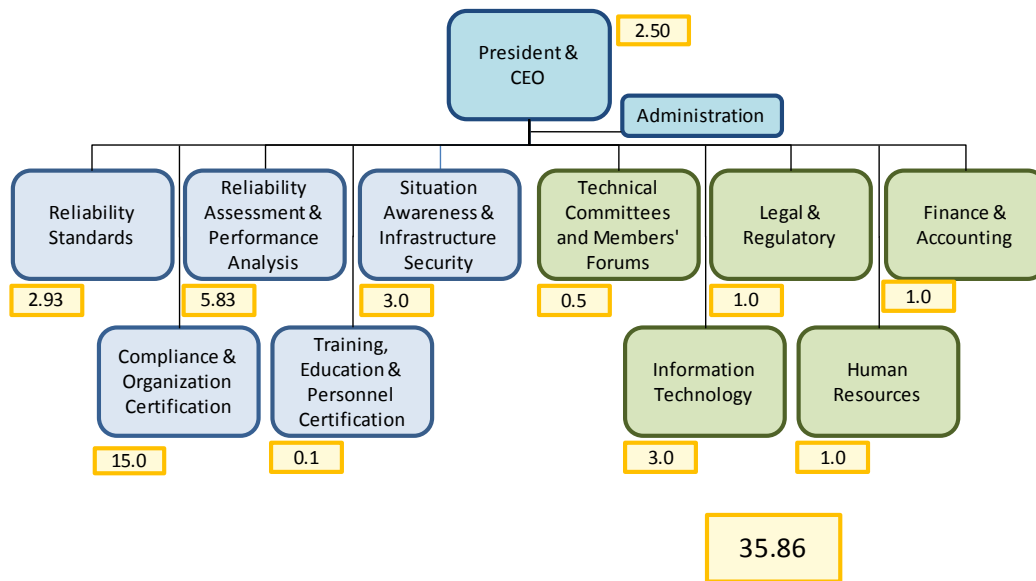
Section D — Additional Financial Statements

NPCC Statement of Activities 2014 Budget		RE Division Total	Reliability Standards (Section 300)	Compliance Monitoring and Enforcement and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training, Education and Operator Certification (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Technical Committees and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding													
ERO Funding	13,611,880	1,431,239	7,991,503	2,910,322	131,306	1,447,636	-	-	(300,126)	-	-	-	-
Penalty Sanctions	153,000	16,091	87,868	32,017	549	16,475	-	-	-	-	-	-	-
Total ERO Funding	13,764,880	1,447,330	8,079,371	2,942,339	131,855	1,464,111	-	-	(300,126)	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	64,000	-	-	-	64,000	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	13,828,880	1,447,330	8,079,371	2,942,339	195,855	1,464,111	-	-	(300,126)	-	-	-	-
Expenses													
Personnel Expenses													
Salaries	5,911,227	502,840	2,287,504	904,028	17,448	522,872	36,551	182,843	866,274	11,100	379,112	94,025	117,930
Payroll Taxes	384,311	31,305	162,571	60,329	1,063	32,861	3,113	11,100	33,695	8,364	29,724	8,364	9,887
Benefits	1,450,261	131,342	537,067	226,225	4,500	89,851	18,371	42,232	189,221	42,232	126,947	42,003	23,462
Retirement Costs	1,124,361	87,443	238,950	130,390	4,776	17,536	10,676	22,605	239,695	22,605	89,842	27,535	14,711
Total Personnel Expenses	8,850,160	752,936	3,266,052	1,350,972	27,787	762,070	68,711	229,004	1,349,084	229,004	625,624	171,931	165,991
Meeting Expenses													
Meetings	365,000	25,000	25,000	45,000	135,000	25,000	2,000	2,000	100,000	2,000	2,000	2,000	2,000
Travel	890,000	110,000	375,000	175,000	15,000	60,000	5,000	5,000	110,000	10,000	20,000	5,000	5,000
Conference Calls	77,000	-	-	-	-	-	-	-	77,000	-	-	-	-
Total Meeting Expenses	1,332,000	135,000	400,000	220,000	150,000	85,000	7,000	7,000	287,000	12,000	22,000	7,000	7,000
Operating Expenses													
Consultants & Contracts	1,924,433	30,000	1,394,433	275,000	-	75,000	-	-	140,000	-	-	-	10,000
Office Rent	737,272	-	-	-	-	737,272	-	-	737,272	-	-	-	-
Office Costs	536,500	-	-	13,000	-	-	-	-	133,500	-	390,000	-	-
Computer and Equipment Leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	966,500	-	-	-	-	-	-	-	316,500	350,000	-	-	300,000
Miscellaneous	80,000	-	-	-	-	-	-	-	80,000	-	-	-	-
Depreciation	250,000	-	-	-	-	-	-	-	250,000	-	-	-	-
Total Operating Expenses	4,494,705	30,000	1,394,433	288,000	-	75,000	-	-	1,657,272	350,000	390,000	-	310,000
Total Direct Expenses	14,676,865	917,936	5,080,485	1,888,972	177,787	922,070	75,711	621,004	3,293,356	621,004	1,037,624	178,931	482,991
Indirect Expenses	(405,859)	555,686	3,034,462	1,105,692	18,965	568,962	(75,711)	(621,004)	(3,293,356)	(621,004)	(1,037,624)	(178,931)	(482,991)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	14,271,006	1,473,622	8,114,946	2,994,654	196,753	1,491,031	-	-	-	-	-	-	-
Change in Assets	(442,126)	(26,292)	(35,575)	(52,315)	(897)	(26,920)	-	-	(300,126)	-	-	-	-
Fixed Assets													
Depreciation	(250,000)	-	-	-	-	-	-	-	(250,000)	-	-	-	-
Computer & Software CapEx	108,000	-	108,000	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	(0)	(26,292)	(143,575)	(52,315)	(897)	(26,920)	-	-	250,000	-	-	-	-
Inc (Dec) in Fixed Assets (C)	(142,000)	(26,292)	(35,575)	(52,315)	(897)	(26,920)	-	-	-	-	-	-	-
TOTAL BUDGET (=B+C)	14,129,006	1,447,330	8,079,371	2,942,339	195,855	1,464,111	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(300,126)	-	(0)	(0)	(0)	(0)	-	-	(300,126)	-	-	-	-
FTEs	36.86	2.93	16.00	5.83	0.10	3.00	0.50	1.00	2.50	1.00	3.00	1.00	1.00

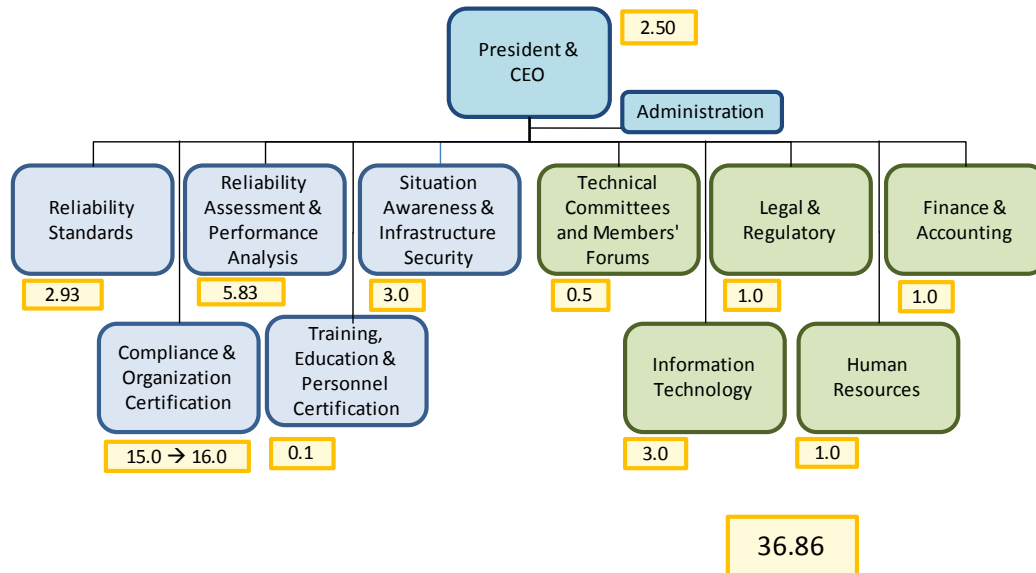
Section D — Additional Financial Statements

NPCC Statement of Activities 2014 Budget		Criteria Services Total	Criteria Development	Criteria Assessment	General and Administrative
Funding					
	ERO Funding				
	ERO Assessments	-			
	Penalty Sanctions	-			
	Total ERO Funding	-	-	-	-
	Membership Dues	989,708	582,983	482,116	(75,391)
	Testing Fees	-	-	-	-
	Services & Software	-	-	-	-
	Workshops	-	-	-	-
	Interest	-	-	-	-
	Miscellaneous	-	-	-	-
	Total Funding (A)	989,708	582,983	482,116	(75,391)
	Expenses				
	Personnel Expenses				
	Salaries	312,166	165,002	147,164	-
	Payroll Taxes	21,536	10,569	10,967	-
	Benefits	64,153	34,882	29,272	-
	Retirement Costs	129,818	69,818	60,001	-
	Total Personnel Expenses	527,674	280,270	247,404	-
	Meeting Expenses				
	Meetings	10,000	5,000	5,000	-
	Travel	63,000	48,000	15,000	-
	Conference Calls	-	-	-	-
	Total Meeting Expenses	73,000	53,000	20,000	-
	Operating Expenses				
	Consultants & Contracts	55,000	45,000	10,000	-
	Office Rent	-	-	-	-
	Office Costs	-	-	-	-
	Computer and Equipment Leases	-	-	-	-
	Professional Services	-	-	-	-
	Miscellaneous	3,567	1,784	1,783	-
	Depreciation	24,000	12,000	12,000	-
	Total Operating Expenses	82,567	58,784	23,783	-
	Total Direct Expenses	683,240	392,054	291,187	-
	Indirect Expenses	405,859	202,930	202,930	-
	Other Non-Operating Expenses	-	-	-	-
	Total Expenses (B)	1,089,100	594,983	494,116	-
	Change in Assets	(99,391)	(12,000)	(12,000)	(75,391)
	Fixed Assets				
	Depreciation	(24,000)	(12,000)	(12,000)	-
	Computer & Software CapEx	-	-	-	-
	Furniture & Fixtures CapEx	-	-	-	-
	Equipment CapEx	-	-	-	-
	Leasehold Improvements	-	-	-	-
	Allocation of Fixed Assets	-	-	-	-
	Inc (Dec) in Fixed Assets (C)	(24,000)	(12,000)	(12,000)	-
	TOTAL BUDGET (=B + C)	1,065,100	582,983	482,116	-
	TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(75,391)	-	-	(75,391)
	FTEs	2.14	1.07	1.07	0

2013 Budget Staff Allocations - RE Division

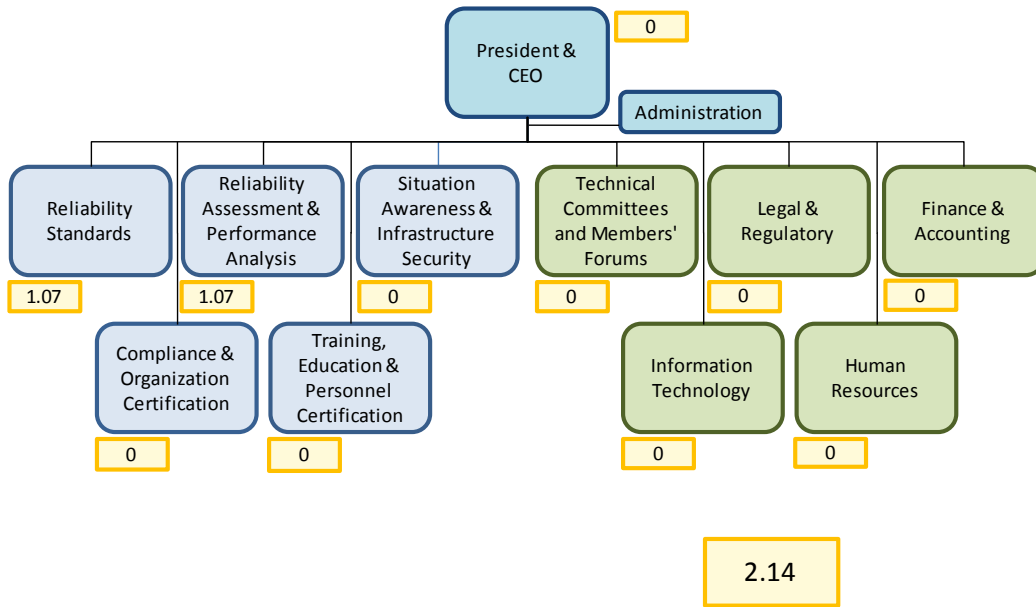


2014 Budget Staff Allocations - RE Division

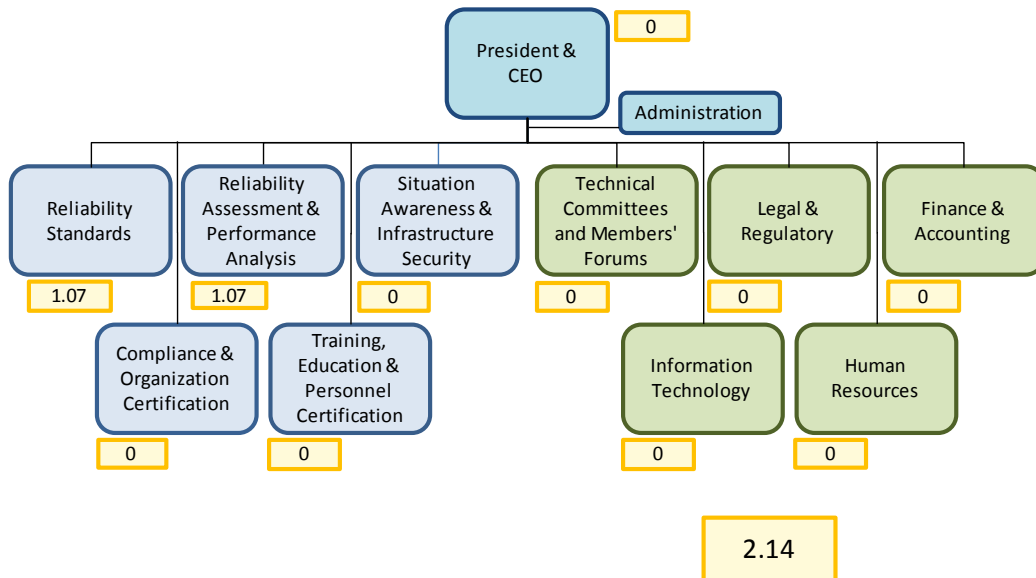


Section D — Additional Financial Statements

2013 Budget Staff Allocations - CS Division



2014 Budget Staff Allocations - CS Division



DOCKET NO. RR13-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2014 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 5

WESTERN ELECTRICITY COORDINATING COUNCIL

PROPOSED 2014 BUSINESS PLAN AND BUDGET



2014 Business Plan and Budget

Western Electricity Coordinating Council

**Approved by:
WECC Board of Directors**

**Date:
June 28, 2013**

Table of Contents

Introduction	3
Organizational Overview	3
Membership and Governance	4
Statutory Functional Scope	5
2014 Key Assumptions.....	5
2014 WECC Business Objectives	6
2014 Overview of Cost Impacts.....	6
Personnel Analysis.....	9
2013 Budget and Projection and 2014 Budget Comparisons.....	10
Section A — 2014 Business Plan.....	12
Reliability Standards Program	12
Compliance Monitoring and Enforcement and Organization Registration and Certification Program	16
Hearings.....	23
Reliability Assessment and Performance Analysis Program.....	24
Training, Education, and Operator Certification Program	29
Situation Awareness and Infrastructure Security Program.....	33
Administrative Services	36
Technical Committees and Member Forums	37
General and Administrative	41
Legal and Regulatory	44
Information Technology	47
Human Resources	50
Finance and Accounting.....	53
Section B — Supplemental Financial Information.....	57
Reserve Balance.....	57
Penalty Sanctions	60
Supplemental Funding	61
Personnel Expenses	63
Consultants and Contracts	65
Office Rent.....	67
Office Costs	68
Professional Services.....	69
Other Non-Operating.....	70
Section C — 2014 Non-Statutory Business Plan and Budget	72
Western Renewable Energy Generation Information System (WREGIS)	72
Personnel Analysis.....	75
Reserve Analysis — 2013–2014	76
Section D – Additional Consolidated Financial Statements.....	78
2014 Consolidated Statement of Activities by Program, Statutory, and Non-Statutory.....	78
Statement of Financial Position	79
Appendix A: Organizational Chart.....	80
Appendix B: 2014 Budget & Projected 2015 and 2016 Budgets.....	81
Appendix C: Adjustment to the AESO 2014 Assessment.....	82

Introduction

	TOTAL RESOURCES (in whole dollars)			
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs*	135.0			
Non-statutory FTEs	5.0			
Total FTEs	140.0			
Statutory Expenses	\$ 25,772,598			
Non-Statutory Expenses	\$ 1,658,980			
Total Expenses	\$ 27,431,578			
Statutory Inc(Dec) in Fixed Assets	\$ (134,513)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (134,513)			
Statutory Working Capital Requirement**	2,072,292			
Non-Statutory Working Capital Requirement***	7,950,648			
Total Working Capital Requirement	10,022,941			
Total Statutory Funding Requirement	\$ 23,219,138			
Total Non-Statutory Funding Requirement	\$ 1,903,800			
Total Funding Requirement	\$ 25,122,938			
Statutory Funding Assessments	\$ 15,630,852	\$ 13,805,434	\$ 1,715,011	\$ 261,907
Non-Statutory Fees	\$ 1,903,800	\$ 1,903,800	\$ -	\$ -
NEL****	866,703,757	735,082,752	120,014,087	11,606,918
NEL%	100.00%	84.81%	13.85%	1.34%

*An FTE is defined as a full-time equivalent employee.

**Refer to the Statutory Reserve Analysis on page 57 in Section B.

***Refer to the Non-Statutory Reserve Analysis on page 76 in Section C.

****NEL is defined as Net Energy for Load.

Organizational Overview

The Western Electricity Coordinating Council (WECC) is a 501(c)(4) entity operating in the “best interest of the public welfare.” WECC’s mission is to promote and foster a reliable Bulk Electric System (BES) in the Western Interconnection. WECC’s website is <http://www.wecc.biz>. WECC’s geographic area is the Western Interconnection – an area in which the use and generation of electricity is synchronized. This area includes all or part of 14 Western states in the United States, two Canadian provinces, and a portion of Baja California Norte, Mexico.

WECC’s business philosophy is guided by the following core values:

Integrity – We are honest, ethical, and trustworthy. We honor our commitments. We take personal responsibility for our actions. We treat everyone fairly and with respect.

Teamwork – We recognize our strength is derived from collaborative efforts. We continually learn, and share ideas and knowledge. We encourage cooperative efforts across all activities in the Western Interconnection.

Excellence – We strive for continuous quality improvement in all that we do.

Inclusiveness – We foster an open and participatory environment that encourages innovative ideas and diverse perspectives from all stakeholders.

Professionalism – We conduct ourselves with skill, good judgment, and polite behavior across all committees, forums, and stakeholder interactions.

Membership and Governance

WECC has 421 members¹ divided into the following five membership classes:

1. Large Transmission Owners
2. Small Transmission Owners
3. Transmission Dependent Energy Service Providers
4. End Users
5. Representatives of State and Provincial Governments

WECC membership is open to any person or entity that has an interest in the reliable operation of the Western Interconnection BES. WECC membership is not a requirement for participation in the WECC standards development process.²

WECC is governed by a nine-member Independent Board of Directors and the Chief Executive Officer. The nine Independent Directors are not full-time employees of any Registered Entity, nor are they affiliated with any member or Registered Entity operating in the Western Interconnection, nor are they directors of an entity performing the function of Reliability Coordinator in the Western Interconnection. The WECC Board is elected by the WECC membership and the directors are compensated for their time.

One Board Committee, the Governance Committee, oversees implementation and amendment of the WECC Bylaws, and addresses such other issues pertinent to Governance as delegated by the Board. The Governance Committee will consist of five directors. The Board Chair will designate one of the committee members to be the Chair of the Governance Committee.

Under the direction of the WECC Board, five Standing Committees — the Member Advisory Committee (MAC), the WECC Standards Committee (WSC), the Planning Coordination Committee (PCC), the Operating Committee (OC), and the Market Interface Committee (MIC) — provide technical work and policy recommendations to the WECC Board. All member organizations are eligible for representation on the Standing Committees.

¹ As of July 9, 2013

² Non-WECC members may participate in standards drafting teams, and Participating Stakeholders may vote on Regional Reliability Standards. A Participating Stakeholder is defined in Section 3.21 of the WECC Bylaws and the Participating Stakeholder Application Process is described in Section 8.6.2. The Reliability Standards Voting Procedure is outlined in Section 8.6.1.2 of the WECC Bylaws.

1. **The Member Advisory Committee (MAC)** – advises the Board on any matters the Board requests the committee to evaluate or consider, and advises the Board on matters as the MAC deems appropriate. The MAC Chair attends the WECC Board meetings to provide advice, clarifications or respond to directors' questions. The Board gives serious consideration to the MAC's recommendations and responds to MAC recommendations through a means that the Board determines appropriate. The MAC is comprised of three representatives from each of the five Member Classes, for a total of 15 members.
2. **WECC Standards Committee (WSC)** – oversees the process for responding to requests for Regional Reliability Standards and Regional Criteria in accordance with the Reliability Standards Development Procedures. The WECC Standards Committee consists of one member from each of the WECC Standards Voting Sectors and a member of the WECC Board who shall act as chair of the committee.
3. **Planning Coordination Committee (PCC)** – advises the Board and makes recommendations on all matters within the jurisdiction of WECC pertaining to maintaining reliability through evaluating generation and load balance and the adequacy of the physical infrastructure of the BES within the Western Interconnection.
4. **Operating Committee (OC)** – advises the Board and makes recommendations on all matters within the jurisdiction of WECC pertaining to maintaining reliability through the operation and security of the BES in the Western Interconnection.
5. **Market Interface Committee (MIC)** – advises the Board and makes recommendations on the development of consistent Market Interface practices and compatible commercial practices within the Western Interconnection. It considers matters pertaining to the impact of North American Electric Reliability Corporation (NERC) Reliability Standards and WECC's Regional Reliability Standards, Regional Business Practices, Regional Criteria, procedures on the commercial electricity market in the Western Interconnection, and facilitates analysis of the impact of electricity market practices on electric system reliability.

Statutory Functional Scope

WECC has been approved by the Federal Energy Regulatory Commission (FERC) as a Regional Entity, with authority — pursuant to the WECC /NERC Delegation Agreement — to create, monitor, and enforce standards for the reliability of the BES in the Western Interconnection.

2014 Key Assumptions

NERC and the Regional Entities' business plans and budgets reflect a set of Common Assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The entire set of Common Assumptions is provided in Exhibit A to the NERC 2014 Business Plan and Budget. These Common Assumptions and WECC's assumptions are described in each statutory program area in [Section A](#) of this document.

2014 WECC Business Objectives

WECC's business objectives for 2014 are as follows:

1. Execute delegated authority with a high degree of excellence to reduce the frequency and severity of system events.
2. Facilitate the reliable and cost-effective integration of variable generation and non-traditional resources in the Western Interconnection.
3. Improve cost-effectiveness and efficiency of WECC processes to optimize the use of assessments.
4. Produce Interconnection-wide studies to support the development of a reliable, robust transmission system and assure resource adequacy.
5. Increase organizational readiness to respond to external drivers.
6. Provide data and analysis to support informed decisions related to system reliability and efficient competitive power markets.
7. Identify and mitigate potential risks and vulnerabilities to improve system reliability.

2014 Overview of Cost Impacts

WECC's proposed 2014 statutory budget is \$25.6 million, a \$25.4 million (49.7 percent) decrease from the 2013 statutory budget. The decrease is mainly attributable to the creation of an independent new entity housing the Reliability Coordinator and Interchange Authority registered functions. Expenses associated with activities related to the U.S. Department of Energy (DOE) grants decrease by \$2.3 million. Non-grant expenditures decrease by \$23.1 million.

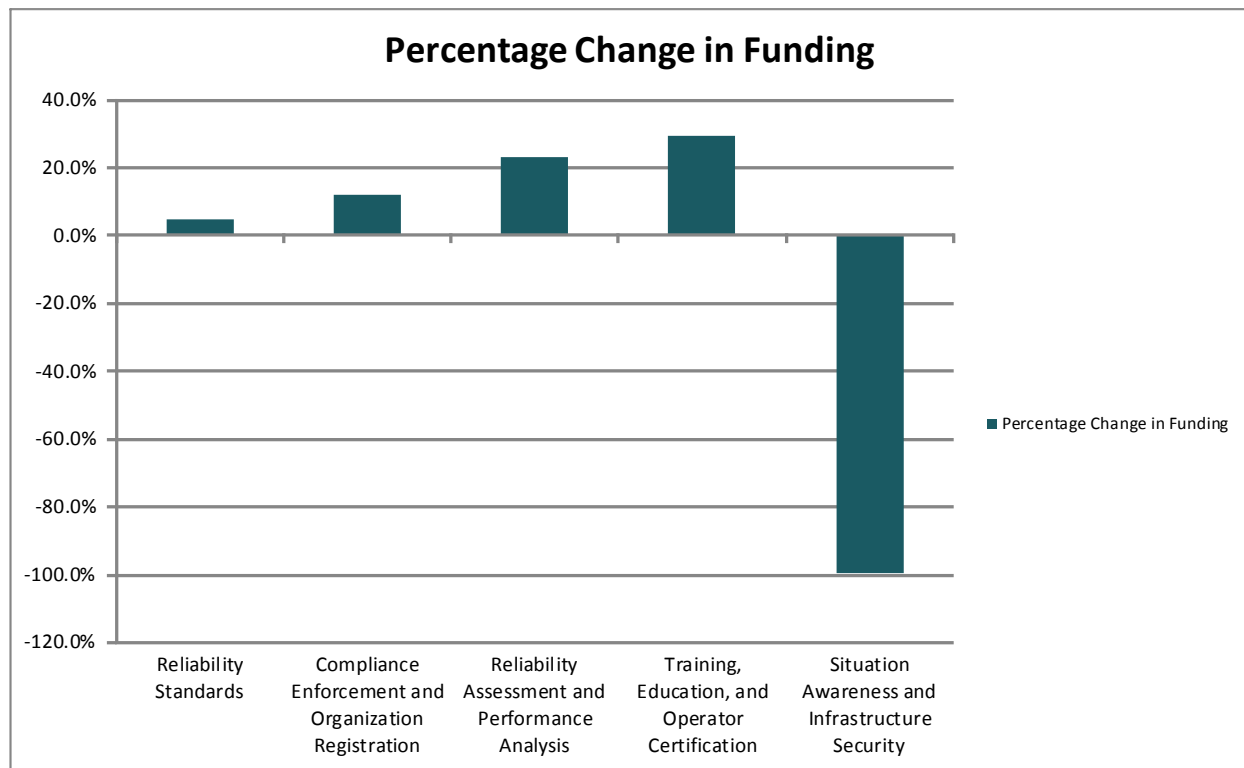
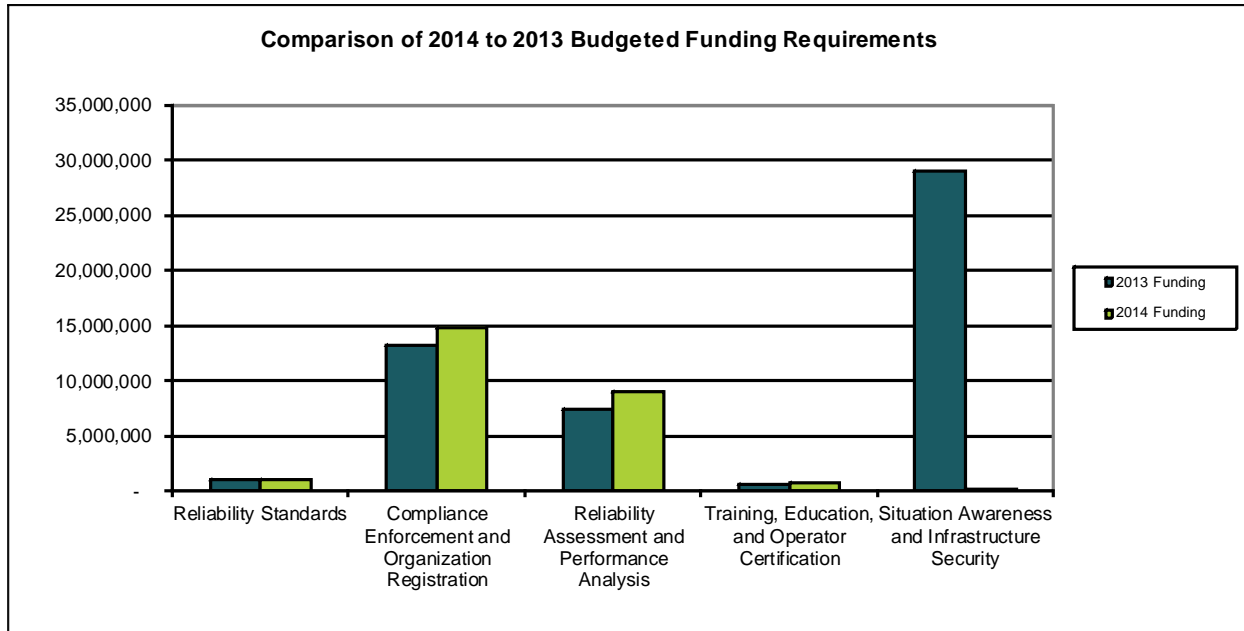
Full-time equivalents (FTE) represent the fractional allocation of a full-time position's cost to one or more functional areas. Headcount represents either vacant or filled positions. Significant changes to the 2014 statutory budget from the 2013 statutory budget are as follows:

- Personnel Expenses decrease by \$15.5 million primarily due to the transfer of 111 FTEs to the Reliability Coordination Company (RCCo) in the WECC bifurcation process. Additionally, most personnel expenses were reduced by 15 percent to budget for labor float (turnover, hiring delays, etc.).
- Travel and Meeting Expenses decrease by \$639,000, which is due to the creation of the new entity.
- Consultants and Contracts decrease by a net \$1.4 million. The budget for Situation Awareness was \$2.4 million in 2013 and, due to the creation of the new entity, the Situation Awareness budget for Consultants and Contracts is zero in 2014. Reliability Assessment and Performance Analysis increases by \$840,000 due to the continuation of the Regional Transmission Expansion Planning grant, which is offset by DOE grant funding. Human Resources increases by \$120,000 due to a new compensation and benefits survey.
- Other operating costs decrease by \$5.9 million primarily due to the creation of the new entity. Two office facilities are transferring to the RCCo and Reliability Coordinator licensing and Internet bandwidth costs also transfer to the RCCo.

- Fixed Assets expenditures decrease by \$1.9 million primarily due to the creation of the new RCo entity.

A summary of funding requirements for WECC's primary statutory functional areas is shown in the following table and graphs:

Program	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Reliability Standards	975,302	879,525	1,023,001	47,699	4.9%
Compliance Enforcement and Organization Registration	13,159,281	13,103,076	14,763,348	1,604,067	12.2%
Reliability Assessment and Performance Analysis	7,363,003	6,773,714	9,054,046	1,691,043	23.0%
Training, Education, and Operator Certification	533,258	519,358	689,277	156,019	29.3%
Situation Awareness and Infrastructure Security	28,994,248	44,776,460	108,410	(28,885,838)	-99.6%
Total By Program	51,025,092	66,052,134	25,638,082	(25,387,010)	



The percentage change in funding is described in detail in Section A of the Business Plan and Budget, starting on page 12.

Personnel Analysis

In 2014, there is a net decrease of 81.3 FTEs (108 positions). Three new positions are being added in 2014 and 111 are being transferred to the RCCo.

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs* 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
STATUTORY						
Operational Programs						
Reliability Standards	3.5	3.3	4.0	0.0	4.0	0.5
Compliance and Organization Registration and Certification	50.5	54.5	58.0	0.0	58.0	7.5
Training and Education	1.5	1.5	2.0	0.0	2.0	0.5
Reliability Assessment and Performance Analysis	19.6	21.7	23.6	0.0	23.6	4.0
Situation Awareness and Infrastructure Security	85.0	97.5	0.5	0.0	0.5	(84.5)
Total FTEs Operational Programs	160.0	178.5	88.1	0.0	88.1	(71.9)
Administrative Programs						
Technical Committees and Member Forums	7.6	6.6	9.0	0.0	9.0	1.4
General & Administrative	18.8	17.3	15.2	0.0	15.2	(3.6)
Information Technology	9.0	8.2	9.0	0.0	9.0	-
Legal and Regulatory	12.1	9.6	6.0	0.0	6.0	(6.1)
Human Resources	3.1	3.6	3.0	0.0	3.0	(0.1)
Finance and Accounting	5.7	7.0	4.7	0.0	4.7	(1.0)
Total FTEs Administrative Programs	56.3	52.3	46.9	0.0	46.9	(9.4)
Total FTEs	216.3	230.8	135.0	0.0	135.0	(81.3)

*A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

WECC's methodology for budgeting for labor float (turnover, hiring delays, etc.) changed in 2014. In 2013, 15 FTEs were removed from the WECC budget in various departments to budget for labor float. In 2014, those FTEs were added back in and instead, WECC reduced salaries, payroll taxes, retirement contributions, and insurance by 15 percent across the organization to maintain the integrity of FTE values. WECC's average turnover rate for the past few years has been approximately 15 percent. At the bottom of each Statement of Activities in each Program Area, headcount values have been provided in addition to FTE values to provide a more comprehensive picture of actual positions being added compared to the adjustment in FTEs.

2013 Budget and Projection and 2014 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

STATUTORY

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 40,962,547	\$ 40,962,547	\$ -	\$ 15,630,852	\$ (25,331,695)
Penalty Sanctions	2,966,850	2,966,850	-	2,933,050	(33,800)
Total WECC Funding	\$ 43,929,397	\$ 43,929,397	\$ -	\$ 18,563,902	\$ (25,365,495)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	5,915,605	13,151,454	7,235,849	3,628,308	(2,287,297)
Services & Software	-	-	-	-	-
Workshops	885,300	869,335	(15,965)	957,929	72,629
Interest	290,911	256,630	(34,281)	69,000	(221,911)
Miscellaneous	3,879	(66,927)	(70,806)	-	(3,879)
Total Funding (A)	\$ 51,025,092	\$ 58,139,890	\$ 7,114,798	\$ 23,219,138	\$ (27,805,954)
Expenses					
Personnel Expenses					
Salaries	\$ 24,445,264	\$ 26,782,685	\$ 2,337,421	\$ 12,096,225	\$ (12,349,038)
Payroll Taxes	1,757,632	1,939,887	182,255	774,001	(983,631)
Benefits	3,443,465	3,636,095	192,630	2,129,744	(1,313,721)
Retirement Costs	1,593,510	1,819,237	225,727	774,001	(819,509)
Total Personnel Expenses	\$ 31,239,871	\$ 34,177,904	\$ 2,938,033	\$ 15,773,971	\$ (15,465,900)
Meeting Expenses					
Meetings	\$ 996,254	\$ 961,725	\$ (34,529)	\$ 873,476	\$ (122,778)
Travel	1,942,001	1,950,384	8,383	1,484,456	(457,545)
Conference Calls	172,492	118,183	(54,309)	114,222	(58,270)
Total Meeting Expenses	\$ 3,110,747	\$ 3,030,292	\$ (80,455)	\$ 2,472,154	\$ (638,593)
Operating Expenses					
Consultants & Contracts	\$ 5,830,998	\$ 13,841,654	\$ 8,010,656	\$ 4,387,302	\$ (1,443,696)
Office Rent	1,975,323	1,857,522	(117,801)	936,072	(1,039,251)
Office Costs	6,214,635	7,876,507	1,661,872	1,405,454	(4,809,181)
Professional Services	722,829	1,237,323	514,494	758,756	35,927
Miscellaneous	-	-	-	-	-
Depreciation	4,176,235	4,400,446	224,211	580,000	(3,596,235)
Total Operating Expenses	\$ 18,920,019	\$ 29,213,452	\$ 10,293,433	\$ 8,067,584	\$ (10,852,435)
Total Direct Expenses	\$ 53,270,637	\$ 66,421,648	\$ 13,151,011	\$ 26,313,709	\$ (26,956,929)
Indirect Expenses	\$ (443,310)	\$ (594,843)	\$ (151,534)	\$ (541,111)	\$ (97,801)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 52,827,327	\$ 65,826,805	\$ 12,999,477	\$ 25,772,598	\$ (27,054,729)
Change in Assets	\$ (1,802,235)	\$ (7,686,915)	\$ (5,884,680)	\$ (2,553,459)	\$ (751,224)
Fixed Assets					
Depreciation	\$ (4,176,235)	\$ (4,400,446)	\$ (224,211)	\$ (580,000)	\$ 3,596,235
Computer & Software CapEx	1,253,000	1,502,744	249,744	309,487	(943,513)
Furniture & Fixtures CapEx	34,000	11,000	(23,000)	-	(34,000)
Equipment CapEx	1,087,000	1,650,158	563,158	136,000	(951,000)
Leasehold Improvements	-	1,461,873	1,461,873	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	\$ (1,802,235)	\$ 225,329	\$ 2,027,564	\$ (134,513)	\$ 1,667,722
TOTAL BUDGET (B+C)	51,025,092	66,052,134	15,027,041	25,638,084	(25,387,008)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ (7,912,244)	\$ (7,912,244)	\$ (2,418,946)	\$ (2,418,946)
FTEs	216.3	230.8	14.5	135.0	(81.3)
HC	243.0	253.0	10.0	135.0	(108.0)

Section A – Statutory Programs

2014 Business Plan and Budget

Section A — 2014 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.5	4.0	0.5
Direct Expenses	\$ 677,776	\$ 597,739	\$ (80,037)
Indirect Expenses	\$ 310,317	\$ 432,890	\$ 122,573
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (12,790)	\$ (7,628)	\$ 5,162
Total Funding Requirement	\$ 975,303	\$ 1,023,001	\$ 47,698

Program Scope and Functional Description

WECC's standards development activities are divided into two categories:

1. Participation in the NERC Reliability Standards Development Procedure.
2. Development of Western Interconnection Regional Reliability Standards (RRS), Regional Criteria, and Regional Business Practices.

WECC's standards development process is overseen by the WECC Standards Committee and is open to participation by all parties interested in providing input during the drafting, comment, and approval processes. Each standard is recommended by vote of a ballot pool formed from the WECC Ballot Body. Standards are balloted electronically during 15-day ballot windows. Upon approval by the ballot pool, standards are forwarded to the WECC Board for approval. Once approved by the WECC Board, the standards are sent to the NERC Board of Trustees for adoption. NERC then files these reliability standards with FERC for approval.

The WECC Reliability Standards Development Procedures are also used for the development of WECC Regional Criteria and Regional Business Practices. Regional Criteria are requirements that are approved by the WECC Board. They do not require NERC or FERC approval. WECC develops its Regional Criteria to meet the requirements of NERC Fill-in-the-Blank Standards.³ Regional Business Practices are requirements that are approved by the WECC Board. They do not require NERC or FERC approval. WECC develops its Regional Business Practices to establish consistency among WECC member entities with respect to specific business practices, technical procedures, documentation procedures, or administrative procedures.

³ Fill-in-the-Blank Standards are reliability standards developed by NERC that require the Regional Reliability Organizations to develop criteria for use by users, owners, or operators within the region.

2014 Key Assumptions

- Integration of renewable resources may require new or modified NERC Reliability Standards.
- WECC will continue to rely on stakeholder volunteers for the staffing of NERC Standards drafting teams.
- WECC Standards staff will take an active role in the coordination and communication of NERC Standards drafting teams' activities to the Western stakeholders.
- WECC expects that a significant proportion of the work required to develop regional standards, regional criteria, and regional business practices will continue to be performed by voluntary stakeholder participation.
- Depending on the final treatment of the NERC Fill-in-the-Blank Standards, it may be necessary to develop one or more RRSs to address any regional obligations in this area.

2014 Goals and Key Deliverables

- Ensure the Western Interconnection perspective is represented in NERC continent-wide Reliability Standards.
- Ensure that the WECC Standards Department meets the needs of the Western stakeholders in the area of RRSs, Regional Criteria, and Regional Business Practices.
- Ensure that WECC members and stakeholders are informed and engaged in the NERC Standards development efforts.
- Provide leadership and guidance to the Western Interconnection efforts to advance the NERC Results-Based Standards initiative.
- Undertake regular outreach to keep stakeholders informed about standards development and the NERC Results-Based Standards initiative.
- Provide support to NERC's informal outreach efforts.
- Ensure that WECC's procedures are developed to comply with the requirements of the NERC Fill-in-the-Blank Standards.
- Triage NERC Standards development projects and provide timely analyses to WECC members.
- Continue updates and enhancements to the WECC Standards Outreach Web page.
- Facilitate and support the activities of the WECC Standards Committee.

Funding Sources and Requirements — Explanation of Increase (Decrease)**Funding Sources (Other than Electric Reliability Organization (ERO) Assessments)**

- Assessments are offset by the allocation of \$133,000 in penalty sanctions received by WECC on or prior to June 30, 2013.
- Interest revenue is allocated based on FTEs.

Personnel Expenses

- Personnel Expenses decrease by \$43,000 primarily due to a 15 percent reduction in salaries, payroll taxes, insurance, and retirement costs in 2014 to budget for labor float.

Meeting Expenses

- Total Meeting Expenses decrease by \$14,000, primarily due to lower attendance at NERC Board of Trustees meetings.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs. The reliability standards allocation increase is due to the creation of the new entity. The percentage of Standards FTEs to total WECC FTEs increases in 2014 as a result of the reduction in total WECC FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2014 Business Plan and Budget are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
RELIABILITY STANDARDS					
Funding					
WECC Funding					
WECC Assessments	\$ 903,967	\$ 903,967	\$ -	\$ 790,180	\$ (113,787)
Penalty Sanctions	64,888	64,888	-	133,169	68,281
Total WECC Funding	\$ 968,855	\$ 968,855	\$ -	\$ 923,349	\$ (45,506)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	6,363	5,739	(624)	3,133	(3,230)
Miscellaneous	85	(1,249)	(1,334)	-	(85)
Total Funding (A)	\$ 975,303	\$ 973,345	\$ (1,958)	\$ 926,482	\$ (48,821)
Expenses					
Personnel Expenses					
Salaries	\$ 464,771	\$ 439,541	\$ (25,230)	\$ 447,768	\$ (17,003)
Payroll Taxes	34,916	32,972	(1,944)	30,138	(4,778)
Benefits	60,156	48,728	(11,428)	48,499	(11,657)
Retirement Costs	40,139	30,206	(9,933)	30,138	(10,001)
Total Personnel Expenses	\$ 599,982	\$ 551,447	\$ (48,535)	\$ 556,543	\$ (43,439)
Meeting Expenses					
Meetings	\$ 14,754	\$ 14,754	\$ -	\$ 528	\$ (14,226)
Travel	43,000	43,000	-	28,360	(14,640)
Conference Calls	11,400	11,400	-	4,188	(7,212)
Total Meeting Expenses	\$ 69,154	\$ 69,154	\$ -	\$ 33,076	\$ (36,078)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	8,640	7,170	(1,470)	8,120	(520)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 8,640	\$ 7,170	\$ (1,470)	\$ 8,120	\$ (520)
Total Direct Expenses	\$ 677,776	\$ 627,771	\$ (50,005)	\$ 597,739	\$ (80,037)
Indirect Expenses	\$ 310,317	\$ 256,802	\$ (53,515)	\$ 432,890	\$ 122,573
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 988,093	\$ 884,573	\$ (103,520)	\$ 1,030,629	\$ 42,536
Change in Assets	\$ (12,790)	\$ 88,771	\$ 101,561	\$ (104,147)	\$ (91,357)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (12,790)	\$ (5,048)	\$ 7,742	\$ (7,628)	\$ 5,162
Incr(Dec) in Fixed Assets (C)	\$ (12,790)	\$ (5,048)	\$ 7,742	\$ (7,628)	\$ 5,162
TOTAL BUDGET (B+C)	975,303	879,525	(95,778)	1,023,001	47,698
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ 93,819	\$ 93,819	\$ (96,519)	\$ (96,519)
FTEs	3.5	3.3	(0.3)	4.0	0.5
HC	4.0	4.0	-	4.0	-

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	50.5	58.0	7.5
Direct Expenses	\$ 8,931,897	\$ 8,592,053	\$ (339,844)
Indirect Expenses	\$ 4,477,429	\$ 6,276,897	\$ 1,799,468
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (250,045)	\$ (105,602)	\$ 144,443
Total Funding Requirement	\$ 13,159,281	\$ 14,763,348	\$ 1,604,067

Program Scope and Functional Description

Compliance monitoring and enforcement is essential to WECC's mission as a Regional Entity, and to its fulfillment of the requirements of the WECC/NERC Delegation Agreement. This agreement delegates compliance monitoring and enforcement authority in the United States portion of the Western Interconnection to WECC.

WECC's Compliance Monitoring and Enforcement Program (CMEP) is implemented by WECC Compliance staff members who are independent of all users, owners, and operators of the BES. All approved and effective mandatory reliability standards are monitored and enforced under the CMEP, including standards made mandatory pursuant to FERC Order 693,⁴ and the Critical Infrastructure Protection (CIP) standards under FERC Order 706.⁵ Under the CMEP, WECC undertakes the following activities:

- 1) Recommends the registration of entities for applicable functions to NERC. WECC facilitates the registration process, ensures that there are no omissions in the registration of entities in the Western Interconnection, and helps resolve registration disputes.
- 2) Monitors Registered Entities' compliance with reliability standards using the following methods:

Compliance Audits – Conducts either on-site or off-site audits of all Registered Entities.

Self-Certification – Reviews Registered Entities' annual certifications of compliance or non-compliance with standards.

Spot-Checks – Verifies compliance with specific standards in connection with reviews of self-certification, or in scheduled CIP spot checks.

⁴ *Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, 72 FR 16,416 (Apr. 4, 2007), FERC Stats. & Regs. ¶ 31,242 (2007).

⁵ *Mandatory Reliability Standards for Critical Infrastructure Protection*, Order No. 706, 73 FR 7368 (Feb. 7, 2008), 122 FERC ¶ 61,040 (2008).

Compliance Investigations – Investigates violations; usually as the result of a system event or disturbance, but possibly from other sources.

Self-Reports – Reviews and follows up on reports from Registered Entities' continuous monitoring efforts by their internal compliance programs.

Periodic Data Submittals – Reviews monthly and quarterly reports that are submitted in compliance with certain standards.

Exception Reporting – Requires reports on a small set of standards when violations occur.

Complaints – Investigates whether a violation has occurred when the WECC Compliance staff is alerted to a potential violation.

3) Conducts enforcement activities that include:

Mitigation Plans – Reviews, monitors, and verifies mitigation plans filed by Registered Entities to correct violations.

Penalty Calculations – Determines, as appropriate, proposed penalties for alleged violations.

Settlement Negotiations – Conducts settlement negotiations with Registered Entities when requested.

The Compliance function also undertakes the following processes in support of its activities:

System Events – Reviews certain events and encourages registered entities to perform an internal assessment of compliance for those events. Also, considers self-reporting violations and other compliance monitoring processes as appropriate.

Entity Impact Evaluations (formerly known as Risk-Based Assessments) – Conducts a review and assessment of Registered Entities to determine scope of audits.

Lessons Learned and Best Practices – Develops lessons learned from all monitoring and enforcement activities and communicates these during interactions with Registered Entities: for example; during audits, reviews of Self-Reports, or reviews of proposed or completed Mitigation Plans.

Hearings and Appeals – Participates in any hearings and appeals as needed.

Outreach and Education – Manages an active educational program, holding numerous in-person meetings and monthly calls in an effort to educate Registered Entities on compliance issues and to improve their compliance programs.

The Hearings budget is included in the Compliance budget and is reflected in the table on page 22. For structural and governance purposes, the Hearings function is discussed separately in this section.

Compliance in Alberta, British Columbia, and Mexico

Alberta and British Columbia, Canada; and Baja California Norte, Mexico are all part of the WECC footprint, and have adopted or are adopting mandatory reliability standards

based on FERC-approved standards. WECC has entered into agreements with the Alberta Market Surveillance Administrator (MSA), the British Columbia Utilities Commission (BCUC), and Mexico's Comisión Federal de Electricidad (CFE) under which WECC performs compliance monitoring activities to help assure reliability across international borders within the Western Interconnection. These monitoring activities began during 2010, increased considerably during 2011 and 2012, and will continue to increase in 2013 and 2014, primarily due to audits in CFE that are scheduled to begin this year.

Reliability Management System (RMS)

In 1996, the Western Systems Coordinating Council (WSCC)⁶ created the RMS, a contract-based compliance enforcement mechanism. The RMS grew to encompass 14 criteria. In the U.S., since all RMS Criteria have been adopted either as RRSs or NERC Standards, the RMS was terminated in 2011.

The RMS in British Columbia was terminated in 2010 as the province adopted equivalent standards. The adoption of Alberta Standards is expected to be completed during 2013, after which the RMS will be terminated in Alberta. The CFE (Baja California, Mexico) is also in the process of adopting mandatory standards, with highest priority given to standards corresponding to RMS Criteria. Governmental entities in Alberta and Mexico will ultimately decide when to replace all RMS criteria with applicable standards and terminate the RMS. WECC anticipates that the impact of RMS Criteria on resources will be negligible.

2014 Key Assumptions

WECC Compliance is incorporating Key Assumptions relevant to 2014 from the 2014 NERC Business Plan and Budget, Exhibit A: Common Assumptions,⁷ used by NERC and the Regional Entities in formulating 2014 budgets. At this time the impact of many of the Assumptions is speculative; therefore, additions to the 2014 budget based on the Assumptions are not being proposed. If it becomes evident that impacts emerge that cannot be absorbed by current staffing levels and the existing proposed 2014 budget, then Compliance may seek approval for additional funds. The most significant assumptions (in bold) are from the Common Assumptions, and WECC's current assessment of the impact these assumptions may have is detailed below:

“External factors will continue to affect both resource needs and allocation...”:

“The final definition of the BES, as well as the number of exception requests.”

Depending on the outcome and timing of these initiatives, Compliance may register and monitor additional Registered Entities — or de-register and monitor fewer. At this time it is uncertain what Compliance resources will be required to manage the filings by Registered Entities claiming inclusions and exclusions under the new BES definition as well as requests for exceptions. WECC did not

⁶ The WSCC was one of the companies and regional transmission associations that merged to form WECC.

⁷ Shared Business Plan and Budget Assumptions: NERC and the Regional Entities, 2014-2016 Planning Period, provided in Exhibit A to the NERC 2014 Business Plan and Budget.

budget for BES inclusion, exclusion, or exception processing in the 2014 budget due to the uncertainty and timing of the BES definition approval and of the processing requirements. Additionally, WECC carries adequate reserve levels to fund the work if the need arises.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program:

Compliance and Enforcement

“Improvements in consistency among Regional Entities, and registered entities are expected from an improved centralized compliance, registration, analysis, and tracking system. A significant multiyear investment will be required to develop and implement the system.”

It is uncertain what impact this may have on WECC’s Program Administration and how widely Regional Entities will be expected to alter their current practices, equipment, and programs; what the associated costs might be; and how they might be allocated. To the extent this initiative succeeds, it could provide further efficiencies in WECC’s interactions related to reporting data and sending information to NERC.

In addition, during 2014 (as in every year), WECC Compliance is expected to respond to FERC directives and orders as well as to significant new initiatives not currently identified that may be generated by NERC. An uncertainty that may result in significant impact on resources is the transition from CIP version 3 standards to CIP version 5. Possible impacts include additional workload, need for increased outreach and training, and the actual transition and associated guidance that may be issued by NERC.

2014 Goals and Key Deliverables

- Monitor and enforce compliance with mandatory standards in accordance with the WECC/NERC Delegation Agreement, including the Rules of Procedure and the CMEP within the U.S. and, with respect to non-U.S. jurisdictions, monitor compliance in accordance with the approved memoranda of understanding with Canadian and Mexican authorities.
- Ensure all auditors meet NERC auditor training requirements.
- Work with Registered Entities within the WECC Region to promote a strong culture of compliance and reliability improvement. Identify key areas needing improvement and implement educational efforts to improve compliance in those areas, based on Compliance program results and system events.
- Identify where existing NERC Reliability Standards can be improved or clarified.
- Use technology effectively to collaborate and share information.
- Use resources effectively and efficiently.
- Participate in and represent the Western Interconnection on issues that will impact WECC in NERC and regional initiatives for example: refining risk-based monitoring, streamlining enforcement processing, and monitoring information technology initiatives.

- Perform CMEP tasks that are estimated based on 2012 and 2013 data, and expected impact from the 2013-2015 Assumptions. These estimates may change as more information becomes available:
 - Conduct 90 assessments and make recommendations based on current rules in effect relating to the registration of entities.
 - Conduct 21 on-site audits of Operations and Planning standards.
 - Conduct 20 on-site audits of Cyber Security standards. (Note that due to transition to new versions of CIP standards, CIP audits may be more time-consuming than they have been in the past.)
 - Conduct 130 off-site audits (for both Operations and Planning, and Cyber Security Standards).
 - Process 15,000 self-certification forms.
 - Process 500 self-report forms.
 - Perform 15 spot-checks.
 - Process 625 violations.
 - Review 750 mitigation plans.
 - Review 325 completed mitigation plans.
 - Conduct three Compliance Investigations.
 - Validate, track, and monitor Technical Feasibility Exception (TFE) requests. If proposed changes to the TFE process are adopted by FERC, the administrative burden will be less than in the past but auditors still will be required to validate TFEs.
 - Complete 35 reviews or compliance assessments relating to Event Analysis.

Funding Sources and Requirements — Explanation of Increase (Decrease)

WECC is the largest of the Regional Entities with 466 Registered Entities that include 1,239 registered functions (according to the NERC Registry as of May 31, 2013). The Compliance Department manages the CMEP processes for every Registered Entity and registered function in the Western Interconnection.

The resource needs for the registration, audit, investigations, and enforcement activities for 2014 are expected to increase minimally over 2013. This estimation is based on:

- actual workload in 2012;
- experience gained in 2013;
- assumptions in the 2013 WECC Business Plan and Budget; and
- assumptions in the 2014 WECC Business Plan and Budget.

Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of \$1.9 million in penalty sanctions received by WECC on or prior to June 30, 2013.
- Interest revenue is allocated based on FTEs.

Personnel Expenses

- FTEs increase by 7.5 due to the addition of one position and the methodology change for budgeting for labor float.
- Salaries decrease by \$249,000 primarily due to a 15 percent reduction for labor float.
- Payroll Taxes decrease by \$48,000 with Salaries.
- Benefits increase by \$38,000 primarily due to a 20 percent increase in insurance premiums and additional employee training.

Meeting Expenses

- Travel increases by \$94,000 due to an increase in audit engagements as well as employee training opportunities.

Operating Expenses

- Consultants and Contracts decrease by \$45,000 due to the departure of one contractor and fewer significant cases requiring outside expertise.
- Office Costs decrease by \$44,000 primarily due to software enhancements completed in 2013.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs. The Compliance allocation increases by \$1.7 million due to the creation of the new entity. The percentage of Compliance FTEs to total WECC FTEs increases in 2014 as a result of the overall reduction of total WECC FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

COMPLIANCE AND ORGANIZATION REGISTRATION AND CERTIFICATION

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 11,696,264	\$ 11,696,264	\$ -	\$ 10,955,928	\$ (740,336)
Penalty Sanctions	936,241	936,241	-	1,930,952	994,711
Total WECC Funding	\$ 12,632,505	\$ 12,632,505	\$ -	\$ 12,886,880	\$ 254,375
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	433,750	433,550	(200)	438,125	4,375
Interest	91,802	81,335	(10,467)	45,426	(46,376)
Miscellaneous	1,224	(20,948)	(22,172)	-	(1,224)
Total Funding (A)	\$ 13,159,281	\$ 13,126,442	\$ (32,839)	\$ 13,370,431	\$ 211,150
Expenses					
Personnel Expenses					
Salaries	\$ 5,019,223	\$ 5,154,544	\$ 135,321	\$ 4,769,767	\$ (249,456)
Payroll Taxes	370,015	390,471	20,456	322,315	(47,700)
Benefits	757,768	649,760	(108,008)	795,563	37,795
Retirement Costs	314,433	348,859	34,426	322,315	7,882
Total Personnel Expenses	\$ 6,461,439	\$ 6,543,634	\$ 82,195	\$ 6,209,960	\$ (251,479)
Meeting Expenses					
Meetings	\$ 452,985	\$ 464,585	\$ 11,600	\$ 462,503	\$ 9,518
Travel	872,000	703,482	(168,518)	966,340	94,340
Conference Calls	64,550	23,606	(40,944)	41,780	(22,770)
Total Meeting Expenses	\$ 1,389,535	\$ 1,191,673	\$ (197,862)	\$ 1,470,623	\$ 81,088
Operating Expenses					
Consultants & Contracts	\$ 470,000	\$ 700,363	\$ 230,363	\$ 424,800	\$ (45,200)
Office Rent	-	3,619	3,619	-	-
Office Costs	494,423	392,059	(102,364)	450,670	(43,753)
Professional Services	1,000	-	(1,000)	-	(1,000)
Miscellaneous	-	-	-	-	-
Depreciation	115,500	82,730	(32,770)	36,000	(79,500)
Total Operating Expenses	\$ 1,080,923	\$ 1,178,771	\$ 97,848	\$ 911,470	\$ (169,453)
Total Direct Expenses	\$ 8,931,897	\$ 8,914,078	\$ (17,819)	\$ 8,592,053	\$ (339,844)
Indirect Expenses	\$ 4,477,429	\$ 4,306,377	\$ (171,052)	\$ 6,276,897	\$ 1,799,468
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 13,409,326	\$ 13,220,455	\$ (188,871)	\$ 14,868,950	\$ 1,459,624
Change in Assets	\$ (250,045)	\$ (94,013)	\$ 156,032	\$ (1,498,519)	\$ (1,248,474)
Fixed Assets					
Depreciation	(115,500)	(82,730)	32,770	(36,000)	79,500
Computer & Software CapEx	50,000	50,000	-	10,000	(40,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	31,000	31,000
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (184,545)	\$ (84,649)	\$ 99,896	\$ (110,602)	\$ 73,943
Incr(Dec) in Fixed Assets (C)	\$ (250,045)	\$ (117,379)	\$ 132,666	\$ (105,602)	\$ 144,443
TOTAL BUDGET (B+C)	13,159,281	13,103,076	(56,205)	14,763,348	1,604,067
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ 23,366	\$ 23,366	\$ (1,392,917)	\$ (1,392,917)
FTEs	50.5	54.5	4.0	58.0	7.5
HC	57.0	57.0	-	58.0	1.0

Hearings

Background

The WECC 2014 budget for Hearings is reflected in the following table. These expenditures are included in the Compliance Program *Statement of Activities*.

Hearings			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses	\$ 14,550	\$ -	\$ (14,550)
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 14,550	\$ -	\$ (14,550)

Program Scope and Functional Description

The role of the Hearing Officer is to coordinate and conduct evidentiary hearings of disputes and then issue initial decisions to the Hearing Panel for approval. In cases of particular complexity or significant regional interest, the Hearing Panel may conduct or participate in the evidentiary hearing.

The Compliance Hearing Body (CHB) is comprised of volunteers from the WECC Board, WECC members, and consultants. The Hearing Panel will be drawn from a pool of individuals on the CHB.

Legal Department staff will support the Hearing Officer and Hearing Panel and those staff members will be screened from compliance matters when a hearing is pending.

2014 Key Assumptions

- WECC will maintain current operations.
- NERC expectations in terms of hearing requirements will be clearly defined.
- WECC does not anticipate any hearings in 2014.

2014 Goals and Key Deliverables

- Provide independent, fair, efficient, and cost effective support to the WECC Hearing Panel.
- Meet all timelines identified in the WECC Hearing Procedures.
- Maintain hearing records.
- Manage the hearing budget.

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	19.6	23.6	4.0
Direct Expenses	\$ 5,408,087	\$ 6,516,514	\$ 1,108,427
Indirect Expenses	\$ 1,734,819	\$ 2,554,048	\$ 819,229
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 220,096	\$ (16,516)	\$ (236,612)
Total Funding Requirement	\$ 7,363,002	\$ 9,054,046	\$ 1,691,044

Program Scope and Functional Description

WECC staff conducts a variety of studies and assessments essential to the reliable planning and operation of the BES in the Western Interconnection. In addition, WECC staff compiles and distributes planning data and information that is used by WECC members to aid in local planning studies. These integrated planning efforts enhance WECC's overall ability to participate in, and respond to, the major planning and public policy issues emerging both in the Western Interconnection and nationally.

The Reliability Assessment and Performance Analysis (RAPA) budget supports the efforts of the Transmission Expansion Planning function, the Planning Services function and the Reliability Assessments function.

Transmission Expansion Planning

WECC assists with fulfilling the FERC Order 890 requirement for regional transmission planning cooperation in the Western Interconnection through its Transmission Expansion Planning (TEP) activities. Specifically, WECC provides credible data, tools, and analysis about the future of the Western Interconnection. This work is conducted in an open, public process led by the WECC Transmission Expansion Planning Policy Committee (TEPPC). WECC's TEP activities are partially funded by a DOE grant through 2014 under the Regional Transmission Expansion Planning (RTEP) project.

TEPPC is a WECC Board Committee of 20 members representing all classes of stakeholders with representation from all geographic subregions of WECC. TEPPC and its subgroups work closely and coordinate with Western Interconnection state, provincial, and federal government entities.

Transmission Expansion Planning's deliverables are:

- Oversee and maintain a public database for production cost and related analysis;
- Develop and implement Interconnection-wide expansion planning processes;
- Guide and improve the economic analysis and modeling of the Western Interconnection and conduct transmission studies; and

- Prepare Interconnection-wide transmission plans consistent with applicable NERC and WECC Reliability Standards.

Planning Services

The Planning Services function, working with the Planning Coordination Committee and its subcommittees, collects and compiles information needed to develop planning resources for WECC member entities. These resources include interconnection-wide base case models, study assessments, and transmission facility maps.

In addition, Planning Services provides power system subject matter expertise to industry activities such as NERC Standards development and BES Definition exception request processing.

Planning Services is proposing a one-time expenditure of \$400,000 in 2014 for further development of the composite load model and to develop Remedial Action Scheme (RAS) and relay models for use in power flow and stability simulation programs. These efforts include contracting with subject matter specialists who can provide expertise and with vendors that can provide tools needed to develop equipment models.

Planning Services' deliverables are:

- Power Flow and Stability Base Cases.
- Annual Study Program Report.
- WECC Transmission Maps (existing and planned).
- Project Coordination and Project Rating Review Process Logging.
- Path Rating Catalog.
- Dynamic Model Development and Validation.
- BES Definition exception request processing.
- Support for all WECC groups under the PCC except the Loads and Resources Subcommittee (LRS).
- Monitor and support the activities of the NERC Planning Committee, the Systems Analysis and Modeling Subcommittee, and associated work groups.

Reliability Assessments

The Reliability Assessments function, working with the PCC's LRS, creates and analyzes supply and demand assessments for the Western Interconnection.

The mission of the Reliability Assessments group is to produce and distribute credible data, information, and analyses. The Reliability Assessments group creates reliability adequacy assessments that include the Power Supply Assessment, NERC seasonal assessments, and the Long-Term Reliability Assessment.

In addition, the Reliability Assessment function has been appointed to oversee the analysis of data related to system outages, compliance violations, system performance, and planning data. This data will be analyzed to identify trends and potential system

vulnerabilities and will be compiled in the annual WECC State of the Interconnection Report.

Reliability Assessments' deliverables are:

- NERC Long-Term Reliability Assessment.
- Seasonal assessments (summer and winter).
- NERC Probabilistic Reliability Assessment.
- WECC Power Supply Assessment.
- Support of the LRS.
- Annual State of the Interconnection Report.
- NERC Transmission Availability Data System (TADS), Generator Availability Data System (GADS), and Demand Response Availability Data System (DADS) filing verification and submittal.
- Monitor and support the activities of the NERC Reliability Assessment Subcommittee, the Performance Analysis Subcommittee, and associated work groups.

2014 New Initiatives and Goals

The PCC began implementing the Base Case Coordination System (BCCS) in 2013 and implementation efforts will continue into 2014.⁸ Efforts will be focused on populating the database and ensuring that it produces credible base cases. Extensive WECC member outreach and training associated with the BCCS is also planned. Ongoing costs related to database management and software updates are expected to begin in 2015, and are expected to total approximately \$85,000 annually.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of \$786,000 in penalty sanctions received by WECC on or prior to June 30, 2013.
- WECC will receive \$3.6 million in DOE grant funding for the RTEP project. The funds directly offset expenditures related to the RTEP project.
- Interest revenue is allocated based on FTEs.

Personnel Expenses

- Salaries increase by a net of \$86,000 primarily due to an increase of four FTEs. Salaries were also reduced by 15 percent due to the change in budgeting for labor float.

⁸ The BCCS will be a Web-accessible, centralized database that automates existing processes. It will provide a central location for maintaining base-case information.

- Benefits increase by \$59,000 due to an estimated 20 percent increase in insurance premiums.

Meeting Expenses

- Meetings decrease by \$46,000 due to a reduction in the number of meetings and the expected number of participants.
- Travel increases by \$14,000 primarily due to an increase in FTEs and increased staff attendance at path rating study meetings.

Operating Expenses

- Consultants and Contracts increase by \$840,000.
 - Consultants and Contracts related to the RTEP grant increase by \$700,000 due to additional activities being undertaken as part of the grant extension through 2014.
 - Consultants and Contracts in non-grant activities increase by \$140,000. This increase is primarily related to the continued development of the BCCS, and additional model development and system validation efforts of the Model Validation Work Group (MVWG).
- Office Costs increase by \$52,000 primarily due to software licensing fees for the Long-Term Planning Tool used by RTEP. Two years of licensing fees were included in the original purchase price. 2014 will be the first year these fees are paid as a renewal.
- Professional Services decrease by \$30,000 due to the elimination of Non-Affiliated Director fees associated with the RTEP grant.
- Depreciation was under-budgeted in 2013. Depreciation increases by \$143,000 in 2014 to more accurately reflect actual depreciation.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs. The Reliability Assessment and Performance Analysis Program allocation increases by \$762,000 due to the creation of the new entity. The percentage of RAPA FTEs to total WECC FTEs increases in 2014 as a result of the overall reduction of total WECC FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- CapEx increases by a net \$64,000, primarily due to the acquisition of load forecasting software for the RTEP grant and the allocation of Fixed Assets from Administrative Services areas.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 3,834,675	\$ 3,834,675	\$ -	\$ 3,767,309	\$ (67,366)
Penalty Sanctions	362,755	362,755	-	785,698	422,943
Total WECC Funding	\$ 4,197,430	\$ 4,197,430	\$ -	\$ 4,553,007	\$ 355,577
Membership Dues	-	-	-	-	-
Federal Grants	3,129,529	2,664,502	(465,027)	3,628,308	498,779
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	35,569	31,396	(4,173)	18,484	(17,085)
Miscellaneous	474	(7,402)	(7,876)	-	(474)
Total Funding (A)	\$ 7,363,002	\$ 6,885,925	\$ (477,077)	\$ 8,199,799	\$ 836,797
Expenses					
Personnel Expenses					
Salaries	\$ 1,928,608	\$ 2,024,098	\$ 95,490	\$ 2,014,830	\$ 86,222
Payroll Taxes	142,732	153,356	10,624	134,116	(8,616)
Benefits	237,122	250,306	13,184	296,187	59,065
Retirement Costs	133,061	153,657	20,596	134,116	1,055
Total Personnel Expenses	\$ 2,441,523	\$ 2,581,417	\$ 139,894	\$ 2,579,249	\$ 137,726
Meeting Expenses					
Meetings	\$ 111,423	\$ 83,144	\$ (28,279)	\$ 65,065	\$ (46,358)
Travel	134,900	97,491	(37,409)	148,800	13,900
Conference Calls	33,000	28,546	(4,454)	30,750	(2,250)
Total Meeting Expenses	\$ 279,323	\$ 209,181	\$ (70,142)	\$ 244,615	\$ (34,708)
Operating Expenses					
Consultants & Contracts	\$ 2,527,541	\$ 1,842,698	\$ (684,843)	\$ 3,368,000	\$ 840,459
Office Rent	-	-	-	-	-
Office Costs	61,300	119,326	58,026	113,650	52,350
Professional Services	30,000	8,563	(21,437)	-	(30,000)
Miscellaneous	-	-	-	-	-
Depreciation	68,400	163,676	95,276	211,000	142,600
Total Operating Expenses	\$ 2,687,241	\$ 2,134,263	\$ (552,978)	\$ 3,692,650	\$ 1,005,409
Total Direct Expenses	\$ 5,408,087	\$ 4,924,861	\$ (483,226)	\$ 6,516,514	\$ 1,108,427
Indirect Expenses	\$ 1,734,819	\$ 1,717,020	\$ (17,799)	\$ 2,554,048	\$ 819,229
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 7,142,906	\$ 6,641,881	\$ (501,025)	\$ 9,070,562	\$ 1,927,656
Change in Assets	\$ 220,096	\$ 244,045	\$ 23,949	\$ (870,763)	\$ (1,090,859)
Fixed Assets					
Depreciation	(68,400)	(163,676)	(95,276)	(211,000)	(142,600)
Computer & Software CapEx	360,000	329,260	(30,740)	239,487	(120,513)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (71,504)	\$ (33,751)	\$ 37,753	\$ (45,003)	\$ 26,501
Incr(Dec) in Fixed Assets (C)	\$ 220,096	\$ 131,833	\$ (88,263)	\$ (16,516)	\$ (236,612)
TOTAL BUDGET (B+C)	7,363,002	6,773,714	(589,288)	9,054,046	1,691,044
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ 112,212	\$ 112,212	\$ (854,247)	\$ (854,247)
FTEs	19.6	21.7	2.1	23.6	4.0
HC	24.0	24.0	-	23.0	(1.0)

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.5	2.0	0.5
Direct Expenses	\$ 427,889	\$ 496,262	\$ 68,373
Indirect Expenses	\$ 110,851	\$ 196,829	\$ 85,978
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (5,482)	\$ (3,814)	\$ 1,668
Total Funding Requirement	\$ 533,258	\$ 689,277	\$ 156,019

Program Scope and Functional Description

The Training Department provides education and training for system operators and schedulers. The WECC training staff develops the annual training curriculum with the assistance of the Operations Training Subcommittee (OTS). These training sessions will primarily be held at the Salt Lake City Training Center, with the balance hosted by WECC members.

The Training Department also provides two System Overview Workshops each year. These two-day workshops are designed for those who have not been directly involved in day-to-day power system operations and are interested in better understanding this aspect of the power industry.

The Training Department and the OTS organize and host an annual Train-the-Trainer workshop. This workshop is targeted at training staff from WECC members and includes presentations from industry training experts. In addition, WECC's Training Department organizes and hosts the Systematic Approach to Training (SAT) Instructor's Course. This week-long course is designed to assist WECC members' training staff to design, develop, and implement training programs. The SAT also provides individual training activities to assist training staff in meeting the requirements in the NERC Reliability Standard PER-005.

2014 Key Assumptions

- Attendance during 2012 continued to decline. Revenue budget for 2014 is based on actual attendance from 2012 training sessions. Early indications in 2013 show an increase in attendance for the first few classes. With this increased attendance trend in 2013, coupled with improvements to the content of the training sessions, WECC is optimistic that training attendance in 2014 will continue to trend upward.
- There are no significant changes in operator certification continuing education unit requirements for 2014.
- The Training, Education, and Operator Certification program area is self-funded in 2014.

- One additional FTE will be added in 2014 to support expanded use of a Dispatcher Training Simulator, examination of computer-based training, and support of corporate training opportunities. The primary responsibility of this position will be to develop the training scenarios for simulation exercises. This position will also be responsible for developing, updating, and delivering, where appropriate, the WECC training programs for electric utility operations personnel (System Operators, Power Schedulers, and Sub-transmission Operators) and providing a contingency plan for backup instructor.

2014 Goals and Key Deliverables

- Facilitate sound decision making to improve reliability by providing high-quality operator training through the WECC-sponsored Training Program, to include:
 - Review and revise curriculum as needed;
 - Support the Continuing Education Program for system operators requiring NERC Certification;
 - Expand the use of the simulator and practical Western Interconnection-specific training. This will include creation and implementation of simulator cases that are specific to the Western Interconnection; and
 - Evaluate member feedback and concerns and address through training program improvements.
- Ensure the Western Interconnection is represented in reliability matters by participating in the NERC Personnel Subcommittee and other industry forums.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Assessments are offset by the allocation of \$67,000 in penalty sanctions received by WECC on or prior to June 30, 2013.
- Workshop revenue increases by \$68,000 due to the increase in the total number of sessions and a preliminary estimate of operators scheduled to attend training sessions.
- Interest revenue is allocated based on FTEs.

Personnel Expenses

- Personnel Expenses increase by a net \$50,000 due to a 0.5 increase in FTEs and 15 percent reduction in expenses related to the change in methodology for budgeting for labor float.

Meeting Expenses

- Meetings decrease by \$44,000 due to a decrease in the number of meetings and an anticipated decrease in the number of attendees.

Operating Expenses

- Consultants and Contracts increase by \$14,000 due to the increased use of consultants to conduct training sessions.
- Office Costs increase by \$47,000 due to an incremental simulator license fee.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	TRAINING AND EDUCATION				
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 51,135	\$ 51,135	\$ -	\$ 36,290	\$ (14,845)
Penalty Sanctions	27,809	27,809	-	66,585	38,776
Total WECC Funding	\$ 78,944	\$ 78,944	\$ -	\$ 102,875	\$ 23,931
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	451,550	435,785	(15,765)	519,804	68,254
Interest	2,727	2,439	(288)	1,566	(1,161)
Miscellaneous	36	(577)	(613)	-	(36)
Total Funding (A)	\$ 533,257	\$ 516,591	\$ (16,666)	\$ 624,245	\$ 90,988
Expenses					
Personnel Expenses					
Salaries	\$ 103,772	\$ 103,772	\$ 0	\$ 146,942	\$ 43,170
Payroll Taxes	7,689	7,862	173	10,136	2,447
Benefits	21,306	(4,180)	(25,486)	22,654	1,348
Retirement Costs	7,264	8,588	1,324	10,136	2,872
Total Personnel Expenses	\$ 140,031	\$ 116,042	\$ (23,989)	\$ 189,868	\$ 49,837
Meeting Expenses					
Meetings	\$ 99,950	\$ 64,481	\$ (35,469)	\$ 56,040	\$ (43,910)
Travel	6,350	6,350	-	7,836	1,486
Conference Calls	600	600	-	804	204
Total Meeting Expenses	\$ 106,900	\$ 71,431	\$ (35,469)	\$ 64,680	\$ (42,220)
Operating Expenses					
Consultants & Contracts	\$ 92,500	\$ 92,500	\$ -	\$ 106,502	\$ 14,002
Office Rent	47,478	43,745	(3,733)	47,472	(6)
Office Costs	40,980	79,446	38,466	87,740	46,760
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 180,958	\$ 215,691	\$ 34,733	\$ 241,714	\$ 60,756
Total Direct Expenses	\$ 427,889	\$ 403,164	\$ (24,725)	\$ 496,262	\$ 68,373
Indirect Expenses	\$ 110,851	\$ 118,524	\$ 7,673	\$ 196,829	\$ 85,978
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 538,740	\$ 521,688	\$ (17,052)	\$ 693,091	\$ 154,351
Change in Assets	\$ (5,482)	\$ (5,097)	\$ 386	\$ (68,846)	\$ (63,364)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (5,482)	\$ (2,330)	\$ 3,152	\$ (3,814)	\$ 1,668
Incr(Dec) in Fixed Assets (C)	\$ (5,482)	\$ (2,330)	\$ 3,152	\$ (3,814)	\$ 1,668
TOTAL BUDGET (B+C)	533,258	519,358	(13,899)	689,277	156,019
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (0)	\$ (2,767)	\$ (2,767)	\$ (65,032)	\$ (65,032)
FTEs	1.5	1.5	-	2.0	0.5
HC	2.0	2.0	-	2.0	-

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	85.0	0.5	(84.5)
Direct Expenses	\$ 24,469,496	\$ 60,156	\$ (24,409,340)
Indirect Expenses	\$ 6,278,766	\$ 49,207	\$ (6,229,559)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (1,754,014)	\$ (953)	\$ 1,753,061
Total Funding Requirement	\$ 28,994,248	\$ 108,410	\$ (28,885,838)

Program Scope and Functional Description

The Reliability Coordinator and Interchange Authority functions will be assumed by the new RCCo entity effective January 1, 2014. Reference the 2014 RCCo Business Plan and Budget for more information. The tables referencing the 2013 budget for this Program are presented in this document to provide a complete picture of the WECC 2013 budget.

As required under the Delegation Agreement and NERC Rules of Procedure, the 2014 WECC Situation Awareness and Infrastructure Security (SAIS) Program Area includes funding and resources consisting of 0.5 FTE to review and respond to incidents and events that impact the reliability of the BES, and to respond to information requests from NERC, FERC, and internal WECC Management. The goal of the SAIS Program Area is to maintain real-time awareness about the conditions of the interconnected BES in the Western Interconnection and to respond to events by providing coordination, assistance and communications with the Western Interconnection Reliability Coordinator (RC), Stakeholders, WECC Management, and the NERC SAIS personnel.

2014 Key Assumptions

- SAFNR will provide additional situation awareness capabilities at both NERC and Regional Entity levels.
- The WECC Situation Awareness process will be used to support NERC and FERC's efforts for situation awareness of current system conditions.

2014 Goals and Key Deliverables

- Staff will monitor System Events, collect information and coordinate the distribution of timely updates on System Events to WECC Management, industry stakeholders and NERC SAIS staff.
- Staff will continue to monitor system data, weather, and technological developments to understand trends that affect reliability for the near- and long-term horizons.
- Staff will continue to develop and enhance ways to improve upon the use of SAFNR data to further support SAIS.

Funding Sources and Requirements — Explanation of Increase (Decrease)**Funding Sources (Other than ERO Assessments)**

- Assessments are offset by the allocation of \$17,000 in penalty sanctions received by WECC on or prior to June 30, 2013.
- Interest revenue is allocated based on FTEs.

Personnel Expenses

- Personnel Expenses decrease by \$12.9 million due to the creation of the new RCCo entity.

Meeting Expenses

- Meetings decrease by \$454,000 due to the creation of the new RCCo entity.

Operating Expenses

- Operating Expenses decrease by \$11.0 million due to the creation of the new RCCo entity.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Fixed Assets are zero due to the creation of the new RCCo entity.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
SITUATION AWARENESS AND INFRASTRUCTURE SECURITY					
Funding					
WECC Funding					
WECC Assessments	\$ 24,476,506	\$ 24,476,506	\$ -	\$ 81,145	\$ (24,395,361)
Penalty Sanctions	1,575,157	1,575,157	-	16,646	(1,558,511)
Total WECC Funding	\$ 26,051,663	\$ 26,051,663	\$ -	\$ 97,791	\$ (25,953,872)
Membership Dues	-	-	-	-	-
Federal Grants	2,786,076	10,486,952	7,700,876	-	(2,786,076)
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	154,450	135,721	(18,729)	391	(154,059)
Miscellaneous	2,059	(36,750)	(38,809)	-	(2,059)
Total Funding (A)	\$ 28,994,248	\$ 36,637,586	\$ 7,643,338	\$ 98,182	\$ (28,896,066)
Expenses					
Personnel Expenses					
Salaries	\$ 10,500,212	\$ 12,279,930	\$ 1,779,718	\$ 47,976	\$ (10,452,236)
Payroll Taxes	745,846	907,970	162,124	3,228	(742,618)
Benefits	1,093,420	1,306,921	213,501	5,724	(1,087,696)
Retirement Costs	647,167	824,045	176,878	3,228	(643,939)
Total Personnel Expenses	\$ 12,986,645	\$ 15,318,866	\$ 2,332,221	\$ 60,156	\$ (12,926,489)
Meeting Expenses					
Meetings	\$ -	\$ 13,002	\$ 13,002	\$ -	\$ -
Travel	437,726	614,395	176,669	-	(437,726)
Conference Calls	15,920	18,557	2,637	-	(15,920)
Total Meeting Expenses	\$ 453,646	\$ 645,954	\$ 192,308	\$ -	\$ (453,646)
Operating Expenses					
Consultants & Contracts	\$ 2,422,290	\$ 10,156,531	\$ 7,734,241	\$ -	\$ (2,422,290)
Office Rent	768,081	767,034	(1,047)	-	(768,081)
Office Costs	4,518,304	6,120,608	1,602,304	-	(4,518,304)
Professional Services	5,000	82,144	77,144	-	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	3,315,530	3,759,841	444,311	-	(3,315,530)
Total Operating Expenses	\$ 11,029,205	\$ 20,886,158	\$ 9,856,953	\$ -	\$ (11,029,205)
Total Direct Expenses	\$ 24,469,496	\$ 36,850,978	\$ 12,381,482	\$ 60,156	\$ (24,409,340)
Indirect Expenses	\$ 6,278,766	\$ 7,707,230	\$ 1,428,464	\$ 49,207	\$ (6,229,559)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 30,748,262	\$ 44,558,208	\$ 13,809,946	\$ 109,363	\$ (30,638,899)
Change in Assets	\$ (1,754,014)	\$ (7,920,622)	\$ (6,166,608)	\$ (11,181)	\$ 1,742,833
Fixed Assets					
Depreciation	(3,315,530)	(3,759,841)	(444,311)	-	3,315,530
Computer & Software CapEx	843,000	1,078,367	235,367	-	(843,000)
Furniture & Fixtures CapEx	29,000	6,000	(23,000)	-	(29,000)
Equipment CapEx	1,000,000	1,583,352	583,352	-	(1,000,000)
Leasehold Improvements	-	1,461,873	1,461,873	-	-
Allocation of Fixed Assets	\$ (310,484)	\$ (151,498)	\$ 158,986	\$ (953)	\$ 309,531
Incr(Dec) in Fixed Assets (C)	\$ (1,754,014)	\$ 218,253	\$ 1,972,267	\$ (953)	\$ 1,753,061
TOTAL BUDGET (B+C)	28,994,248	44,776,460	15,782,212	108,410	(28,885,838)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ (8,138,874)	\$ (8,138,874)	\$ (10,228)	\$ (10,228)
FTEs	85.0	97.5	12.6	0.5	(84.5)
HC	96.0	108.0	12.0	-	(96.0)

Administrative Services

Administrative Services (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	56.3	46.9	(9.4)
Direct Expenses	\$ 13,355,492	\$ 10,050,982	\$ (3,304,510)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

WECC's Administrative Services consists of Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The budgets for these programs are addressed in the subsequent sections of the Business Plan and Budget.

Methodology for Allocation of Administrative Services Expenses to Programs

Administrative Services expenses are allocated to statutory and non-statutory program areas based on FTEs.

Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	7.6	9.0	1.4
Total Direct Expenses	\$ 2,218,267	\$ 2,246,509	\$ 28,242
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

WECC provides forums for members and other interested stakeholders within its footprint to discuss and share reliability, compliance, and operating concerns. These forums include the Board of Directors, committees, subcommittees, work groups, and task forces.

2014 Key Assumptions

- Members and interested stakeholders are responsible for all expenses to attend WECC forums.
- WECC budgets for meeting space, meals, and logistics associated with WECC forums and most meetings will be held at the Salt Lake City meeting facilities.
- The same level of forums and forum support will carry forward into 2014.
- Committees will coordinate with the RCo as appropriate for participation and efficiency.
- The Joint Synchronized Information Subcommittee will initiate a project to validate synchrophasor data and will also pursue a project to demonstrate voltage stability applications that use synchrophasor data.
- One additional position was added to the 2014 budget to enhance analytical resources to identify reliability trends and vulnerabilities based on system data and event analysis.
- The number of “qualified system events,” as defined in the NERC Events Analysis Process, is expected to remain steady.
- The approved NERC Event Analysis Program will be augmented with a robust program of causal analysis and metrics.

2014 Goals and Key Deliverables

- Staff will work directly with registered entities and NERC staff to develop cause codes for WECC Brief Reports and Events Analysis Reports.
- Create a more effective organization by facilitating and encouraging cross-departmental coordination and consistency.
- Review the Standing Committee organizational structure; evaluate the value of member groups; determine whether consolidation of groups or creation of ad hoc

groups provides a more effective and efficient forum for addressing specific reliability issues.

- Continue support of activities associated with the September 8, 2011 Arizona-Southern California Outage event and complete committee assignments according to proposed timelines.
- Address the vulnerabilities that could impact reliability by identifying and promoting the projects that can improve reliability and mitigate vulnerabilities.
- Optimize stakeholder involvement and value by structuring meetings and agendas to meet member needs, communicating WECC processes and initiatives to committees, and providing strong staff support to member committees.
- Facilitate sound decision making to improve reliability by providing detailed analysis on emerging issues, including alternatives examined, recommendations, and rationale for recommendations.
- Ensure the Western Interconnection is represented in reliability matters by participating in the NERC Operating Committee, NERC Integration of Variable Generation Taskforce, and other industry forums.
- Ensure the Western Interconnection is represented in the development of continent-wide processes and reliability standards including Frequency Responsive Reserve, Reliability Based Control, and Event Analysis.
- Continue the categorization and review of key WECC documents to ensure consistent formatting and quality.

Assure WECC members have access to the most current and applicable documentation in support of maintaining a high level of reliability in the Western Interconnection.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Personnel Expenses increase by a net of \$48,000 primarily due to the increase of 1.4 FTEs and the reduction in expenses due to the change in methodology of budgeting for labor float.

Meeting Expenses

- Meetings decrease by \$19,000 due to use of lower cost vendors.
- Travel decreases by \$21,000 due to a reduced number of Board members.

Operating Expenses

- Consultants and Contracts increase by \$45,000 due to a data validation and voltage stability project.

Indirect Expenses

- Technical Committees and Member Forums expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

TECHNICAL COMMITTEES AND MEMBER FORUMS

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 902,239	\$ 877,506	\$ (24,733)	\$ 874,612	\$ (27,627)
Payroll Taxes	67,808	68,107	299	59,075	(8,733)
Benefits	86,657	107,960	21,303	115,178	28,521
Retirement Costs	63,157	65,234	2,077	59,075	(4,082)
Total Personnel Expenses	\$ 1,119,860	\$ 1,118,807	\$ (1,053)	\$ 1,107,940	\$ (11,920)
Meeting Expenses					
Meetings	\$ 297,448	\$ 308,961	\$ 11,513	\$ 278,090	\$ (19,358)
Travel	149,825	170,612	20,787	128,720	(21,105)
Conference Calls	27,400	19,125	(8,275)	18,800	(8,600)
Total Meeting Expenses	\$ 474,673	\$ 498,698	\$ 24,025	\$ 425,610	\$ (49,063)
Operating Expenses					
Consultants & Contracts	\$ 166,667	\$ 120,000	\$ (46,667)	\$ 212,000	\$ 45,333
Office Rent	-	-	-	-	-
Office Costs	40,068	50,961	10,893	35,203	(4,865)
Professional Services	401,000	564,875	163,875	465,756	64,756
Miscellaneous	-	-	-	-	-
Depreciation	16,000	-	(16,000)	-	(16,000)
Total Operating Expenses	\$ 623,734	\$ 735,836	\$ 112,102	\$ 712,959	\$ 89,225
Total Direct Expenses	\$ 2,218,267	\$ 2,353,341	\$ 135,073	\$ 2,246,509	\$ 28,241
Indirect Expenses	\$ (2,218,267)	\$ (2,353,341)	\$ (135,075)	\$ (2,246,509)	\$ (28,243)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ (0)	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	(16,000)	-	16,000	-	16,000
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 16,000	\$ -	\$ (16,000)	\$ -	\$ (16,000)
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	(0)	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	7.6	6.6	(1.0)	9.0	1.4
HC	8.0	6.0	(2.0)	9.0	1.0

General and Administrative

General and Administrative (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	18.8	15.2	(3.6)
Direct Expenses	\$ 4,941,753	\$ 3,695,570	\$ (1,246,183)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The General and Administrative Program provides executive leadership, communications, and administrative support for WECC staff, committees, members, and management, as well as logistics support of the Salt Lake office and meeting facilities. In addition, indirect costs such as Office Rent that benefit multiple functional areas are accounted for in this budget.

2014 Key Assumptions

- WECC will receive an exemption from Washington State income tax.

2014 Goals and Key Deliverables

- WECC will continue to conduct its annual “Measures of Success” and stakeholder surveys.
- Provide executive leadership and strategic guidance for the activities undertaken by WECC.
- Improve the quality and efficiency of administrative support provided to staff and members.
- Redesign the WECC Intranet and Internet websites.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries decrease by \$393,000 primarily due to a net reduction of 3.6 FTEs due to the creation of the new entity and a 15 percent reduction of personnel expenses for labor float.
- Payroll Taxes decrease by \$50,000 with Salaries.
- Benefits decrease by \$27,000 with Salaries.
- Retirement Costs decrease by \$61,000 with Salaries.

Travel Expense

- Travel decreases by \$47,000 primarily due to decreased attendance at external meetings.

Operating Expenses

- Consulting and Contracts decrease by \$20,000 primarily because the WECC stakeholder survey was conducted in 2013 and is only performed every other year.
- Office Rent decreases by \$271,000 due to the transfer of two office facilities to the newly formed RCo.
- Office Costs decrease by \$80,000 partially due to the creation of the RCo, and also due to bank charges and property taxes being accounted for in the Finance and Accounting function in 2014.
- Depreciation was over-budgeted in 2013. Depreciation decreases by \$297,000 in 2014 to more accurately reflect actual depreciation.

Indirect Expenses

- General and Administrative expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
GENERAL AND ADMINISTRATIVE					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 2,194,293	\$ 2,339,974	\$ 145,681	\$ 1,801,127	\$ (393,166)
Payroll Taxes	141,861	156,089	14,228	92,319	(49,542)
Benefits	214,991	317,491	102,500	188,224	(26,767)
Retirement Costs	153,600	186,443	32,843	92,319	(61,281)
Total Personnel Expenses	\$ 2,704,745	\$ 2,999,997	\$ 295,252	\$ 2,173,989	\$ (530,756)
Meeting Expenses					
Meetings	\$ 13,665	\$ 8,066	\$ (5,599)	\$ 11,250	\$ (2,415)
Travel	168,700	165,541	(3,159)	121,750	(46,950)
Conference Calls	6,200	5,970	(230)	8,100	1,900
Total Meeting Expenses	\$ 188,565	\$ 179,577	\$ (8,988)	\$ 141,100	\$ (47,465)
Operating Expenses					
Consultants & Contracts	\$ 110,000	\$ 224,593	\$ 114,593	\$ 90,000	\$ (20,000)
Office Rent	1,159,764	1,043,124	(116,640)	888,600	(271,164)
Office Costs	276,500	279,806	3,306	196,881	(79,619)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	502,179	263,188	(238,991)	205,000	(297,179)
Total Operating Expenses	\$ 2,048,443	\$ 1,810,711	\$ (237,732)	\$ 1,380,481	\$ (667,962)
Total Direct Expenses	\$ 4,941,753	\$ 4,990,285	\$ 48,532	\$ 3,695,570	\$ (1,246,183)
Indirect Expenses	\$ (4,941,753)	\$ (4,990,285)	\$ (48,532)	\$ (3,695,570)	\$ 1,246,183
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	(502,179)	(263,188)	238,991	(205,000)	297,179
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	5,000	5,000	-	-	(5,000)
Equipment CapEx	6,000	6,000	-	-	(6,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 491,179	\$ 252,188	\$ (238,991)	\$ 205,000	\$ (286,179)
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	18.8	17.3	(1.5)	15.2	(3.6)
HC	19.0	17.0	(2.0)	16.0	(3.0)

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	12.1	6.0	(6.1)
Direct Expenses	\$ 2,447,593	\$ 1,099,606	\$ (1,347,987)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Legal program area provides coordinated legal services to the WECC Board, committees, and staff. In addition, the program area provides consistent legal interpretations of relevant statutes, regulations, court opinions, and regulatory decisions. The Legal program area also develops specific subject matter expertise to further assist WECC with its legal needs. On occasion, major efforts may be outsourced to select law firms, but the responsibility for all legal matters remains with the General Counsel and Legal program area.

WECC's international operations and its broad scope of activities require significant legal support and review. Arranging for legal support is complicated by the technical nature of this developing area of law and there are many potential areas of conflict prohibiting the use of law firms with energy practices.

2014 Key Assumptions

- WECC will maintain the scope of its current operations. However, the operating environment may change in the event of unanticipated direction from FERC, NERC, or both.
- The creation of an independent company responsible for the Reliability Coordinator and Interchange Authority registered functions will be effective January 1, 2014; provision of legal services in support of this company will be the responsibility of that company's Legal department.

2014 Goals and Key Deliverables

- Provide efficient, cost-effective legal support to the WECC Board, committees, and staff through a combination of in-house and outside resources.
- Update and advise the WECC Board and CEO on pending legal issues.
- Advise WECC departments on specified legal matters and general matters relating to WECC business.
- Provide legal support to the WECC Compliance Department and facilitate the processing of possible and alleged violations.
- Represent WECC in legal and regulatory proceedings.
- Review and advise WECC business units on draft agreements.
- Improve tracking for development of WECC regulatory policies.

- Implement a corporate records management system.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries decrease by a net \$1.07 million primarily due to the transfer of seven positions to the newly formed entity as well as a 15 percent reduction in personnel expenses for labor float.
- Payroll Taxes decrease by \$82,000 with Salaries.
- Benefits decrease by \$77,000 with Salaries.
- Retirement Costs decrease by \$76,000 with Salaries.

Meeting Expenses

- Travel decreases by \$32,000 due to the reduction of legal staff.

Operating Expenses

- Office Costs decrease by \$21,000 due to reduced number of cell phones, legal subscriptions, and membership dues as a result of the bifurcation of WECC.

Indirect Expenses

- Legal and Regulatory expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

LEGAL AND REGULATORY

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 1,730,245	\$ 1,414,558	\$ (315,687)	\$ 657,788	\$ (1,072,457)
Payroll Taxes	126,811	106,434	(20,377)	44,388	(82,423)
Benefits	154,547	144,583	(9,964)	77,152	(77,395)
Retirement Costs	120,661	98,725	(21,936)	44,388	(76,273)
Total Personnel Expenses	\$ 2,132,264	\$ 1,764,300	\$ (367,964)	\$ 823,716	\$ (1,308,548)
Meeting Expenses					
Meetings	\$ -	\$ 463	\$ 463	\$ -	\$ -
Travel	80,000	79,633	(367)	48,000	(32,000)
Conference Calls	2,500	2,294	(206)	1,200	(1,300)
Total Meeting Expenses	\$ 82,500	\$ 82,390	\$ (110)	\$ 49,200	\$ (33,300)
Operating Expenses					
Consultants & Contracts	\$ -	\$ 60,164	\$ 60,164	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	50,000	80,977	30,977	28,690	(21,310)
Professional Services	182,829	503,966	321,137	190,000	7,171
Miscellaneous	-	-	-	-	-
Depreciation	-	8,488	8,488	8,000	8,000
Total Operating Expenses	\$ 232,829	\$ 653,595	\$ 420,766	\$ 226,690	\$ (6,139)
Total Direct Expenses	\$ 2,447,593	\$ 2,500,285	\$ 52,692	\$ 1,099,606	\$ (1,347,987)
Indirect Expenses	\$ (2,447,593)	\$ (2,500,285)	\$ (52,692)	\$ (1,099,606)	\$ 1,347,987
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	(8,488)	(8,488)	(8,000)	(8,000)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ 8,488	\$ 8,488	\$ 8,000	\$ 8,000
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	12.1	9.6	(2.5)	6.0	(6.1)
HC	13.0	11.0	(2.0)	6.0	(7.0)

Information Technology

Information Technology (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	9.0	9.0	(0.0)
Direct Expenses	\$ 1,826,228	\$ 1,365,441	\$ (460,787)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

WECC's Information Technology (IT) program area provides systems support including: servers, data, email, telephone systems, and Internet and Intranet website maintenance. In addition, IT includes development of new technology solutions using both internal staff and working with external service providers. The IT program area provides resources and tools to enable the organization to meet the evolving requirements to support activities and responsibilities as directed by NERC and FERC.

The IT budget includes costs associated with the refresh of all corporate desktop computers, laptops, and servers that is based on either a four-year cycle or on an as-needed basis.

2014 Key Assumptions

- WECC will maintain compliance with industry best practices on security and data protection, as well as the evolving NERC Standards and audit practices. As a result, WECC will require increased storage management, processes, and network infrastructure.
- Technology will be a key focus in developing new, more efficient business processes that will support collaboration, elimination of duplicate work, and streamlining information flow.
- Entities required to exchange data with WECC will demand greater ease of use, clearer communication, and the latest in security assurances.

2014 Goals and Key Deliverables

- Provide systems support and technology solutions that ensure reliability and security of critical IT infrastructure.
- Develop and implement Policies and Procedures to enforce best practices across the organization.
- Align IT as a strategic partner in accomplishing business goals and objectives.
- Provide a significant increase in data support, analysis, and communication. Create centralized databases, automated processes, and tools to organize a growing volume of electronic data that will be in high demand.
- Provide custom solutions to enable secure, reliable, and efficient transmission of a growing number of data types.

- Launch a redesigned website to improve usability and accommodate features critical to promoting WECC initiatives and collaboration with entities.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Personnel Expenses decrease by \$202,000 primarily due to a 15 percent reduction for labor float.

Meeting Expenses

- Not applicable.

Operating Expenses

- Consultants and Contracts increase by \$24,000 primarily due to a project to expand WECCs reporting and analytics capabilities.
- Office Costs decrease by \$247,000 due to a reduction of software licenses and expensed equipment as a result of the creation of the new entity and the reduction in FTEs.
- Depreciation was over-budgeted in 2013. Depreciation decreases by \$36,000 in 2014 to more accurately reflect actual depreciation.

Indirect Expenses

- Information Technology expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer and Software CapEx decreases by \$15,000 due to scheduled refreshes of corporate servers in prior year.
- Equipment CapEx increases by \$111,000 due to hardware purchases to accommodate the current rate of increase in storage requirements and for managed security services.

Information Technology

Funding sources and related expenses for the Information Technology section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
INFORMATION TECHNOLOGY					
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 829,213	\$ 698,417	\$ (130,796)	\$ 670,107	\$ (159,106)
Payroll Taxes	62,286	53,378	(8,908)	45,103	(17,183)
Benefits	114,786	105,141	(9,645)	101,928	(12,858)
Retirement Costs	58,045	46,673	(11,372)	45,103	(12,942)
Total Personnel Expenses	\$ 1,064,330	\$ 903,609	\$ (160,721)	\$ 862,241	\$ (202,089)
Meeting Expenses					
Meetings	\$ 900	\$ -	\$ (900)	\$ -	\$ (900)
Travel	13,000	10,065	(2,935)	13,200	200
Conference Calls	6,572	5,950	(622)	7,200	628
Total Meeting Expenses	\$ 20,472	\$ 16,015	\$ (4,457)	\$ 20,400	\$ (72)
Operating Expenses					
Consultants & Contracts	\$ 12,000	\$ 26,710	\$ 14,710	\$ 36,000	\$ 24,000
Office Rent	-	-	-	-	-
Office Costs	587,500	560,681	(26,819)	340,800	(246,700)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	141,926	110,939	(30,987)	106,000	(35,926)
Total Operating Expenses	\$ 741,426	\$ 698,330	\$ (43,096)	\$ 482,800	\$ (258,626)
Total Direct Expenses	\$ 1,826,228	\$ 1,617,954	\$ (208,274)	\$ 1,365,441	\$ (460,787)
Indirect Expenses	\$ (1,826,228)	\$ (1,617,954)	\$ 208,274	\$ (1,365,441)	\$ 460,787
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	(141,926)	(110,939)	30,987	(106,000)	35,926
Computer & Software CapEx	-	5,117	5,117	60,000	60,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	81,000	60,806	(20,194)	105,000	24,000
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 60,926	\$ 45,016	\$ (15,910)	\$ (59,000)	\$ (119,926)
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	9.0	8.2	(0.8)	9.0	(0.0)
HC	10.0	9.0	(1.0)	9.0	(1.0)

Human Resources

Human Resources (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.1	3.0	(0.1)
Direct Expenses	\$ 1,134,800	\$ 1,072,064	\$ (62,736)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Human Resources (HR) program area is responsible for the delivery of all HR functions to WECC, including: recruitment, staffing, compensation, benefits, safety and health, employee relations, performance management, and employee training and development.

2014 Key Assumptions

- WECC's staffing levels will decrease from 2013 to 2014.
- Competition for talent will increase due to the economic recovery and an increasing percentage of the utility talent pool being eligible for retirement. Consequently, as the talent pool compresses, salary and benefit pressures increase.
- Increase in benefit program costs due to the Health Care Reform Act.
- Retention and competitive compensation of key individuals will continue to be critical.
- Succession planning, employee development, and training are vital to ensuring that WECC maintains a skilled, qualified workforce.

2014 Goals and Key Deliverables

- Continue to enhance the recruiting program in 2014 that targets power engineering and cyber security programs to increase visibility of WECC to broaden the applicant pool for hard-to-fill positions and increase bench strength for key roles within Compliance.
- Manage health and welfare benefits to deliver an attractive benefit package to employees while managing overall costs to the organization.
- Conduct a salary and benefits survey to ensure the overall compensation package is competitive to recruit and retain top talent. Educate management on compensation philosophies to enhance recruitment efforts, and retain skilled and talented employees.
- Track and monitor turnover rates, gather feedback to determine cause of turnover, and when appropriate, take action to reduce the turnover rate.

- Identify training needs and develop and deliver programs to enhance employee development.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries increase by a net \$101,000 primarily due to retention and severance plan expenses related to the creation of the new entity.
- Benefits decrease by a net \$211,000 due to the creation of the RCCo. Health Reimbursement Arrangement benefits for the company are accounted for in HR and decrease by \$184,000. Also the workers compensation insurance estimate went down by \$10,000.

Meeting Expenses

- Travel decreases by \$16,000 due to a reduction in recruiting and career fair travel due to the transfer of positions to the new entity.

Operating Expenses

- Consultants increase by \$120,000 due to a new compensation and benefits survey.
- Office Costs decrease by \$29,000 due to decreases in job postings, drug testing, and background checks, which had been ramped up prior to the creation of the new RCCo entity.

Indirect Expenses

- Human Resource expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Human Resources

Funding sources and related expenses for the Human Resources section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
HUMAN RESOURCES					
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 283,445	\$ 1,049,965	\$ 766,520	\$ 384,508	\$ 101,063
Payroll Taxes	21,290	30,950	9,660	14,190	(7,100)
Benefits	625,824	650,233	24,409	414,876	(210,948)
Retirement Costs	21,841	28,638	6,797	14,190	(7,651)
Total Personnel Expenses	\$ 952,400	\$ 1,759,786	\$ 807,386	\$ 827,764	\$ (124,636)
Meeting Expenses					
Meetings	\$ 5,130	\$ 4,269	\$ (861)	\$ -	\$ (5,130)
Travel	26,000	46,960	20,960	10,200	(15,800)
Conference Calls	3,500	1,696	(1,804)	1,000	(2,500)
Total Meeting Expenses	\$ 34,630	\$ 52,925	\$ 18,295	\$ 11,200	\$ (23,430)
Operating Expenses					
Consultants & Contracts	\$ 30,000	\$ 611,732	\$ 581,732	\$ 150,000	\$ 120,000
Office Rent	-	-	-	-	-
Office Costs	88,070	116,091	28,021	59,100	(28,970)
Professional Services	23,000	165	(22,835)	17,000	(6,000)
Miscellaneous	-	-	-	-	-
Depreciation	6,700	692	(6,008)	7,000	300
Total Operating Expenses	\$ 147,770	\$ 728,680	\$ 580,910	\$ 233,100	\$ 85,330
Total Direct Expenses	\$ 1,134,800	\$ 2,541,391	\$ 1,406,591	\$ 1,072,064	\$ (62,736)
Indirect Expenses	\$ (1,134,800)	\$ (2,541,391)	\$ (1,406,591)	\$ (1,072,064)	\$ 62,736
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	(6,700)	(692)	6,008	(7,000)	(300)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 6,700	\$ 692	\$ (6,008)	\$ 7,000	\$ 300
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	3.1	3.6	0.5	3.0	(0.1)
HC	4.0	6.0	2.0	3.0	(1.0)

Finance and Accounting

Finance and Accounting (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	5.7	4.7	(1.0)
Direct Expenses	\$ 786,851	\$ 571,792	\$ (215,059)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Finance and Accounting function provides accounting and financial analysis support to WECC. Finance is responsible for accounts payable, billing, accounts receivable, budgeting, fixed asset management, banking, payroll, and financial reporting.

2014 Key Assumptions

- The creation of the new entity will decrease demands placed on the accounting function due to a decreased number of employees and departments.

2014 Goals and Key Deliverables

- Review financial policies and modify as necessary.
- Identify and implement efficiencies in financial processes.
- Ensure WECC has strong internal controls designed to protect the organization's assets and ensure accurate financial reporting.
- Develop a budget to address the risks created by an uncertain operating environment.
- Provide improved reporting and financial analysis to WECC managers, the Finance and Audit Committee, and the WECC Board.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Salaries decrease by \$208,000 due to the transfer of one position to the RCCo and also due to a 15 percent reduction for labor float.
- Payroll Taxes decrease by \$17,000 with Salaries.
- Benefits decrease by \$13,000 with Salaries.

- Retirement Costs decrease by \$15,000 with Salaries.

Meeting Expenses

- Not Applicable

Operating Expenses

- Office Costs increase by \$36,000 due to a transfer of the budget for bank charges from WECC's General and Administrative Department into Accounting.

Indirect Expenses

- Finance and Accounting expenses are allocated to statutory functional areas based on FTEs.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Finance and Accounting

Funding sources and related expenses for the Finance and Accounting section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
FINANCE AND ACCOUNTING					
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 489,243	\$ 400,380	\$ (88,863)	\$ 280,800	\$ (208,443)
Payroll Taxes	36,377	32,298	(4,079)	18,992	(17,385)
Benefits	76,889	59,152	(17,737)	63,758	(13,131)
Retirement Costs	34,142	28,169	(5,973)	18,992	(15,150)
Total Personnel Expenses	\$ 636,651	\$ 519,999	\$ (116,652)	\$ 382,542	\$ (254,109)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	10,500	12,855	2,355	11,250	750
Conference Calls	850	439	(411)	400	(450)
Total Meeting Expenses	\$ 11,350	\$ 13,294	\$ 1,944	\$ 11,650	\$ 300
Operating Expenses					
Consultants & Contracts	\$ -	\$ 6,363	\$ 6,363	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	48,850	69,382	20,532	84,600	35,750
Professional Services	80,000	77,610	(2,390)	86,000	6,000
Miscellaneous	-	-	-	-	-
Depreciation	10,000	10,892	892	7,000	(3,000)
Total Operating Expenses	\$ 138,850	\$ 164,247	\$ 25,397	\$ 177,600	\$ 38,750
Total Direct Expenses	\$ 786,851	\$ 697,540	\$ (89,311)	\$ 571,792	\$ (215,059)
Indirect Expenses	\$ (786,851)	\$ (697,540)	\$ 89,311	\$ (571,792)	\$ 215,059
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	(10,000)	(10,892)	(892)	(7,000)	3,000
Computer & Software CapEx	-	40,000	40,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 10,000	\$ (29,108)	\$ (39,108)	\$ 7,000	\$ (3,000)
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	5.7	7.0	1.3	4.7	(1.0)
HC	6.0	9.0	3.0	5.0	(1.0)

Section B – Supplemental Financial Information

2014 Business Plan and Budget

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2013-2014	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2012	12,340,806
Plus: 2013 WECC Funding (from Load Serving Entities (LSE) or designees)	43,929,397
Plus: 2013 Other funding sources	14,210,493
Less: 2013 Projected expenses & capital expenditures	(66,052,134)
Projected Working Capital Reserve (Deficit), December 31, 2013	<u>4,428,561</u>
Desired Working Capital Reserve, December 31, 2014	2,072,292
Less: Convert Non-statutory Reserves to Statutory	(5,874,245)
Less: Projected Working Capital Reserve, December 31, 2013	(4,428,561)
Plus: Transfer of Reserves to RCCo	5,811,568
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u>(2,418,946)</u>
2014 Expenses and Capital Expenditures	25,638,084
Less: Penalty Sanctions ¹	(2,933,050)
Less: Other Funding Sources	(4,655,237)
Adjustment to achieve desired Working Capital Reserve	(2,418,946)
2014 WECC Assessment	<u>15,630,852</u>

1 – Represents collections between July, 1 2012 and June 30, 2013. See page 60 for full disclosure.

2 – On June 28, 2013, the WECC Board of Directors approved this reserve level.

WECC's Working Capital Reserve balance decreases in 2014. WECC's Board has approved a Working Capital Reserve balance equal to one month of Personnel and Operating Expenses, to be achieved by 2016. In 2014, WECC is transferring \$5.87 million of Non-statutory Working Capital Reserves, which were on-hand when WECC originally signed its Delegation Agreement in 2006, to Statutory Working Capital Reserves. Those funds are exclusive of the Non-statutory reserves related to WREGIS and have not been used for any purpose in the past seven years. WECC Management and the WECC Board believe it would be prudent to use that money to minimize the impact on Assessments due to the budget increases in 2014. The total working capital reserves will be used to offset the impact of the creation of the new entity and other increases on Assessments for both WECC and the RCCo in 2014.

As a result of the creation of the RCCo, WECC's working capital reserves were split between WECC and the RCCo to provide reserves for both entities. The same

population of entities provides funding for both companies and WECC management as well as WECC's Finance and Audit Committee believe reserves should be split equitably as a result. The calculation used to split the reserves was based on each entity's percent-to-total ratio of operating expenses. The RCo's anticipated portion is \$5.8 million.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statutory Statement of Activities and Capital Expenditures on page 10. All significant variances have been disclosed by program area in the preceding pages.

Monetary Penalties

As documented in the NERC Policy *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*, penalty monies received on or prior to June 30, 2013 will be used to offset assessments in the 2014 WECC Budget. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

All penalty monies received on or prior to June 30, 2013 are detailed below, including the amount and the date received.

Allocation Method: Penalty monies received have been allocated to the following Statutory Programs to reduce assessments:

- Reliability Standards;
- Compliance Monitoring and Enforcement and Organization Registration and Certification;
- Reliability Assessment and Performance Analysis;
- Training, Education, and Operator Certification; and
- Situation Awareness and Infrastructure Security.

Penalty monies are allocated based on the number of FTEs in the functional areas divided by the aggregate total FTEs in the programs receiving the allocation.

Penalty Sanctions

Table B-2

Penalty Sanctions Received on or Prior to June 30, 2013					
Date Received	Amount Received	Date Received	Amount Received	Date Received	Amount Received
7/6/2012	4,000	10/5/2012	12,600	1/21/2013	1,000
7/6/2012	4,000	10/5/2012	5,000	2/5/2013	40,000
7/11/2012	70,000	10/9/2012	30,000	2/19/2013	62,500
7/11/2012	17,300	10/12/2012	6,650	3/11/2013	15,000
7/12/2012	500	10/15/2012	70,000	3/12/2013	2,000
7/23/2012	15,600	10/19/2012	60,000	3/18/2013	7,500
7/23/2012	14,000	10/30/2012	27,800	3/21/2013	15,000
7/26/2012	21,000	11/5/2012	8,400	3/25/2013	7,500
8/3/2012	15,000	11/5/2012	10,100	3/27/2013	212,000
8/3/2012	14,900	11/6/2012	1,000	3/28/2013	12,500
8/10/2012	7,000	11/13/2012	12,000	4/2/2013	150,000
8/21/2012	1,500	11/13/2012	50,000	4/8/2013	10,000
8/21/2012	60,000	11/13/2012	12,000	4/8/2013	115,000
8/23/2012	67,500	11/13/2012	79,000	4/12/2013	7,000
8/24/2012	1,500	11/19/2012	50,000	6/6/2013	35,000
8/31/2012	12,500	11/26/2012	65,000	6/7/2013	151,500
9/10/2012	7,500	11/28/2012	200,000	6/27/2013	4,250
9/10/2012	22,000	12/4/2012	12,000		
9/13/2012	11,500	12/6/2012	15,000		
9/13/2012	25,100	12/7/2012	6,000		
9/14/2012	1,500	12/10/2012	17,400		
9/20/2012	4,500	12/14/2012	4,000		
9/20/2012	55,000	12/14/2012	50,000		
9/24/2012	2,500	12/17/2012	162,600		
10/2/2012	60,000	12/28/2012	10,000		
10/3/2012	4,500	12/31/2012	40,000		
10/4/2012	15,000	1/7/2013	54,000		
10/4/2012	72,000	1/10/2013	10,000		
10/4/2012	39,000	1/11/2013	24,000		
10/5/2012	134,350	1/14/2013	200,000		

Total Penalties Received \$ 2,933,050

**Net Penalties to Offset
Assessments** \$ 2,933,050

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding WECC Assessments & Penalty Sanctions)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
Reliability Standards				
Interest	\$ 6,363	\$ 5,739	\$ 3,133	\$ (3,230)
Miscellaneous	85	(1,249)	-	(85)
Total	\$ 6,448	\$ 4,490	\$ 3,133	\$ (3,315)
Compliance Monitoring, Enforcement & Org. Registration				
Workshops	\$ 433,750	\$ 433,550	438,125	\$ 4,375
Interest	91,802	81,335	45,426	(46,376)
Miscellaneous	1,224	(20,948)	-	(1,224)
Total	\$ 526,776	\$ 493,937	\$ 483,551	\$ (43,225)
Reliability Assessment and Performance Analysis				
Federal Grants	\$ 3,129,529	\$ 2,664,502	\$ 3,628,308	\$ 498,779
Interest	35,569	31,396	18,484	(17,085)
Miscellaneous	474	(7,402)	-	(474)
Total	\$ 3,165,572	\$ 2,688,495	\$ 3,646,792	\$ 481,220
Training and Education				
Workshops	\$ 451,550	\$ 435,785	\$ 519,804	\$ 68,254
Interest	2,727	2,439	1,566	(1,161)
Miscellaneous	36	(577)	-	
Total	\$ 454,313	\$ 437,647	\$ 521,370	\$ 67,093
Situation Awareness and Infrastructure Security				
Federal Grants	\$ 2,786,076	\$ 10,486,952	-	\$ (2,786,076)
Interest	154,450	135,721	391	(154,059)
Miscellaneous	2,059	(36,750)	-	(2,059)
Total	\$ 2,942,585	\$ 10,585,923	\$ 391	\$ (2,942,194)
Technical Committees and Member Forms				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ 7,095,694	\$ 14,210,493	\$ 4,655,237	\$ (2,440,421)

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

WECC anticipates its investments will earn interest of approximately \$69,000 in 2014. This revenue is allocated to the Statutory and Non-Statutory Programs based on FTEs.

Compliance Monitoring and Enforcement and Organization Registration and Certification

- An increase of \$4,000 in workshop revenue is anticipated in 2014 due to the increased attendance at the Compliance Users Group and Critical Infrastructure Protection User Group meetings.

Reliability Assessment and Performance Analysis

- Revenues from the RTEP grant are expected to increase by \$499,000 as a result of increased grant expenditures.

Training and Education

- Workshop revenue increases by \$68,000 due to an increase in the total number of sessions and a preliminary estimate of operators scheduled to attend training sessions. WECC's Training program continues to be self-funded.

Situation Awareness and Infrastructure Security

- The Western Interconnection Synchrophasor Program (WISP) grant and this function were transferred to the RCo.

Technical Committees and Member Forums

- Not applicable.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Salaries					
Salaries	\$ 24,370,024	\$ 25,976,283	\$ 12,092,325	\$ (12,277,699)	-50.4%
Employment Agency Fees	20,000	633,550	-	(20,000)	-100.0%
Temporary Office Services	55,240	172,852	3,900	(51,340)	-92.9%
Total Salaries	\$ 24,445,264	\$ 26,782,685	\$ 12,096,225	\$ (12,349,039)	-50.5%
Total Payroll Taxes					
	\$ 1,757,632	\$ 1,939,887	\$ 774,002	\$ (983,630)	-56.0%
Benefits					
Workers Compensation	\$ 22,000	\$ 35,034	\$ 12,000	\$ (10,000)	-45.5%
Medical Insurance	2,780,267	2,865,920	1,753,689	(1,026,578)	-36.9%
Life-LTD-STD Insurance	195,034	188,606	64,708	(130,326)	-66.8%
Education	325,275	320,498	286,375	(38,900)	-12.0%
Relocation	90,388	199,747	16,200	(74,188)	-82.1%
Other	30,501	26,290	-	(30,501)	-100.0%
Total Benefits	\$ 3,443,465	\$ 3,636,095	\$ 2,132,972	\$ (1,310,493)	-38.1%
Retirement					
Discretionary 401k Contribution	\$ 1,591,510	\$ 1,787,986	\$ 770,774	\$ (820,736)	-51.6%
Retirement Administration Fees	2,000	31,251	-	(2,000)	-100.0%
Total Retirement	\$ 1,593,510	\$ 1,819,237	\$ 770,774	\$ (822,736)	-51.6%
Total Personnel Costs					
	\$ 31,239,871	\$ 34,177,904	\$ 15,773,973	\$ (15,465,898)	-49.5%
FTEs					
	216.3	230.8	135.0	-81.3	-37.6%
Cost per FTE					
Salaries	\$ 113,005	\$ 116,048	\$ 89,602	(23,403)	-20.7%
Payroll Taxes	8,125	8,405	5,733	(2,392)	-29.4%
Benefits	15,918	15,755	15,800	(118)	-0.7%
Retirement	7,367	7,883	5,709	(1,658)	-22.5%
Total Cost per FTE	\$ 144,415	\$ 148,091	\$ 116,844	\$ (27,571)	-19.1%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Salaries

- Salaries decrease by \$12.3 million due to the net decrease of 81.3 FTEs primarily related to the transfer of positions to the new entity and a 15 percent reduction to budget for labor float.
- Employment Agency Fees decrease by \$20,000 due to the creation of the new entity and decreased number of potential new hires.
- Temporary Office Services decrease by \$30,000 with the reduced requirement for temporary staff due to the creation of the new entity.

Payroll Taxes

- Payroll Taxes decrease by \$984,000 due to the reduction of FTEs as a result of position transfers to the RCCo and due to a 15 percent reduction to budget for labor float.

Benefits

- Medical Insurance decreases by \$1.03 million due to the decrease in FTEs due to the transfer of positions to the new entity.
- Life, Long-Term Disability, and Short-Term Disability Insurance decreases by \$130,000 due to the transfer of positions to the new entity.
- Education decreases by \$39,000 due to the reduction of FTEs.
- Relocation decreases by \$74,000 due to the creation of the new entity.

Retirement

- Contributions to 401k plans decrease by \$819,000 with Salaries.

Consultants and Contracts

Table B-5

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	15,000	59,736	64,000	49,000	326.7%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	1,768,889	1,201,541	2,968,000	1,199,111	67.8%
Training and Education	92,500	92,500	106,502	14,002	15.1%
Situation Awareness and Infrastructure Security	922,290	5,506,491	-	(922,290)	-100.0%
Committee and Member Forums	-	-	12,000	12,000	
General and Administrative	101,000	224,593	90,000	(11,000)	-10.9%
Legal and Regulatory	-	17,473	-	-	
Information Technology	12,000	26,710	36,000	24,000	200.0%
Human Resources	30,000	611,732	150,000	120,000	400.0%
Accounting and Finance	-	6,363	-	-	
Consultants Total	\$ 2,941,679	\$ 7,747,139	\$ 3,426,502	\$ 484,823	16.5%
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	455,000	640,627	360,800	(94,200)	-20.7%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	758,652	641,157	400,000	(358,652)	-47.3%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	1,500,000	4,650,040	-	(1,500,000)	-100.0%
Committee and Member Forums	166,667	120,000	200,000	33,333	20.0%
General and Administrative	9,000	-	-	(9,000)	-100.0%
Legal and Regulatory	-	42,691	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	\$ 2,889,319	\$ 6,094,515	\$ 960,800	\$ (1,928,519)	-66.7%
Total Consulting and Contracts	\$ 5,830,998	\$ 13,841,654	\$ 4,387,302	\$ (1,443,696)	-24.8%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Consultants

- Compliance and Organization Registration and Certification increases by \$49,000 due to increased membership and registration-related workload.
- RAPA increases by a net \$1.20 million due to the following:
 - An increase of \$1.3 million is due to the RTEP grant for Scenario Planning Steering Group and Environmental Data Task Force contractor expenses.
 - A decrease of \$130,000 in the Planning Services due to RAS modeling completion in 2013.
 - Transmission Planning consultants increase by \$43,000 due to data validation consulting.
- Training and Education consultants increase by \$14,000 due to an increased use of consultants to conduct training sessions.

-
- Situation Awareness consultants decrease by \$922,000 due to the creation of the new entity.
 - Committee and Member Forums consultants increase by \$12,000 due to the continuation of the phasor measurement unit data validation project.
 - General and Administrative consultants decrease by \$11,000 due to the completion of a WECC stakeholder survey and the update of the WECC Internet website.
 - Information Technology consultants increase \$24,000 due to new initiatives to expand reporting and analytics capabilities.
 - Human Resources increases \$120,000 due to a new compensation and benefits survey requested by the Human Resources and Compensation Committee.

Contracts

- Compliance and Organization Registration and Certification contracts decrease by \$94,000 due to staff to undertaking tasks previously performed by contractors.
- RAPA Contracts decrease by a net \$359,000. RTEP decreases by \$654,000 due to University funding under the grants ending at the end of 2013, and Planning Services increases by \$295,000 primarily due to the development of additional RAS models and phase two of the composite load model implementation.
- Situation Awareness Contracts decrease by \$1.50 million due to the creation of the new entity.
- Committee and Member Forums increase by \$33,000 due to projects that will be undertaken to validate and incorporate synchrophasor data into operations.

Office Rent

Table B-6

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 1,699,671	\$ 1,567,299	\$ 926,196	(773,475)	-45.5%
Utilities	175,971	128,712	-	(175,971)	-100.0%
Maintenance	91,731	156,261	9,876	(81,855)	-89.2%
Security	7,950	5,250	-	(7,950)	-100.0%
Total Office Rent	\$ 1,975,323	\$ 1,857,522	\$ 936,072	\$ (1,039,251)	-52.6%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Office Rent and Maintenance decrease by \$773,000 and \$82,000, respectively, primarily as a result of the transfer of the Loveland, Colorado and Vancouver, Washington facilities to the new RCCo entity.
- Utilities decrease by \$176,000 due to the creation of the new entity.

Office Costs

Table B-7

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Telephone	\$ 200,000	\$ 231,290	\$ 97,610	\$ (102,390)	-51.2%
Internet	1,083,062	1,406,313	145,310	(937,752)	-86.6%
Office Supplies	223,050	912,861	192,336	(30,714)	-13.8%
Computer Supplies and Maintenance	4,188,300	4,690,120	690,027	(3,498,273)	-83.5%
Publications & Subscriptions	63,550	28,541	22,835	(40,715)	-64.1%
Dues and Fees	120,468	256,151	126,233	5,765	4.8%
Postage	9,795	7,315	3,790	(6,005)	-61.3%
Express Shipping	22,225	24,014	13,147	(9,078)	-40.8%
Copying	213,685	213,729	43,536	(170,149)	-79.6%
Bank Charges	75,500	91,429	57,630	(17,870)	-23.7%
Taxes	15,000	14,744	13,000	(2,000)	-13.3%
Total Office Costs	\$ 6,214,635	\$ 7,876,507	\$ 1,405,454	\$ (4,809,181)	-77.4%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Telephone expense decreases \$102,000 due to the creation of the new entity.
- Internet expenses decrease by a net \$938,000 due to the creation of the new entity. In 2013, the Reliability Coordinator function used 74 percent of the bandwidth.
- Office Supplies decrease by \$31,000 due to two facilities transferring from WECC to the RCCo.
- Computer Supplies and Maintenance decrease by \$3.50 million due to the creation of the new entity.
- Copying decreases by \$170,000 primarily due to the creation of the new entity.
- Bank Charges decrease \$18,000 due to reduced transaction volume as a result of the creation of the new entity.

Professional Services

Table B-8

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Non-affiliated Director fees	\$ 431,000	\$ 564,875	\$ 465,756	\$ 34,756	8.1%
Outside Legal	36,000	355,558	28,000	(8,000)	-22.2%
Accounting & Auditing Fees	93,000	163,318	97,000	4,000	4.3%
Insurance Commercial	162,829	153,572	168,000	5,171	3.2%
Total Services	\$ 722,829	\$ 1,237,323	\$ 758,756	\$ 35,927	5.0%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Non-Affiliated Director fees increase by \$35,000 due to the addition of two Independent Directors in 2014.

Other Non-Operating

Table B-9

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Not applicable.

Section C – Non-Statutory Activities

2014 Business Plan and Budget

Section C — 2014 Non-Statutory Business Plan and Budget

Western Renewable Energy Generation System (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	5	5	-
Direct Expenses	1,064,836	1,117,869	53,033
Indirect Expenses	443,310	541,111	97,801
Inc(Dec) in Fixed Assets	(2,000)	-	2,000
Total Funding Requirement	363,064	244,820	(118,244)

Western Renewable Energy Generation Information System (WREGIS)

WREGIS is an independent, renewable energy database for the Western Interconnection. WREGIS creates renewable energy certificates (REC) for verifiable renewable generation from units that are registered in the database.

WREGIS was developed through a collaborative process between the Western Governors' Association, the Western Regional Air Partnership, and the California Energy Commission (CEC). This development was further guided by stakeholder input from more than 400 participants over a period greater than three years. WREGIS's governance was integrated into WECC on March 31, 2012 following the expiration of WECC's contract that had previously provided for backstop funding from the CEC. WREGIS is governed by a WECC Board committee consisting of representatives from the WECC Board and various stakeholder groups. WECC is the administrative home of WREGIS.

WREGIS costs fall outside Section 215 of the Federal Power Act. Participants fund WREGIS through registration and transaction fees.

WREGIS consists of two parts: the information system software and the administrative operations housed at WECC. The WREGIS staff oversees the software contractor and performs all of the administrative tasks required to operate the program including: registering account holders and generation units; training WREGIS users; and managing the budgeting, billing, and financial reporting.

Major 2014 Assumptions and Cost Impacts

WREGIS is funded entirely by user fees and is not subsidized by Section 215 funding. User fees are based on several factors including size and amount of usage. The size of the users is fairly constant, annual fees based on size make up only about 25 percent of the total revenues. The other 75 percent of revenues are based on usage levels, which can depend on uncontrollable factors such as weather (wind and solar generation levels) and state regulatory policies (retirement, transfers, etc.). Because a large portion of revenues can vary greatly from year to year, WECC holds large WREGIS reserves to allow for normal operations during years in which fee levels are low.

2014 Primary Goals and Objectives

- Implement the WREGIS program as required by the participating states, provinces, and voluntary programs.
- Register program participants, whether mandatory or voluntary.
- Refine the WREGIS software to ensure optimum performance in terms of both efficiency and ease of use for account holders.
- Keep abreast of possible needs to increase WREGIS's functionality.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- WREGIS account holders pay an initial registration fee and annual renewal fees. Amounts vary by the size and category of the account holder.
- Volumetric-based fees are assessed when RECs are traded, retired, reserved, or transferred.
- Nominal fees are charged for users who attend training.

Personnel Expenses

- Benefits decrease by \$19,000 due to a 15 percent reduction of personnel expenses for labor float.

Travel Expenses

- Travel Expenses increase by \$11,000 due to an increase in WREGIS audits in 2014.

Operating Expenses

- Consultants and Contracts decrease by \$14,000 due to a reduced need for customized QuickBooks programming and also due to existing staff performing tasks previously performed by consultants.
- Office Costs increase by \$88,000 due to WREGIS software licensing fees as well as system upgrades.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs. WECC charges and receives funds for WREGIS's indirect costs, based on actual results that are calculated quarterly.

Other Non-Operating Expenses

- Not applicable.

2013 Budget and Projection and 2014 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital
2013 Budget & Projection, and 2014 Budget

NON-STATUTORY

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	1,850,000	1,806,731	(43,269)	1,896,000	46,000
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	10,000	9,294	(706)	7,800	(2,200)
Interest	9,089	9,089	-	-	(9,089)
Miscellaneous	121	121	-	-	(121)
Total Funding (A)	\$ 1,869,210	\$ 1,825,235	\$ (43,975)	\$ 1,903,800	\$ 34,590
Expenses					
Personnel Expenses					
Salaries	\$ 349,435	\$ 347,974	\$ (1,461)	\$ 350,730	\$ 1,295
Payroll Taxes	26,019	26,543	524	23,715	(2,304)
Benefits	85,024	66,044	(18,980)	65,935	(19,089)
Retirement Costs	24,460	23,678	(782)	23,715	(745)
Total Personnel Expenses	\$ 484,938	\$ 464,239	\$ (20,699)	\$ 464,094	\$ (20,844)
Meeting Expenses					
Meetings	\$ 18,300	\$ 16,121	\$ (2,179)	\$ 13,225	\$ (5,075)
Travel	50,000	45,200	(4,800)	61,000	11,000
Conference Calls	500	487	(13)	-	(500)
Total Meeting Expenses	\$ 68,800	\$ 61,808	\$ (6,992)	\$ 74,225	\$ 5,425
Operating Expenses					
Consultants & Contracts	\$ 19,648	\$ 17,267	\$ (2,381)	\$ 6,000	\$ (13,648)
Office Rent	-	-	-	-	-
Office Costs	469,450	452,309	(17,141)	557,050	87,600
Professional Services	20,000	14,091	(5,909)	16,500	(3,500)
Miscellaneous	-	-	-	-	-
Depreciation	2,000	2,000	224,211	-	(2,000)
Total Operating Expenses	\$ 511,098	\$ 485,667	\$ 198,780	\$ 579,550	\$ 68,452
Total Direct Expenses	\$ 1,064,836	\$ 1,011,714	\$ 171,089	\$ 1,117,869	\$ 53,033
Indirect Expenses	\$ 443,310	\$ 594,843	\$ 151,533	\$ 541,111	\$ 97,801
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,508,146	\$ 1,606,557	\$ 322,622	\$ 1,658,980	\$ 150,834
Change in Assets	\$ 361,064	\$ 218,678	\$ (366,597)	\$ 244,820	\$ (116,244)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	6,000	6,000	-	-	(6,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	\$ 6,000	\$ 6,000	\$ -	\$ -	\$ (6,000)
TOTAL BUDGET (=B+C)	1,514,146	1,612,557	322,622	1,658,980	144,834
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 355,064	\$ 212,678	\$ (366,597)	\$ 244,820	\$ (110,244)
FTEs	5.0	4.8	(0.3)	5.0	-
HC	5.0	5.0	-	5.0	-

Personnel Analysis

FTEs are defined as full-time equivalent employees only. Fractional FTEs reflect part-time employees or employees who worked in fewer than all four quarters of the year.

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs ¹ 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
NON-STATUTORY						
Operational Programs						
Total FTEs Operational Programs	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Programs						
WREGIS	5.0	4.8	5.0	0.0	5.0	0.0
Total FTEs Administrative Programs	5.0	4.8	5.0	0.0	5.0	0.0
Total FTEs	5.0	4.8	5.0	0.0	5.0	0.0

¹A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

There are no changes to personnel within the non-statutory function.

Reserve Analysis — 2013–2014

Working Capital Reserve Analysis 2012-2013		
NON-STATUTORY		
	WREGIS Reserves	WECC Non-Statutory Reserves
Beginning Working Capital Reserve (Deficit), December 31, 2012	1,954,861	5,874,245
Plus: 2013 WREGIS Funding	1,825,235	
Plus: 2013 Other funding sources		
Less: 2013 Projected expenses & capital expenditures	(1,612,557)	
Projected Working Capital Reserve (Deficit), December 31, 2013	<u>2,167,539</u>	<u>5,874,245</u>
Projected Working Capital Reserve, December 31, 2014*	2,167,539	0
Less: Projected Working Capital Reserve, December 31, 2013	(2,167,539)	(5,874,245)
Adjustments to achieve Working Capital Reserve, December 31, 2013	<u>0</u>	<u>(5,874,245)</u>
2013 Funding Sources	1,903,800	
Less: Expenses and Capital Expenditures	(1,658,980)	
Transfer Reserves to Statutory		(5,874,245)
2014 Funding (reserve adjustment)	<u>244,820</u>	<u>(5,874,245)</u>

*WECC is converting Non-statutory Reserves not related to WREGIS to Statutory in the 2014 Business Plan and Budget.

WECC's Working Capital Reserve balance decreases in 2014. WECC's Board has approved a Working Capital Reserve balance equal to one month of Personnel and Operating Expenses, to be achieved by 2016. In 2014, WECC is transferring \$5.87 million of Non-statutory Working Capital Reserves, which were on-hand when WECC originally signed its Delegation Agreement in 2006, to Statutory Working Capital Reserves. Those funds have not been used for any purpose in the past seven years. WECC Management and the WECC Board believe it would be prudent to use that money to minimize the impact on Assessments due to the budget increases in 2014 and future years. The total Working Capital Reserves will be used to offset the impact of the creation of the new entity and other increases on Assessments for both WECC and the RCCo in 2014 and 2015.

Section D – Additional Consolidated Financial
Statements
2014 Business Plan and Budget

Section D — Additional Financial Statements

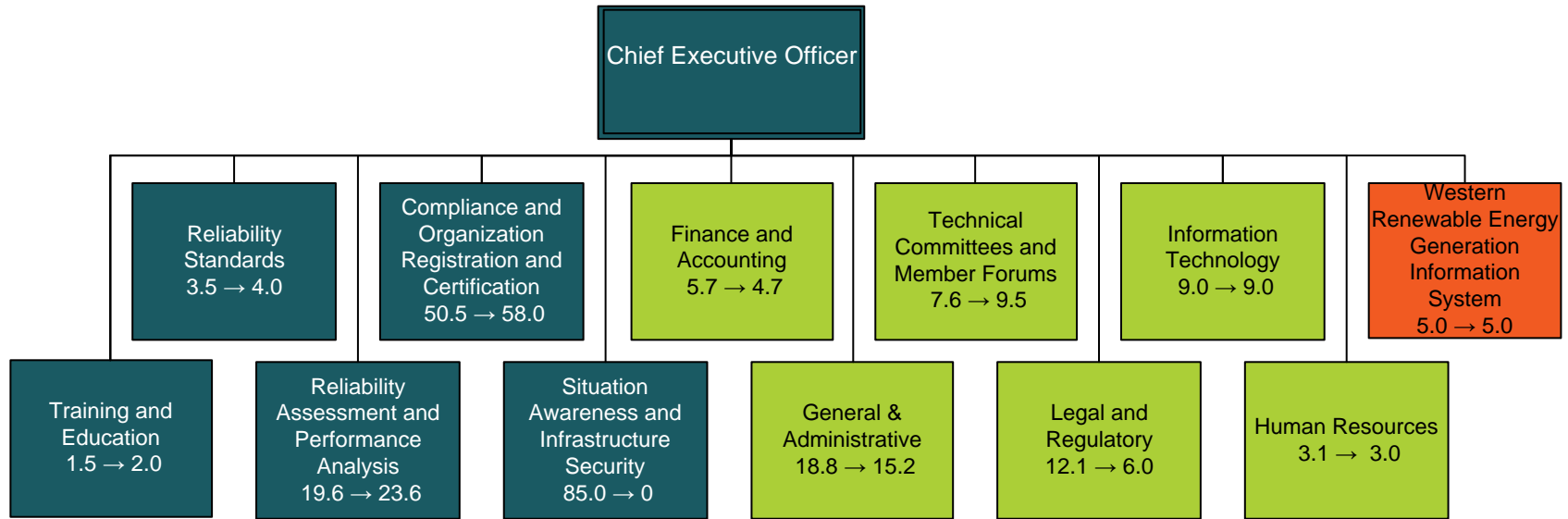
Section D – Additional Consolidated Financial Statements
2014 Consolidated Statement of Activities by Program, Statutory, and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement											Non-Statutory Functions			
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 600)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total	WREGIS	
Funding																		
WECC Funding																		
WECC Assessments	15,630,851	15,630,851	-	15,630,851	790,180	10,955,928	3,767,309	36,290	81,145	-	-	-	-	-	-	-	-	-
Penalty Sanctions	2,933,050	2,933,050	-	2,933,050	133,169	1,930,952	785,698	66,585	16,646	-	-	-	-	-	-	-	-	-
Total WECC Funding	18,563,901	18,563,901	-	18,563,901	923,349	12,886,880	4,553,007	102,875	97,791	-	-	-	-	-	-	-	-	-
Non-statutory Funding	1,896,000	-	1,896,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,896,000
Federal Grants	3,628,308	3,628,308	-	3,628,308	-	-	3,628,308	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	965,729	957,929	7,800	957,929	-	438,125	-	519,804	-	-	-	-	-	-	-	-	-	7,800
Interest	69,000	69,000	-	69,000	3,133	45,426	18,484	1,566	391	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	25,122,938	23,219,138	1,903,800	23,219,138	926,482	13,370,431	8,199,799	624,245	98,182	-	-	-	-	-	-	-	-	1,903,800
Expenses																		
Personnel Expenses																		
Salaries	12,446,955	12,096,225	350,730	12,096,225	447,768	4,769,767	2,014,830	146,942	47,976	874,612	1,801,127	657,788	670,107	384,508	280,800	-	-	350,730
Payroll Taxes	797,716	774,001	23,715	774,001	30,138	322,315	134,116	10,136	3,228	59,075	92,319	44,388	45,103	14,190	18,992	-	-	23,715
Benefits	2,195,679	2,129,744	65,935	2,129,744	48,499	795,563	296,187	22,654	5,724	115,178	188,224	77,152	101,928	414,876	63,758	-	-	65,935
Retirement Costs	797,716	774,001	23,715	774,001	30,138	322,315	134,116	10,136	3,228	59,075	92,319	44,388	45,103	14,190	18,992	-	-	23,715
Total Personnel Expenses	16,238,065	15,773,971	464,094	15,773,971	556,544	6,209,960	2,579,250	189,868	60,156	1,107,940	2,173,989	823,716	862,241	827,764	382,542	-	-	464,094
Meeting Expenses																		
Meetings	896,701	873,476	13,225	873,476	528	462,503	65,065	56,040	-	278,090	11,250	-	-	-	-	-	-	13,225
Travel	1,545,456	1,484,456	61,000	1,484,456	28,360	966,340	148,800	7,836	-	128,720	121,750	48,000	13,200	10,200	11,250	-	-	61,000
Conference Calls	114,222	114,222	-	114,222	4,188	41,780	30,750	804	-	18,800	8,100	1,200	7,200	1,000	400	-	-	-
Total Meeting Expenses	2,546,379	2,472,154	74,225	2,472,154	33,076	1,470,623	244,615	64,680	-	425,610	141,100	49,200	20,400	11,200	11,650	-	-	74,225
Operating Expenses																		
Consultants & Contracts	4,393,302	4,387,302	6,000	4,387,302	-	424,800	3,368,000	106,502	-	212,000	90,000	-	36,000	150,000	-	-	-	6,000
Office Rent	936,072	936,072	-	936,072	-	-	-	47,472	-	-	888,600	-	-	-	-	-	-	-
Office Costs	1,962,504	1,405,454	557,050	1,405,454	8,120	450,670	113,650	87,740	-	35,203	196,881	28,690	340,800	59,100	84,600	-	-	557,050
Professional Services	775,256	758,756	16,500	758,756	-	-	-	-	-	465,756	-	190,000	-	17,000	86,000	-	-	16,500
Miscellaneous	580,000	580,000	-	580,000	-	36,000	211,000	-	-	-	205,000	8,000	106,000	7,000	7,000	-	-	-
Depreciation	8,647,134	8,067,584	579,550	8,067,584	8,120	911,470	3,692,650	241,714	-	712,959	1,380,481	226,690	482,800	233,100	177,600	-	-	579,550
Total Operating Expenses	27,431,578	26,313,709	1,117,869	26,313,709	597,740	8,592,053	6,516,515	496,262	60,156	2,246,509	3,695,570	1,099,606	1,365,441	1,072,064	571,792	-	-	1,117,869
Total Direct Expenses	27,431,578	26,313,709	1,117,869	26,313,709	597,740	8,592,053	6,516,515	496,262	60,156	2,246,509	3,695,570	1,099,606	1,365,441	1,072,064	571,792	-	-	1,117,869
Indirect Expenses																		
	0	(541,111)	541,111	(541,111)	432,890	6,276,897	2,554,048	196,829	49,207	(2,246,509)	(3,695,570)	(1,099,606)	(1,365,441)	(1,072,064)	(571,792)	-	-	541,111
Other Non-Operating Expenses																		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	27,431,578	25,772,598	1,658,980	25,772,598	1,030,630	14,868,950	9,070,563	693,091	109,363	-	-	-	-	-	-	-	-	1,658,980
Change in Assets	(2,308,639)	(2,553,459)	244,820	(2,553,459)	(104,148)	(1,498,520)	(870,763)	(68,847)	(11,181)	-	-	-	-	-	-	-	-	244,820
Fixed Assets																		
Depreciation	(580,000)	(580,000)	-	(580,000)	-	(36,000)	(211,000)	-	-	-	(205,000)	(8,000)	(106,000)	(7,000)	(7,000)	-	-	-
Computer & Software CapEx	309,487	309,487	-	309,487	-	10,000	239,487	-	-	-	-	-	60,000	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	136,000	136,000	-	136,000	-	31,000	-	-	-	-	-	-	105,000	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	(0)	(0)	-	(0)	(7,628)	(110,602)	(45,003)	(3,814)	(953)	-	205,000	8,000	(59,000)	7,000	7,000	-	-	-
Inc(Dec) in Fixed Assets (C)	(134,513)	(134,513)	-	(134,513)	(7,628)	(105,602)	(16,516)	(3,814)	(953)	-	-	-	-	-	-	-	-	-
TOTAL BUDGET (B+C)	27,297,064	25,638,084	1,658,980	25,638,084	1,023,002	14,763,349	9,054,046	689,278	108,410	-	-	-	-	-	-	-	-	1,658,980
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	(2,174,126)	(2,418,946)	244,820	(2,418,946)	(96,520)	(1,392,918)	(854,247)	(65,033)	(10,228)	-	-	-	-	-	-	-	-	244,820
FTEs	140.0	135.0	5.0	135.0	4.0	58.0	23.6	2.0	0.5	9.0	15.2	6.0	9.0	3.0	4.7	-	-	5.0
HC	140.0	135.0	5.0	135.0	4.0	58.0	23.0	2.0	-	9.0	16.0	6.0	9.0	3.0	5.0	-	-	5.0

Statement of Financial Position

Statement of Financial Position			
2012 Audited, 2013 Projection, and 2014 Budget			
STATUTORY and NON-STATUTORY			
(in thousands)			
	(Per Audit)	Projected	Budget
	31-Dec-12	31-Dec-13	31-Dec-14
ASSETS			
Cash and cash equivalents	\$ 39,940,191	\$ 25,679,956	\$ 2,843,277
Certificates of deposit	1,436,598	1,500,000	1,125,000
Investments	5,930,113	6,000,000	4,500,000
Accounts receivable, net	12,908,228	14,199,051	5,470,798
Prepaid expenses and other assets	835,773	626,830	470,122
Property and equipment	11,964,467	14,357,360	3,589,340
Total Assets	\$ 73,015,370	\$ 62,363,197	\$ 17,998,537
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	7,557,387	5,668,040	2,834,020
Accrued payroll and related liabilities	1,892,947	2,044,383	1,226,630
Deferred revenue	24,381,993	24,577,528	9,378,511
Other liabilities	7,051,156	5,640,925	1,410,231
Total Liabilities	\$ 40,883,483	\$ 37,930,876	\$ 14,849,392
Unrestricted net assets	32,131,887	24,432,321	3,149,145
Total Liabilities and Net Assets	\$ 73,015,370	\$ 62,363,197	\$ 17,998,537

Appendix A: Organizational Chart



- Statutory Program Area
- Administrative Services Program Area
- Non-statutory Program Area

Appendix B: 2014 Budget & Projected 2015 and 2016 Budgets

Statement of Activities and Capital Expenditures							
2014 Budget & Projected 2015 and 2016 Budgets							
Statutory							
	2014	2015	\$ Change	% Change	2016	\$ Change	% Change
	Budget	Projection	14 v 15	14 v 15	Projection	15 v 16	15 v 16
Funding							
ERO Funding							
WECC Assessments	\$ 15,630,852	\$ 22,973,055	\$ 7,342,203	47.0%	\$ 23,591,978	\$ 618,923	2.7%
Penalty Sanctions	2,933,050	-	(2,933,050)	-100.0%	-	-	-
Total ERO Funding	\$ 18,563,902	\$ 22,973,055	\$ 4,409,153	23.8%	\$ 23,591,978	\$ 618,923	2.7%
Membership Dues							
Federal Grants	3,628,308	-	(3,628,308)	-100.0%	-	-	-
Workshops	-	996,246	996,246		1,036,096	39,850	4.0%
Interest	957,929	71,760	(886,169)	-92.5%	74,630	2,870	4.0%
Miscellaneous	69,000	-	(69,000)	-100.0%	-	-	-
Total Funding (A)	\$ 23,219,138	\$ 24,041,061	\$ 821,923	3.5%	\$ 24,702,704	\$ 661,643	2.8%
Expenses							
Personnel Expenses							
Salaries	\$ 12,096,225	\$ 12,789,847	693,622	5.7%	\$ 13,301,441	511,594	4.0%
Payroll Taxes	774,001	804,594	30,593	4.0%	\$ 836,778	32,184	4.0%
Benefits	2,129,744	2,141,592	11,848	0.6%	\$ 2,227,256	85,664	4.0%
Retirement Costs	774,001	804,586	30,585	4.0%	\$ 836,768	32,182	4.0%
Total Personnel Expenses	\$ 15,773,971	\$ 16,540,619	\$ 766,649	4.9%	\$ 17,202,243	\$ 661,624	4.0%
Meeting Expenses							
Meetings	\$ 873,476	\$ 908,415	34,939	4.0%	\$ 944,752	36,337	4.0%
Travel	1,484,456	1,543,834	59,378	4.0%	1,605,588	61,754	4.0%
Conference Calls	114,222	118,791	4,569	4.0%	123,543	4,752	4.0%
Total Meeting Expenses	\$ 2,472,154	\$ 2,571,040	\$ 98,886	4.0%	\$ 2,673,883	\$ 102,843	4.0%
Operating Expenses							
Consultants & Contracts	\$ 4,387,302	\$ 1,776,394	(2,610,908)	-59.5%	\$ 1,647,450	(128,944)	-7.3%
Office Rent	936,072	973,515	37,443	4.0%	1,012,455	38,940	4.0%
Office Costs	1,405,454	1,619,945	214,491	15.3%	1,684,743	64,798	4.0%
Professional Services	758,756	789,106	30,350	4.0%	820,670	31,564	4.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	580,000	696,000	116,000	20.0%	-	(696,000)	-100.0%
Total Operating Expenses	\$ 8,067,584	\$ 5,854,960	\$ (2,212,624)	-27.4%	\$ 5,165,318	\$ (689,642)	-11.8%
Total Direct Expenses	\$ 26,313,709	\$ 24,966,619	\$ (1,347,090)	-5.1%	\$ 25,041,444	\$ 74,825	0.3%
Indirect Expenses	(541,111)	(550,198)	(9,087)	1.7%	(572,206)	(22,008)	4.0%
Other Non-Operating Expenses	-	-	-	-	-	-	-
Total Expenses (B)	\$ 25,772,598	\$ 24,416,421	\$ (1,356,177)	-5.3%	\$ 24,469,238	\$ 52,817	0.2%
Change in Assets	\$ (2,553,459)	\$ (375,360)	\$ 2,178,099	-85.3%	\$ 233,466	\$ 608,826	-162.2%
Fixed Assets							
Depreciation	\$ (580,000)	\$ (696,000)	(116,000)	20.0%	\$ -	\$ 696,000	-100.0%
Computer & Software CapEx	445,487	179,200	(266,287)	-59.8%	86,368	(92,832)	-51.8%
Furniture & Fixtures CapEx	-	141,440	141,440		147,098	5,658	4.0%
Leasehold Improvements	-	-	-	-	-	-	-
Incr(Dec) in Fixed Assets (C)	\$ (134,513)	\$ (375,360)	\$ (240,847)	179.1%	\$ 233,466	\$ 608,826	-162.2%
TOTAL BUDGET (B+C)	\$ 25,638,085	\$ 24,041,061	\$ (1,597,024)	-6.2%	\$ 24,702,704	\$ 661,643	2.8%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (2,418,946)	\$ -	\$ 2,418,946	\$ -	\$ -	\$ -	-
FTEs	135.0	135.0	0.0	0.0%	135.0	-	0.0%
HC	135.0	135.0	0.0	0.0%	135.0	-	0.0%

Appendix C: Adjustment to the AESO 2014 Assessment

Adjustment to the AESO 2013 and 2014 Assessments

Credit for WECC Compliance Costs

	2013 Compliance Budget AESO NEL Allocation	2014 Compliance Budget AESO NEL Allocation
WECC Compliance Costs		
Direct Costs less Direct Revenue	\$ 8,405,121	\$ 8,108,502
Indirect Costs	4,477,429	6,276,897
Fixed Asset Expenditures	(250,045)	(105,602)
Total Net Costs, including Fixed Assets	\$ 12,632,505	\$ 14,279,797
Reserve Offset	\$ -	\$ (1,392,917)
Net total to be allocated	\$ 12,632,505	\$ 12,886,880
AESO NEL Share (2011 & 2012)	6.857%	6.835%
AESO Proportional Share of Compliance Costs, including Fixed Assets	\$ 866,162	\$ 880,818
% Credit (47.25 of 50.5 FTE for 2013, 54.98 of 58.0 FTE for 2014)	93.56%	94.79%
AESO Credit for Compliance Costs	\$ 810,419	\$ 834,955

DOCKET NO. RR13-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2014 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 6

RCCo

PROPOSED 2014 BUSINESS PLAN AND BUDGET

2014 Business Plan and Budget
Reliability Coordination Company

Approved by:
WECC Board of Directors

Date:
June 28, 2013

Table of Contents

Introduction	3
Organizational Overview.....	3
Membership and Governance	4
Statutory Functional Scope.....	4
2014 RCCo Business Objectives.....	4
2014 Overview of Cost Impacts.....	5
Personnel Analysis	6
2013 Budget and Projection and 2014 Budget Comparisons	7
Section A — 2014 Business Plan.....	9
Situation Awareness and Infrastructure Security Program	9
Administrative Services	15
Technical Committees and Member Forums	16
General and Administrative	19
Legal and Regulatory.....	22
Information Technology	25
Human Resources	28
Finance and Accounting	31
Section B — Supplemental Financial Information.....	35
Reserve Balance	35
Penalty Sanctions.....	36
Supplemental Funding.....	37
Personnel Expenses.....	38
Consultants and Contracts	40
Office Rent.....	41
Office Costs.....	42
Professional Services	43
Other Non-Operating	44
Section C – Additional Consolidated Financial Statements.....	46
2014 Consolidated Statement of Activities by Program.....	46
Appendix A: Organizational Chart.....	47
Appendix B: 2014 Budget & Projected 2015 and 2016 Projections	48

Introduction

TOTAL RESOURCES (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs*	149.1			
Non-statutory FTEs	-			
Total FTEs	149.1			
Statutory Expenses	\$ 34,371,648			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 34,371,648			
Statutory Inc(Dec) in Fixed Assets	\$ (1,413,000)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (1,413,000)			
Statutory Working Capital Requirement**	2,576,951			
Non-Statutory Working Capital Requirement	0			
Total Working Capital Requirement	2,576,951			
Total Statutory Funding Requirement	\$ 29,724,031			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 29,724,031			
Statutory Funding Assessments	\$ 29,568,031	\$ 25,077,715	\$ 4,094,340	\$ 395,976
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL****	866,703,757	735,082,752	120,014,087	11,606,918
NEL%	100.00%	84.81%	13.85%	1.34%

*An FTE is defined as a full-time equivalent employee.

**Refer to the Statutory Reserve Analysis on page 35 in Section B.

****NEL is defined as Net Energy for Load.

Organizational Overview

The Reliability Coordination Company (RCCo) was created to form an independent entity to house the Reliability Coordinator and Interchange Authority Registered Functions. The RCCo is a 501(c)(4) entity operating in the “best interest of the public welfare.” The RCCo’s mission is to “support and promote social welfare by endeavoring to ensure reliability by providing Real-time Interconnection-wide oversight of the Bulk Electric System (BES) within the RCCo footprint, coordinating necessary Real-time and seasonal planning and modeling, and ensuring that data critical to the reliable and efficient operation of the BES is shared appropriately.”

The RCCo will create value by delivering cost-effective services and engaging in efficient and non-discriminatory practices. To achieve this, the RCCo will retain registration for and fulfill the duties of the Reliability Coordinator (RC) and the Interchange Authority (IA), as defined by the North American Electric Reliability Corporation (NERC), and agreed upon by the Federal Energy Regulatory Commission (FERC), for the RCCo’s footprint in the Western Interconnection. These functions have been transferred from the Western Electricity Coordinating Council (WECC). Further, upon approval by the RCCo Board of Directors, the RCCo will perform additional functions that promote BES reliability and support.

Membership and Governance

The RCCo has 146 companies who have signaled their intent to become members¹ of the RCCo and they will be divided into the following six membership classes:

1. Large Transmission Owners
2. Small Transmission Owners
3. Generation Owners and Operators
4. End Users
5. Representatives of State and Provincial Governments
6. Members at Large

RCCo membership is open to any person or entity that has an interest in the reliable operation of the Western Interconnection BES.

The RCCo is governed by a seven-member Independent Board of Directors. The seven Independent Directors are not affiliated with any RCCo member, any Registered Entity within the Western Interconnection, or any Compliance Enforcement Authority with jurisdiction over the RCCo's activities. The RCCo Board is elected by the RCCo Membership and the Directors are compensated for their time.

Input comes to the RCCo Board from the member organizations, from other interested parties, and through recommendations from the RCCo Member Advisory Committee (MAC). The MAC is comprised of member representatives elected by the member Classes. The MAC advises the Board regarding matters referred to the MAC by the Board; and advises the Board on other matters as the MAC deems appropriate. The MAC consists of fifteen elected Members and includes three representatives elected by each of Classes 1 through 5. As set forth in the RCCo Bylaws, each of Member Classes 1 through 5 may subdivide into up to three subdivisions for purposes of electing a Class' MAC Members.²

Statutory Functional Scope

The RCCo will be listed on the NERC Compliance Registry to perform the RC and IA functions as statutory activities. The RCCo was created by a spin-off of WECC's RC and IA functions, which represented almost 100 percent of WECC's Situation Awareness and Infrastructure Security (SAIS) Program Area. For comparative purposes in this Business Plan and Budget, the WECC 2013 SAIS budget is also presented

2014 RCCo Business Objectives

The RCCo's business objectives for 2014 are as follows:

1. Identify and mitigate potential risks and vulnerabilities to improve system reliability.
2. Increase organizational readiness to respond to external drivers.
3. Provide data and analysis to support informed decisions related to system reliability and efficient competitive power markets.

¹ As of July 8, 2013.

² RCCo Bylaws, Section VII.A.

2014 Overview of Cost Impacts

The RCCo's proposed 2014 statutory budget is \$33.0 million, a \$4.0 million (13.7 percent) increase from WECC's 2013 SAIS statutory budget. The primary drivers of the increase are the creation of the independent entity to house the RC and IA Registered Functions, and recommendations from the Board appointed Reliability Coordination Task Force (RCTF), which are both explained in more detail in the Program Area sections of the business plan. One-time costs related to the establishment of the RCCo as a stand-alone organization are expected to be incurred in 2013 and paid for by WECC out of Statutory funds.

Additionally, the U.S. Department of Energy (DOE) Western Interconnection Synchrophasor Program (WISP) grant is projected to be complete in December 2013. As planned, the cost of WISP's ongoing operations is incorporated into the SAIS budget in 2014. There is a material impact to Assessments in 2014 due to the termination of grant funding related to WISP. Ongoing annual costs related to WISP are in line with the original 2009 estimate of a \$3.7 million average per year.

Working Capital Reserves will be used in 2014 to help mitigate the percentage increase in Assessments due to the creation of the RCCo and the RCTF recommendations. Please see the Statutory Working Capital Analysis on page 35.

Full-time equivalents (FTE) represent the fractional allocation of a full-time position's cost to one or more functional areas. Headcount represents either vacant or filled positions. Significant changes to the 2014 statutory budget from the 2013 statutory budget and other noteworthy items are as follows:

- The budget for the newly formed Administrative Services Area is \$7.8 million.
- Thirty of the 149.08 FTEs work in the Administrative Services Area and the remaining 119.08 are in the SAIS Program Area.
- Personnel Expenses increase by \$6.4 million primarily due to the formation of the new organization and the RCTF Recommendations.
- Meeting expenses increase \$702,000 primarily due to the formation of the new organization.
- Consultants & Contracts decrease by \$1.2 million, primarily due to the completion of the WISP grant on December 31, 2013.
- Other operating costs increase primarily due to the formation of the new organization.

Personnel Analysis

Total staffing for the RCCo is 149.08 FTEs in 2014.

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs* 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
STATUTORY						
Operational Programs						
Situation Awareness and Infrastructure Security**	85.00	97.50	119.08	0	119.08	34.08
Total FTEs Operational Programs	85.00	97.50	119.08	0.00	119.08	34.08
Administrative Programs						
General & Administrative	0	0	12.00	0	12.00	12.00
Information Technology	0	0	3.00	0	3.00	3.00
Legal and Regulatory	0	0	7.00	0	7.00	7.00
Human Resources	0	0	3.00	0	3.00	3.00
Finance and Accounting	0	0	5.00	0	5.00	5.00
Total FTEs Administrative Programs	0.00	0.00	30.00	0.00	30.00	30.00
Total FTEs	85.00	97.50	149.08	0.00	149.08	64.08

*A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

**The 2013 values presented are from WECC's 2013 Business Plan and Budget to provide comparative figures.

2013 Budget and Projection and 2014 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	STATUTORY				
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 24,476,506	\$ 24,476,506	\$ -	\$ 29,568,031	\$ 5,091,525
Penalty Sanctions	1,575,157	1,575,157	-	-	(1,575,157)
Total WECC Funding	\$ 26,051,663	\$ 26,051,663	\$ -	\$ 29,568,031	\$ 3,516,368
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	2,786,077	10,486,952	7,700,876	-	(2,786,077)
Services & Software	-	-	-	-	-
Workshops	(0)	(0)	-	-	0
Interest	154,450	135,721	(18,729)	156,000	1,550
Miscellaneous	2,060	(36,750)	(38,809)	-	(2,060)
Total Funding (A)	\$ 28,994,248	\$ 36,637,586	\$ 7,643,338	\$ 29,724,031	\$ 729,783
Expenses					
Personnel Expenses					
Salaries	\$ 10,500,211	\$ 12,279,929	\$ 1,779,718	\$ 14,959,388	\$ 4,459,177
Payroll Taxes	745,847	907,971	162,124	963,709	217,863
Benefits	1,093,421	1,306,922	213,501	2,510,603	1,417,182
Retirement Costs	647,166	824,044	176,878	963,709	316,543
Total Personnel Expenses	\$ 12,986,645	\$ 15,318,866	\$ 2,332,221	\$ 19,397,409	\$ 6,410,764
Meeting Expenses					
Meetings	\$ -	\$ 13,002	\$ 13,002	\$ 306,183	\$ 306,183
Travel	437,726	614,395	176,669	804,138	366,412
Conference Calls	15,920	18,557	2,637	45,084	29,164
Total Meeting Expenses	\$ 453,646	\$ 645,954	\$ 192,308	\$ 1,155,405	\$ 701,759
Operating Expenses					
Consultants & Contracts	\$ 2,422,290	\$ 10,156,531	\$ 7,734,241	\$ 1,267,500	\$ (1,154,790)
Office Rent	768,081	767,034	(1,047)	1,276,728	508,647
Office Costs	4,518,304	6,120,608	1,602,304	6,986,326	2,468,022
Professional Services	5,000	82,144	77,144	663,280	658,280
Miscellaneous	-	-	-	-	-
Depreciation	3,315,530	3,759,841	444,311	3,625,000	309,470
Total Operating Expenses	\$ 11,029,205	\$ 20,886,158	\$ 9,856,953	\$ 13,818,834	\$ 2,789,629
Total Direct Expenses	\$ 24,469,496	\$ 36,850,978	\$ 12,381,482	\$ 34,371,648	\$ 9,902,152
Indirect Expenses	\$ 6,278,766	\$ 7,707,230	\$ 1,428,464	\$ -	\$ (6,278,766)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 30,748,262	\$ 44,558,208	\$ 13,809,946	\$ 34,371,648	\$ 3,623,386
Change in Assets	\$ (1,754,014)	\$ (7,920,623)	\$ (6,166,609)	\$ (4,647,617)	\$ (2,893,603)
Fixed Assets					
Depreciation	\$ (3,315,530)	\$ (3,759,841)	\$ (444,311)	\$ (3,625,000)	\$ (309,470)
Computer & Software CapEx	843,000	1,078,367	235,367	1,373,000	530,000
Furniture & Fixtures CapEx	29,000	6,000	(23,000)	36,000	7,000
Equipment CapEx	1,000,000	1,583,352	583,352	803,000	(197,000)
Leasehold Improvements	-	1,461,873	1,461,873	-	-
Allocation of Fixed Assets	\$ (310,484)	\$ (151,498)	\$ 158,986.00	\$ -	\$ 310,484
Incr(Dec) in Fixed Assets (C)	\$ (1,754,014)	\$ 218,253	\$ 1,972,267	\$ (1,413,000)	\$ 341,014
TOTAL BUDGET (B+C)	28,994,248	44,776,461	15,782,213	32,958,648	3,964,400
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ (8,138,876)	\$ (8,138,876)	\$ (3,234,617)	\$ (3,234,617)
FTEs	85.0	97.5	12.5	149.1	64.1
HC	96.0	108.0	12.0	155.0	59.0

Section A – Statutory Programs 2014 Business Plan and Budget

Section A — 2014 Business Plan

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	85.0	119.1	34.1
Direct Expenses	\$ 24,469,496	\$ 26,547,960	\$ 2,078,464
Indirect Expenses	\$ 6,278,766	\$ 7,823,688	\$ 1,544,922
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (1,754,014)	\$ (1,413,000)	\$ 341,014
Total Funding Requirement	\$ 28,994,248	\$ 32,958,648	\$ 3,964,400

Program Scope and Functional Description

The Reliability Coordinator and Interchange Authority functions oversee situation awareness in the Western Interconnection.

Reliability Coordinator

The primary role of the RCCo RC function is the reliable operation of the BES for the Western Interconnection in Real-time and next-day study time frames. The RC maintains Real-time operating reliability with a Wide Area view. The Wide Area view includes situational awareness of both transmission and balancing operations, and the RC has the authority to direct other functional entities to take actions to ensure reliable operation within the Western Interconnection. The RCCo ensures that the generation-demand balance is maintained within its Reliability Coordination Area, which ensures that the Interconnection frequency remains within acceptable limits. These reliability functions are executed at the Reliability Coordination Offices (RCO) located in Vancouver, Washington, and Loveland, Colorado. Each RCO serves as a “hot” backup for the other.

Situation awareness in the Western Interconnection is further enhanced through the activities undertaken by WECC in response to the DOE’s Smart Grid Investment Grant Funding Opportunity Announcement. On April 1, 2010, WECC signed an agreement with the DOE to receive a \$53.9 million grant to implement the WISP project. The funding matched dollars already committed by nine WISP Partner Entities³ in the Western Interconnection to extend and deploy synchrophasor technologies within their electrical systems. The total funding for WISP is \$107.8 million. Phase one of the WISP project was completed on March 31, 2013. On February 14, 2013, WECC was granted a no-cost extension to expand the control centers to better enable the use of WISP technology. The DOE project extension completion date is March 31, 2014; however,

³ Bonneville Power Administration, California Independent System Operator, Idaho Power, NV Energy, PacifiCorp, Pacific Gas & Electric, Southern California Edison, Salt River Project, and WECC.

management believes the project will be completed by December 31, 2013. As a result, the 2014 budget does not include any grant funding.

WISP will deliver significant reliability enhancement for the RCCo, the RCCo's partners throughout the Western Interconnection, and the nation's electric power industry. Additionally, WISP will allow for increased visibility of electric power system vulnerabilities by RC System Operators, which helps minimize the risk of the vulnerabilities evolving into a major disturbance or blackout. Synchrophasor technology will also provide the ability to see and manage the intermittent nature of renewable resources, and to deploy the ancillary services needed to solidify the changing nature of the Western Interconnection power generation portfolio.

Interchange Authority

In 2008, the WECC Board approved the initiative for WECC to register as the IA for the Western Interconnection. The primary role of the IA is to coordinate communication and validation of Arranged Interchange for reliability evaluation and implementation purposes.

The RCCo uses the WECC Interchange Tool (WIT) to perform the functions of the IA in the Western Interconnection. WIT is a software system that facilitates and coordinates interchange between Balancing Authorities and permits increased monitoring of interchange transactions by RC System Operators. The RCCo is registered with NERC as the IA.

Web Security Analysis System (webSAS)

The webSAS tool enhances situation awareness in the Western Interconnection by determining the effect of both on- and off-path schedules on a Qualified Path that is experiencing overloading due to unscheduled flow. In 2011, WECC moved to a single webSAS contract and license to ensure that a greater number of entities would have access to the tool. Increased use of the tool will ensure consistent calculation of unscheduled flow impacts and curtailment responsibilities, which will have a positive effect on the reliability of the Interconnection. This contract will transfer to the RCCo effective January 1, 2014.

2014 Key Assumptions

- During 2014 (as in every year), the RC function is expected to respond to FERC directives and orders as well as to significant new initiatives not currently identified that may be generated by NERC. An uncertainty that may result in significant impact on resources is the July 1, 2013 implementation of standards PER 005, and EOP (Emergency Operating Plans) 005 and 006. Possible impacts include additional workload, need for increased outreach and training, and the actual transition and associated guidance that may be issued by NERC.
- Cyclical upgrades of event monitoring equipment, software, hardware, and Information Technology (IT) system infrastructure will continue.
- The WISP tool enhancement and control room redesign will be completed on schedule by December 31, 2013. FERC/NERC's recommendations for remediation actions contained in the *Arizona-Southern California Outages on*

September 8, 2011 Joint Report and subsequent NERC recommendations will continue to be implemented.

2014 Goals and Key Deliverables

The 2014 RCCo RC function budget primarily addresses the following key areas:

1. Implement the recommendations for the RC from the FERC/NERC Joint Report on the September 8, 2011 Blackout.
2. Aggressively increase staffing and expand and enhance tools used for Real-time monitoring of the Western Interconnection throughout 2014, based on the RCTF recommendations presented to the WECC Board of Directors at the December 2012 meeting.
3. The Personnel Performance, Training, and Qualifications, and EOP standards will create additional training workload for the RC staff. This relates specifically to the development of a Job Task Analysis and requires the RC function to conduct restoration training for the Membership; including Generator Operators, Balancing Authorities, and Transmission Operators. In addition, data sharing will increase the workload of the RC staff, as it will be responsible for setting up and maintaining the systems that enable this activity.
4. The WISP grant will end on March 31, 2014, but management expects the project to be finished by December 2013. On January 1, 2014, the RCCo RC function will assume responsibility for the added operations, training, software, and hardware maintenance in addition to continued enhancements to the WISP tools.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than Electric Reliability Organization (ERO) Assessments)

- In the RCCo, there are no Penalty Sanction offsets to Assessments.
- DOE grant funding for WISP is projected to end in December 2013.
- Interest revenue is allocated to the only Statutory Program Area in the RCCo.

Personnel Expenses

- Salaries increase by \$1.4 million due to the net addition of 34.1 FTEs (29 positions). One position is being added for WISP. One position is being added for the Enhanced Curtailment Calculator (ECC). Two positions are being transferred from WECC Legal. Five positions are being transferred to General and Administrative, where they are more appropriately classified. Thirty of the new positions are being added as a result of the RCTF recommendations, primarily to enhance the RC's ability to carry out its function. These positions will focus primarily on the areas of:
 - Operations Planning
 - Current-day/Real-time support
 - Next-day study data validation and mapping

- Seasonal System Operating Limit (SOL) coordination and validation
- Emergency plan coordination
- Real-time Operations
 - Monitor and analyze Real-time system conditions
 - Coordinate system restoration activities
 - Proactively respond to and mitigate potential adverse impacts to the BES
 - Communicate with and direct corrective actions of Registered Entities during actual SOL exceedances
 - Identify and mitigate potential/actual Interconnection Reliability Operating Limits in Real-time operations horizon
- IT Applications, Engineering, and IT Support
 - Application Architects
 - Application Support
 - Dispatcher Training Simulator Support
 - Energy Management System Modeling
 - Remedial Action Scheme Engineering
 - Architecture Support
 - Communications
 - IT Infrastructure
 - Systems Administration
- Payroll Taxes, Benefits, and Retirement Costs increase with Salaries.
- The budget for insurance costs increases by 20 percent in 2014 due to the creation of the RCCo. Insurance rates for two smaller organizations will be higher than for one larger organization.
- In 2014, salaries, payroll taxes, employer retirement contributions, and medical benefits were reduced by 15 percent in each department to budget for labor float uniformly across the organization.

Meeting Expenses

- Travel increases by \$18,000 due to the increase in FTEs.

Operating Expenses

- Consultants & Contracts decrease by a net \$1.5 million primarily due to the completion of the WISP grant. In 2014 there is \$822,000 in the budget for consulting costs related to the ECC.
- Office Rent decreases by \$740,000 due to its reclassification from the SAIS budget to the General and Administrative budget in 2014.
- Office Costs increase by \$1.8 million primarily due to maintenance and service agreements for RC equipment and software, as follows:
 - The 2014 WISP costs are funded 100 percent by statutory funding and in 2013, the DOE grant funded three months of expenditures.

- Along with normal inflationary annual contract cost adjustments of three-to-four percent, the RC has significantly enhanced the West-wide System Model by increasing the number of points modeled, going from 100,000 to 190,000. This increase more than doubled license and maintenance contract costs.
- The RC has expanded its use of OSIsoft's PI System displays, which enable better intuitive situation awareness by the RC System Operators, increasing contract costs.
- The RC began its first cycle of refreshing the hardware in 2012, including changing out a third of the switches and servers each year, all requiring new service agreements.
- As growth has occurred, the RC has expanded data collection and distribution using SharePoint and WECCRC.org, which requires additional servers and software and increases service and maintenance costs.
- Depreciation increases by \$302,000 due to the increase in Fixed Assets expenditures in 2014 and the full year of depreciation for assets purchased in 2013.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs. Because it is the RCCo's only Statutory function, 100 percent of the indirect cost allocation is accounted for in the SAIS Program Area.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer and Software CapEx increases by a net \$530,000 primarily due to the ECC software purchase of \$700,000.
- Equipment CapEx decreases by \$197,000. The decrease relates primarily to two projects that were completed in 2013: the Loveland test environment and Energy Management System core switch upgrades.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
SITUATION AWARENESS AND INFRASTRUCTURE SECURITY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
RCCo Funding					
Assessments	\$ 24,476,506	\$ 24,476,506	\$ -	\$ 29,568,031	\$ 5,091,525
Penalty Sanctions	1,575,157	1,575,157	-	-	(1,575,157)
Total WECC Funding	\$ 26,051,663	\$ 26,051,663	\$ -	\$ 29,568,031	\$ 3,516,368
Membership Dues	-	-	-	-	-
Federal Grants	2,786,076	10,486,952	7,700,876	-	(2,786,076)
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	154,450	135,721	(18,729)	156,000	1,550
Miscellaneous	2,059	(36,750)	(38,809)	-	(2,059)
Total Funding (A)	\$ 28,994,248	\$ 36,637,586	\$ 7,643,338	\$ 29,724,031	\$ 729,783
Expenses					
Personnel Expenses					
Salaries	\$ 10,500,212	\$ 12,279,930	\$ 1,779,718	\$ 11,932,371	\$ 1,432,159
Payroll Taxes	745,846	907,970	162,124	787,893	42,047
Benefits	1,093,420	1,306,921	213,501	1,680,551	587,131
Retirement Costs	647,167	824,045	176,878	787,893	140,726
Total Personnel Expenses	\$ 12,986,645	\$ 15,318,866	\$ 2,332,221	\$ 15,188,708	\$ 2,202,063
Meeting Expenses					
Meetings	\$ -	\$ 13,002	\$ 13,002	\$ 1,083	\$ 1,083
Travel	437,726	614,395	176,669	455,288	17,562
Conference Calls	15,920	18,557	2,637	15,384	(536)
Total Meeting Expenses	\$ 453,646	\$ 645,954	\$ 192,308	\$ 471,755	\$ 18,109
Operating Expenses					
Consultants & Contracts	\$ 2,422,290	\$ 10,156,531	\$ 7,734,241	\$ 950,000	\$ (1,472,290)
Office Rent	768,081	767,034	(1,047)	27,996	(740,085)
Office Costs	4,518,304	6,120,608	1,602,304	6,291,501	1,773,197
Professional Services	5,000	82,144	77,144	-	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	3,315,530	3,759,841	444,311	3,618,000	302,470
Total Operating Expenses	\$ 11,029,205	\$ 20,886,158	\$ 9,856,953	\$ 10,887,497	\$ (141,708)
Total Direct Expenses	\$ 24,469,496	\$ 36,850,978	\$ 12,381,482	\$ 26,547,960	\$ 2,078,464
Indirect Expenses	\$ 6,278,766	\$ 7,707,230	\$ 1,428,464	\$ 7,823,688	\$ 1,544,922
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 30,748,262	\$ 44,558,208	\$ 13,809,946	\$ 34,371,648	\$ 3,623,386
Change in Assets	\$ (1,754,014)	\$ (7,920,622)	\$ (6,166,608)	\$ (4,647,617)	\$ (2,893,603)
Fixed Assets					
Depreciation	(3,315,530)	(3,759,841)	(444,311)	(3,618,000)	(302,470)
Computer & Software CapEx	843,000	1,078,367	235,367	1,373,000	530,000
Furniture & Fixtures CapEx	29,000	6,000	(23,000)	-	(29,000)
Equipment CapEx	1,000,000	1,583,352	583,352	803,000	(197,000)
Leasehold Improvements	-	1,461,873	1,461,873	-	-
Allocation of Fixed Assets	\$ (310,484)	\$ (151,498)	\$ 158,986	\$ 29,000	\$ 339,484
Incr(Dec) in Fixed Assets (C)	\$ (1,754,014)	\$ 218,253	\$ 1,972,267	\$ (1,413,000)	\$ 341,014
TOTAL BUDGET (B+C)	28,994,248	44,776,461	15,782,213	32,958,648	3,964,400
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ (8,138,875)	\$ (8,138,875)	\$ (3,234,617)	\$ (3,234,617)
FTEs	85.0	97.5	12.5	119.1	34.1
HC	96.0	108.0	12.0	125.0	29.0

Administrative Services

Administrative Services (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	30.0	30.0
Direct Expenses	\$ -	\$ 7,823,688	\$ 7,823,688
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The RCCo's Administrative Services consists of Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The budgets for these programs are addressed in the subsequent sections of the Business Plan and Budget.

Methodology for Allocation of Administrative Services Expenses to Programs

Administrative Services expenses are allocated to the statutory program area.

Funding Sources and Requirements — Explanation of Increases

All of the RCCo Administrative Services areas are new in 2014. The increases all relate to the creation and formation of the RCCo and its corporate services departments. The budget explanations in subsequent sections relate to the components of these new budgets rather than the typical explanations of increases and decreases from the previous year's budget provided in Regional Entity Business Plans and Budgets.

Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ -	\$ 669,310	\$ 669,310
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The RCCo provides forums for Members and other interested stakeholders within its footprint to discuss and share reliability and operating concerns. This includes the RCCo Board of Directors, committees, subcommittees, work groups, and task forces.

2014 Key Assumptions

- Members and interested stakeholders will be responsible for all expenses related to attendance at RCCo forums.
- The RCCo budgets for meeting space, meals, and logistics associated with RCCo forums.
- All RCCo meetings will be held at off-site facilities.

2014 Goals and Key Deliverables

- Create a more effective organization by facilitating and encouraging cross-departmental coordination and consistency.
- Address the vulnerabilities that could impact reliability by identifying and promoting the projects that can improve reliability and mitigate vulnerabilities.
- Optimize stakeholder involvement and value by structuring meetings and agendas to meet member needs, communicate RCCo processes and initiatives to committees, and providing strong staff support to member committees.
- Facilitate sound decision making to improve reliability by providing detailed analysis on emerging issues, including; alternatives examined, recommendations, and rationale for recommendations.
- Ensure that the RC and IA functions' interests are represented in reliability matters by participating in the NERC Committees and other industry forums.
- Ensure that the RC and IA functions are represented in the development of continent-wide processes and reliability standards.
- Assure that the RCCo Members have access to the most current and applicable documentation in support of maintaining a high level of reliability in the Western Interconnection.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- Not applicable.

Meeting Expenses

- Meeting expenses primarily relate to four Board and Member Advisory Committee meetings held at offsite facilities.
- Travel expenses relate to the reimbursement of Independent Director travel expenses.

Operating Expenses

- Professional Services relate to Independent Director retainers and meeting compensation.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

TECHNICAL COMMITTEES AND MEMBER FORUMS

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
RCCo Funding					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 260,000	\$ 260,000
Travel	-	-	-	42,000	42,000
Conference Calls	-	-	-	2,680	2,680
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,680</u>	<u>\$ 304,680</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	2,350	2,350
Professional Services	-	-	-	362,280	362,280
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,630</u>	<u>\$ 364,630</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 669,310</u>	<u>\$ 669,310</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (669,310)</u>	<u>\$ (669,310)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (B+C)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	-	-
HC	-	-	-	-	-

General and Administrative

General and Administrative (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	12.0	12.0
Direct Expenses	\$ -	\$ 3,661,753	\$ 3,661,753
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The General and Administrative program provides executive leadership, communications, and administrative support for RCCo staff, committees, members, and management, as well as logistics support to the Loveland, Colorado and Vancouver, Washington offices and meeting facilities. In addition, indirect costs such as office rent that benefit multiple functional areas are accounted for in this budget.

2014 Key Assumptions

- The RCCo will develop and launch a corporate identity.
- The RCCo will commence operations as an independent company requiring the full range of administrative, executive, and communications services.

2014 Goals and Key Deliverables

- Provide executive leadership and strategic guidance for the activities undertaken by the RCCo.
- Improve the quality and efficiency of support provided to staff and Members.
- Create a corporate identity for the RCCo.
- Redesign the RCCo Internet website and develop an RCCo Intranet website.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- All Personnel Expenses relate to the addition of 12 positions in this area. Two new positions are for the purpose of staffing a stand-alone General and Administrative function for the RCCo. One new position is related to the RCTF recommendations. Three positions are being transferred from WECC's General and Administrative department. Five positions are being transferred from the RCCo SAIS budget to its General and Administrative area, where they are more appropriately classified.

Meeting Expenses

- Meeting and Travel expenses all relate to the personnel in this area.

Operating Expenses

- Consulting & Contracts primarily relate to the RCCo Communications Department and the costs include items such as the development and launch of an RCCo corporate identity, newsletter publication, a stakeholder survey, collateral design and development, and various public relations services.
- Office Rent relates to the Loveland, Colorado and Vancouver, Washington offices. In 2013, rent for the RCO was included in the SAIS and in 2014 is more appropriately classified in General and Administrative. 2014 budgeted rent increases \$480,000 over the WECC SAIS rent budget due to the additional space required for the additional 59 positions being added.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- The Furniture & Fixtures CapEx budget of \$36,000 relates to cubicles for new personnel. Fixed Assets are also allocated to statutory functional areas based on FTEs.

General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
GENERAL AND ADMINISTRATIVE					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
RCCo Funding					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ 1,366,486	\$ 1,366,486
Payroll Taxes	-	-	-	74,191	74,191
Benefits	-	-	-	145,572	145,572
Retirement Costs	-	-	-	74,191	74,191
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ 1,660,440	\$ 1,660,440
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 45,100	\$ 45,100
Travel	-	-	-	237,250	237,250
Conference Calls	-	-	-	19,620	19,620
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ 301,970	\$ 301,970
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 197,500	\$ 197,500
Office Rent	-	-	-	1,248,732	1,248,732
Office Costs	-	-	-	246,111	246,111
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	7,000	7,000
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 1,699,343	\$ 1,699,343
Total Direct Expenses	\$ -	\$ -	\$ -	\$ 3,661,753	\$ 3,661,753
Indirect Expenses	\$ -	\$ -	\$ -	\$ (3,661,753)	\$ (3,661,753)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	(7,000)	(7,000)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	36,000	36,000
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ (29,000)	\$ (29,000)
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	-	-	-	12.0	12.0
HC	-	-	-	12.0	12.0

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	7.0	7.0
Direct Expenses	\$ -	\$ 1,318,643	\$ 1,318,643
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Legal program area provides coordinated legal services to the RCCo Board, committees, and staff. In addition, the program area provides consistent legal interpretations of relevant statutes, regulations, court opinions, and regulatory decisions. The Legal program area develops specific subject matter expertise to further assist the RCCo with its legal needs. On occasion, major efforts may be outsourced to select law firms, but the responsibility for all legal matters remains with the General Counsel and Legal program area.

The RCCo's international operations and its broad scope of activities require significant legal support and review. Arranging for legal support is complicated by the technical nature of this developing area of law and there are many potential areas of conflict prohibiting the use of law firms with energy practices.

2014 Key Assumptions

- The RCCo will commence operations as an independent company requiring the full range of corporate legal support services, as well as specialized legal expertise regarding compliance with mandatory reliability standards.

2014 Goals and Key Deliverables

- Provide efficient, cost-effective legal support to the RCCo Board, committees, and staff through a combination of in-house and outside resources.
- Update and advise the RCCo Board and CEO on pending legal issues.
- Advise RCCo departments on specified legal matters and general matters relating to RCCo business.
- Provide legal support to the RCCo Compliance Department and facilitate the processing of possible and alleged violations.
- Represent the RCCo in legal and regulatory proceedings.
- Review and advise RCCo business units on draft agreements.
- Improve tracking for development of RCCo regulatory policies.
- Implement a corporate records management system.
- Integrate the Corporate Compliance function into the newly created RCCo corporate structure. Corporate Compliance is focused on RCCo registered-function

compliance with applicable reliability standards as well as business unit compliance with internal RCCo policies and procedures.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- All Personnel Expenses relate to the addition of seven positions in this area. Five positions are being transferred from WECC's Legal Department. Two new positions are being added to provide a fully staffed Legal and Regulatory Department for the RCCo.

Meeting Expenses

- Meeting and Travel expenses all relate to the personnel in this area.

Operating Expenses

- Consultants & Contracts expenses relate to corporate compliance mock audits and inspections.
- Office Costs relate to the ongoing operations of this newly formed department, which include subscription services, continuing legal education, registered agent fees, cell phones, etc.
- Professional Services related to the RCCo's new business insurance program and a small budget for outside legal counsel.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	LEGAL AND REGULATORY				
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
RCCo Funding					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ 753,162	\$ 753,162
Payroll Taxes	-	-	-	51,174	51,174
Benefits	-	-	-	87,069	87,069
Retirement Costs	-	-	-	51,174	51,174
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 942,579</u>	<u>\$ 942,579</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	36,000	36,000
Conference Calls	-	-	-	1,200	1,200
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,200</u>	<u>\$ 37,200</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 120,000	\$ 120,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	28,864	28,864
Professional Services	-	-	-	190,000	190,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,864</u>	<u>\$ 338,864</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,318,643</u>	<u>\$ 1,318,643</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,318,643)</u>	<u>\$ (1,318,643)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (B+C)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	7.0	7.0
HC	-	-	-	7.0	7.0

Information Technology

Information Technology (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	3.0	3.0
Direct Expenses	\$ -	\$ 523,045	\$ 523,045
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The RCCo's Information Technology (IT) program area provides system support to both the reliability coordination control centers and corporate functions. This includes: servers, data exchange, email, communications networks, telephone systems, and Internet and Intranet website maintenance. In addition, IT includes development of new technology solutions using both internal staff and working with external service providers. The IT program area provides resources and tools to enable the organization to meet the evolving requirements to support activities and responsibilities as directed by NERC and FERC.

The IT budget includes costs associated with the refresh of all corporate desktop computers, laptops, software applications, hardware infrastructure, and servers that is based on either a three-year cycle or on an as-needed basis.

2014 Key Assumptions

- The RCCo will maintain compliance with industry best practices on security and data protection, as well as the evolving NERC Standards and audit practices. As a result, the RCCo will require increased storage management, processes, and network infrastructure.
- Technology will be a key focus in developing new, more efficient business processes that will support collaboration, elimination of duplicate work, and streamlining information flow.
- Entities required to exchange data with the RCCo will demand greater ease of use, clearer communication, and the latest in security assurances.

2014 Goals and Key Deliverables

- Implement a corporate local area network (LAN) that is separate from WECC's LAN.
- Provide system support and technology solutions that ensure reliability and security of critical IT infrastructure.
- Develop and implement Policies and Procedures to enforce best practices across the organization.
- Align IT as a strategic partner in accomplishing business goals and objectives.

- Provide a significant increase in data support, analysis, and communication across the RCCo and with RCCo stakeholders.
- Create centralized databases, automated processes, and tools to organize a growing volume of electronic data that will be in high demand.
- Provide custom solutions to enable secure, reliable, and efficient transmission of a growing number of data types.
- Expand the usability and functionality of RCCo's website while continuing to maintain a high level of security.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- All Personnel Expenses relate to the addition of three positions in this area. One position is being transferred from WECC's Information Technology department. Two new positions are being added to provide a fully staffed IT Department for the RCCo.

Meeting Expenses

- Meeting and Travel expenses relate to personnel in this area.

Operating Expenses

- Office Costs include expenses for supporting the corporate network, laptop refreshes, communications, and software licenses for the organization.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Computer & Software CapEx includes Microsoft software agreement additions.

Information Technology

Funding sources and related expenses for the Information Technology section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

INFORMATION TECHNOLOGY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
RCCo Funding					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ 200,356	\$ 200,356
Payroll Taxes	-	-	-	13,787	13,787
Benefits	-	-	-	33,515	33,515
Retirement Costs	-	-	-	13,787	13,787
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,445</u>	<u>\$ 261,445</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	8,400	8,400
Conference Calls	-	-	-	4,800	4,800
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,200</u>	<u>\$ 13,200</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	248,400	248,400
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,400</u>	<u>\$ 248,400</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 523,045</u>	<u>\$ 523,045</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (523,045)</u>	<u>\$ (523,045)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (B+C)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	3.0	3.0
HC	-	-	-	3.0	3.0

Human Resources

Human Resources (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	3.0	3.0
Direct Expenses	\$ -	\$ 1,017,779	\$ 1,017,779
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Human Resources (HR) program area is responsible for the delivery of all HR functions across the two RCCo offices, including: recruitment, staffing, compensation, benefits, safety and health, employee relations, performance management, and employee training and development.

2014 Key Assumptions

- The RCCo's staffing level will continue to increase during 2014.
- Competition for talent will increase due to the economic recovery and an increasing percentage of the utility talent pool being eligible for retirement. Consequently, as the talent pool compresses, salary and benefit pressures increase.
- Retention and competitive compensation of key individuals will continue to be critical.
- Succession planning, employee development, and training are vital to ensuring that the RCCo maintains a skilled, qualified workforce.

2014 Goals and Key Deliverables

- Implement a recruiting program in 2014 that will include both college and military recruiting. Increasing activity in non-traditional recruiting is intended to broaden the applicant pool for hard-to-fill positions and increase bench strength for key roles such as RC System Operators.
- Manage health and welfare benefits to deliver an attractive benefit package to employees while managing overall costs to the organization.
- Develop a competitive compensation strategy and educate management on compensation philosophies to enhance recruitment efforts, and retain skilled and talented employees.
- Track and monitor turnover rates, gather feedback to determine the cause of the turnover, and when appropriate, take action to reduce the turnover rate.
- Continue to develop and enhance management development and training programs.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- The majority of the Personnel Expenses relate to the addition of three positions in this area. One position is being transferred from WECC's Human Resources Department. Two new positions are being added to provide a fully staffed Human Resources Department for the RCCo. Additionally, \$175,000 is budgeted in Salaries for a retention/severance plan related to the creation of the new entity.
- Benefits expenses contain the costs of the RCCo's health reimbursement account program for everyone in the organization, which amounts to \$291,000. Relocation expenses of \$150,000 for new employees or transfers from WECC are also budgeted in HR Benefits.

Meeting Expenses

- Travel expenses relate to personnel in this area.

Operating Expenses

- Office Costs primarily relate to Human Resources Information System license fees, career fairs, job postings, drug testing, and background checks.
- Professional Services relate to outside counsel legal fees related to employment matters.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Human Resources

Funding sources and related expenses for the Human Resources section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
HUMAN RESOURCES					
Funding					
RCCo Funding					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ 374,152	\$ 374,152
Payroll Taxes	-	-	-	13,775	13,775
Benefits	-	-	-	496,527	496,527
Retirement Costs	-	-	-	13,775	13,775
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 898,229</u>	<u>\$ 898,229</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	10,200	10,200
Conference Calls	-	-	-	1,000	1,000
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,200</u>	<u>\$ 11,200</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	83,350	83,350
Professional Services	-	-	-	25,000	25,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,350</u>	<u>\$ 108,350</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,779</u>	<u>\$ 1,017,779</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,017,779)</u>	<u>\$ (1,017,779)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (B+C)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	3.0	3.0
HC	-	-	-	3.0	3.0

Finance and Accounting

Finance and Accounting (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	5.0	5.0
Direct Expenses	\$ -	\$ 633,158	\$ 633,158
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

The Finance and Accounting function provides accounting and financial analysis support to the RCCo. Finance is responsible for procurement, accounts payable, billing, accounts receivable, budgeting, fixed asset management, banking, payroll, and financial reporting.

2014 Key Assumptions

- The RCCo's creation will place high demands on a newly formed accounting function.
- One-time costs related to the bifurcation of WECC and the RCCo accounting function setup will have been incurred in 2013.
- Procurement is incorporated into Finance and Accounting in 2014.

2014 Goals and Key Deliverables

- Create financial policies for the new organization.
- Develop and document efficient accounting procedures.
- Ensure the RCCo has strong internal controls designed to protect the organization's assets and ensure accurate financial reporting.
- Develop a budget to address the risks created by an uncertain operating environment.
- Provide reporting and financial analysis to RCCo management, the Finance and Audit Committee, and the RCCo Board.
- Establish a procurement function to assist RCCo management in developing Requests for Proposals (RFP), vetting significant vendors, negotiating and drafting contracts for significant purchases, and ensuring all of the necessary approvals are obtained before the final contract is complete.

Funding Sources and Requirements

Funding Sources (Other than ERO Assessments)

- Not applicable.

Personnel Expenses

- All Personnel Expenses relate to the addition of five positions in this area. One position is being transferred from WECC's Finance and Accounting Department and one is being transferred from WECC's General and Administrative Department. Three new positions are being added to provide a fully staffed Finance and Accounting Department for the new entity.

Meeting Expenses

- Travel expenses relate to personnel in this area.

Operating Expenses

- Office Costs increase relate primarily to bank charges and software licenses for accounting, fixed asset, budget, and payroll systems.
- Professional Services relate to audit and tax fees.

Other Non-Operating Expenses

- Not applicable.

Fixed Asset Additions

- Not applicable.

Finance and Accounting

Funding sources and related expenses for the Finance and Accounting section of the 2014 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
FINANCE AND ACCOUNTING					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
RCCo Funding					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ 332,861	\$ 332,861
Payroll Taxes	-	-	-	22,889	22,889
Benefits	-	-	-	67,369	67,369
Retirement Costs	-	-	-	22,889	22,889
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ 446,008	\$ 446,008
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	15,000	15,000
Conference Calls	-	-	-	400	400
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ 15,400	\$ 15,400
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	85,750	85,750
Professional Services	-	-	-	86,000	86,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 171,750	\$ 171,750
Total Direct Expenses	\$ -	\$ -	\$ -	\$ 633,158	\$ 633,158
Indirect Expenses	\$ -	\$ -	\$ -	\$ (633,158)	\$ (633,158)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	-	-	-	5.0	5.0
HC	-	-	-	5.0	5.0

Section B – Supplemental Financial Information 2014 Business Plan and Budget

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2012-2013	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2012	0
Plus: 2013 RCCo Funding (from Load Serving Entities (LSE) or designees)	0
Plus: 2013 Other funding sources	0
Less: 2013 Projected expenses & capital expenditures	0
Projected Working Capital Reserve (Deficit), December 31, 2013	<u>0</u>
Desired Working Capital Reserve, December 31, 2014	1 2,576,951
Less: Projected Working Capital Reserve, December 31, 2013	0
Less: Transfer of Reserves from WECC, January 1, 2014	(5,811,568)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u>(3,234,617)</u>
2014 Expenses and Capital Expenditures	32,958,648
Less: Other Funding Sources	(156,000)
Adjustment to achieve desired Working Capital Reserve	(3,234,617)
2014 RCCo Assessment	<u>29,568,031</u>

1 – On June 28, 2013, the WECC Board of Directors approved this reserve level.

As a result of the creation of the RCCo, WECC's working capital reserves were split between WECC and the RCCo to provide reserves for both entities. The same population of entities provides funding for both companies and WECC management as well as WECC's Finance and Audit Committee believe reserves should be split equitably as a result. The calculation used to split the reserves was based on each entity's percent-to-total ratio of operating expenses. The RCCo's anticipated portion is \$5.8 million. The WECC Board expects that both entities will use reserves in 2014 to mitigate the impact of the RCTF recommendations and the creation of the new entity on annual Assessments.

Breakdown by Statement of Activity Sections

The following detailed schedules, which are presented in the format used in the Regional Entity Business Plans and Budgets, are in support of the Statutory Statement of Activities and Capital Expenditures on page 7. All significant variances have been disclosed by program area in the preceding pages. For comparative purposes, the WECC 2013 SAIS budget has been included in the supplemental tables.

Monetary Penalties

The RCCo does not collect monetary penalties for compliance violations.

Penalty Sanctions

Table B-2

Penalty Sanctions Received on or Prior to June 30, 2013					
Date Received	Amount Received	Date Received	Amount Received	Date Received	Amount Received

Not Applicable.

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding Assessments & Penalty Sanctions)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
Reliability Standards				
Interest	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Workshops	\$ -	\$ -	-	\$ -
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
Federal Grants	\$ 2,786,077	\$ 10,486,952	\$ -	\$ (2,786,077)
Interest	154,450	135,721	156,000	1,550
Miscellaneous	2,060	(36,750)	-	(2,060)
Total	\$ 2,942,586	\$ 10,585,923	\$ 156,000	\$ (2,786,586)
Technical Committees and Member Forms				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ 2,942,586	\$ 10,585,923	\$ 156,000	\$ (2,786,586)

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Situation Awareness and Infrastructure Security

- Revenues from the WISP grant are expected to decrease by \$2.8 million. The WISP grant will end on March 31, 2014, but management expects the project to be completed by December 2013; therefore, no grant funding is included in the 2014 budget.

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Salaries					
Salaries	\$ 10,464,212	\$ 12,214,031	\$ 14,959,388	\$ 4,495,176	43.0%
Employment Agency Fees	20,000	7,000	-	(20,000)	-100.0%
Temporary Office Services	16,000	58,897	-	(16,000)	-100.0%
Total Salaries	\$ 10,500,212	\$ 12,279,929	\$ 14,959,388	\$ 4,459,176	42.5%
Total Payroll Taxes	\$ 745,846	\$ 907,971	\$ 963,709	\$ 217,863	29.2%
Benefits					
Workers Compensation	\$ -	\$ 1,279	\$ -	\$ -	
Medical Insurance	903,327	1,044,647	1,890,424	987,097	109.3%
Life-LTD-STD Insurance	79,974	79,965	108,827	28,853	36.1%
Education	70,292	100,919	319,352	249,060	354.3%
Relocation	33,596	73,496	192,000	158,404	471.5%
Other	6,231	6,616	-	(6,231)	-100.0%
Total Benefits	\$ 1,093,420	\$ 1,306,922	\$ 2,510,603	\$ 1,417,183	129.6%
Retirement					
Discretionary 401k Contribution	\$ 647,167	\$ 824,044	\$ 963,709	\$ 316,542	48.9%
Savings Plan	-	-	-	-	
Total Retirement	\$ 647,167	\$ 824,044	\$ 963,709	\$ 316,542	48.9%
Total Personnel Costs	\$ 12,986,645	\$ 15,318,866	\$ 19,397,409	\$ 6,410,764	49.4%
FTEs	85.0	97.5	149.1	64.1	75.4%
Cost per FTE					
Salaries	\$ 123,532	\$ 125,948	\$ 100,342	(23,189)	-18.8%
Payroll Taxes	8,775	9,313	6,464	(2,310)	-26.3%
Benefits	12,864	13,404	16,840	3,977	30.9%
Retirement	7,614	8,452	6,464	(1,149)	-15.1%
Total Cost per FTE	\$ 152,784	\$ 157,117	\$ 130,111	\$ (22,673)	-14.8%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Salaries

- Salaries increase by \$4.5 million due to the addition of 64.1 FTEs (as discussed in the previous sections), merit increases of 4.0 percent for those employees transferred from WECC, and a retention/severance plan (due to the creation of the new entity).

Payroll Taxes

- Payroll Taxes increase due to the addition of 64.1 FTEs.

Benefits

- Medical Insurance increases by \$987,000 due to the increase in FTEs and an estimated 20 percent increase in insurance rates.
- Life, Long-Term Disability, and Short-Term Disability Insurance increases by \$29,000 due to the increase in FTEs.
- Education increases by \$249,000 due to the increase in FTEs.

- Relocation increases by \$158,000 due to the increase in FTEs and the creation of the new entity.

Retirement

- Contributions to 401k plans increase by \$317,000 due to the increase in FTEs.

Consultants and Contracts

Table B-5

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	-	-	-	-	
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	922,290	5,506,492	950,000	27,710	3.0%
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	197,500	197,500	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 922,290	\$ 5,506,492	\$ 1,147,500	\$ 225,210	24.4%
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	-	-	-	-	
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	1,500,000	4,650,039	-	(1,500,000)	-100.0%
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	120,000	120,000	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	\$ 1,500,000	\$ 4,650,039	\$ 120,000	\$ (1,380,000)	-92.0%
Total Consulting and Contracts	\$ 2,422,290	\$ 10,156,531	\$ 1,267,500	\$ (1,154,790)	-47.7%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Consultants

- Situation Awareness consultants increase by a net \$28,000. The primary drivers are a decrease of \$754,000 due to the completion of the WISP grant and an increase of \$822,000 due to the ECC project.
- General and Administrative consultants increase by \$197,000 mainly due to the introduction of a RCCo stakeholder survey, website design fees, development of communications collateral and public relations, and advertising expenses.

Contracts

- Situation Awareness contracts decrease by \$1.5 million due to the completion of the WISP grant.
- Legal contracts increase by \$120,000 due to corporate compliance mock audits and inspections.

Office Rent

Table B-6

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 553,064	\$ 494,458	\$ 1,006,764	453,700	82.0%
Utilities	128,712	128,712	186,876	58,164	45.2%
Maintenance	79,305	138,614	75,084	(4,221)	-5.3%
Security	7,000	5,250	8,004	1,004	14.3%
Total Office Rent	\$ 768,081	\$ 767,034	\$ 1,276,728	\$ 508,647	66.2%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Office Rent increases \$454,000 due to additional space required for an additional 64.1 FTEs.
- Utilities increase \$58,000 due to additional space required for an additional 64.1 FTEs.

Office Costs

Table B-7

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Telephone	\$ 69,500	\$ 133,240	\$ 117,000	\$ 47,500	68.3%
Internet	904,404	1,256,886	907,860	3,456	0.4%
Office Supplies	97,300	647,362	172,456	75,156	77.2%
Computer Supplies and Maintenance	3,340,100	3,981,902	5,480,775	2,140,675	64.1%
Publications & Subscriptions	-	-	21,615	21,615	
Dues and Fees	15,000	20,216	112,400	97,400	649.3%
Postage	400	952	1,080	680	170.0%
Express Shipping	3,600	7,036	7,540	3,940	109.4%
Copying	88,000	73,014	123,600	35,600	40.5%
Bank Charges	-	-	42,000	42,000	
Taxes	-	-	-	-	
Total Office Costs	\$ 4,518,304	\$ 6,120,608	\$ 6,986,326	\$ 2,468,022	54.6%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Telephone expense increases \$47,000 due to the addition of 64.1 FTEs.
- Office Supplies increase by \$75,000 due to the increase in FTEs.
- Computer Supplies and Maintenance increase by \$2.1 million due to the increase in FTEs and the additional equipment and software licenses associated with ongoing WISP operations.
- Dues and fees increase by \$77,000 due to the increase in FTEs.
- Copying increases by \$36,000 due to the creation of the new entity and the RCTF recommendations.
- Bank Charges increase \$42,000 due to the establishment of new bank accounts for the RCCo.

Professional Services

Table B-8

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Non-affiliated Director fees	\$ -	\$ -	\$ 362,280	\$ 362,280	
Outside Legal	5,000	5,000	47,000	42,000	840.0%
Accounting & Auditing Fees	-	77,144	86,000	86,000	
Insurance Commercial	-	-	168,000	168,000	
Total Services	\$ 5,000	\$ 82,144	\$ 663,280	\$ 658,280	13165.6%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Non-affiliated Director fees decrease by \$362,000 due to the setup of the new organization and a new Board of Independent Directors.
- Outside Legal increases by \$42,000 due to the setup of the new RCCo organization.
- Accounting & Auditing Fees increase by \$86,000 due to the setup of the new organization and the need for an annual audit and informational tax returns.
- Insurance Commercial increases by \$168,000 due to the need for stand-alone insurance policies for the RCCo.

Other Non-Operating

Table B-9

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Not applicable

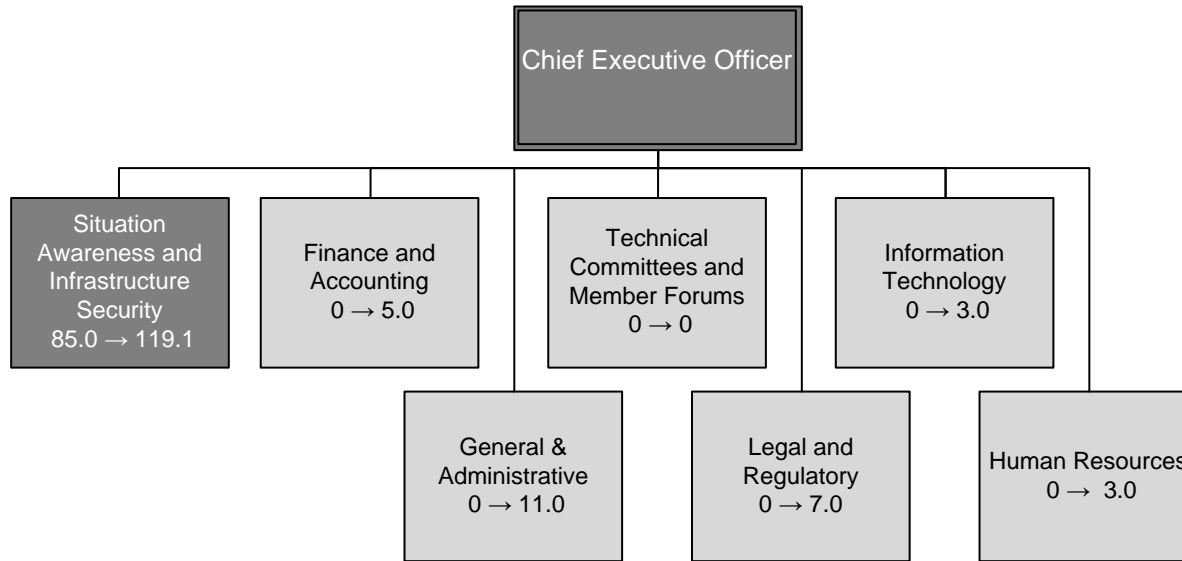
Section C – Additional Consolidated Financial
Statements
2014 Business Plan and Budget

Section D — Additional Financial Statements

Section C – Additional Consolidated Financial Statements
2014 Consolidated Statement of Activities by Program

Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement										Non-Statutory Functions Total			
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology		Human Resources	Accounting and Finance	
Funding																	
WECC Funding																	
WECC Assessments	29,568,031	29,568,031	-	29,568,031	-	-	-	-	-	29,568,031	-	-	-	-	-	-	-
Penalty Sanctions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total WECC Funding	29,568,031	29,568,031	-	29,568,031	-	-	-	-	-	29,568,031	-	-	-	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	156,000	156,000	-	156,000	-	-	-	-	-	156,000	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	29,724,031	29,724,031	-	29,724,031	-	-	-	-	-	29,724,031	-	-	-	-	-	-	-
Expenses																	
Personnel Expenses																	
Salaries	14,959,388	14,959,388	-	14,959,388	-	-	-	-	-	11,932,371	-	1,366,486	753,162	200,356	374,152	332,861	-
Payroll Taxes	963,709	963,709	-	963,709	-	-	-	-	-	787,893	-	74,191	51,174	13,787	13,775	22,889	-
Benefits	2,510,603	2,510,603	-	2,510,603	-	-	-	-	-	1,680,551	-	145,572	87,069	33,515	496,527	67,369	-
Retirement Costs	963,709	963,709	-	963,709	-	-	-	-	-	787,893	-	74,191	51,174	13,787	13,775	22,889	-
Total Personnel Expenses	19,397,409	19,397,409	-	19,397,409	-	-	-	-	-	15,188,708	-	1,660,440	942,579	261,445	898,229	446,008	-
Meeting Expenses																	
Meetings	306,183	306,183	-	306,183	-	-	-	-	-	1,083	260,000	45,100	-	-	-	-	-
Travel	804,138	804,138	-	804,138	-	-	-	-	-	455,288	42,000	237,250	36,000	8,400	10,200	15,000	-
Conference Calls	45,084	45,084	-	45,084	-	-	-	-	-	15,384	2,680	19,620	1,200	4,800	1,000	400	-
Total Meeting Expenses	1,155,405	1,155,405	-	1,155,405	-	-	-	-	-	471,755	304,680	301,970	37,200	13,200	11,200	15,400	-
Operating Expenses																	
Consultants & Contracts	1,267,500	1,267,500	-	1,267,500	-	-	-	-	-	950,000	-	197,500	120,000	-	-	-	-
Office Rent	1,276,728	1,276,728	-	1,276,728	-	-	-	-	-	27,996	-	1,248,732	-	-	-	-	-
Office Costs	6,986,326	6,986,326	-	6,986,326	-	-	-	-	-	6,291,501	2,350	246,111	28,864	248,400	83,350	85,750	-
Professional Services	663,280	663,280	-	663,280	-	-	-	-	-	-	362,280	-	190,000	-	25,000	86,000	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	3,625,000	3,625,000	-	3,625,000	-	-	-	-	-	3,618,000	-	7,000	-	-	-	-	-
Total Operating Expenses	13,818,834	13,818,834	-	13,818,834	-	-	-	-	-	10,887,497	364,630	1,699,343	338,864	248,400	108,350	171,750	-
Total Direct Expenses	34,371,648	34,371,648	-	34,371,648	-	-	-	-	-	26,547,960	669,310	3,661,753	1,318,643	523,045	1,017,779	633,158	-
Indirect Expenses																	
Indirect Expenses	-	-	-	-	-	-	-	-	-	7,823,688	(669,310)	(3,661,753)	(1,318,643)	(523,045)	(1,017,779)	(633,158)	-
Other Non-Operating Expenses																	
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	34,371,648	34,371,648	-	34,371,648	-	-	-	-	-	34,371,648	-	-	-	-	-	-	-
Change in Assets																	
Change in Assets	(4,647,617)	(4,647,617)	-	(4,647,617)	-	-	-	-	-	(4,647,617)	-	-	-	-	-	-	-
Fixed Assets																	
Depreciation	(3,625,000)	(3,625,000)	-	(3,625,000)	-	-	-	-	-	(3,618,000)	-	(7,000)	-	-	-	-	-
Computer & Software CapEx	1,373,000	1,373,000	-	1,373,000	-	-	-	-	-	1,373,000	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	36,000	36,000	-	36,000	-	-	-	-	-	-	-	36,000	-	-	-	-	-
Equipment CapEx	803,000	803,000	-	803,000	-	-	-	-	-	803,000	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	29,000	-	(29,000)	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(1,413,000)	(1,413,000)	-	(1,413,000)	-	-	-	-	-	(1,413,000)	-	-	-	-	-	-	-
TOTAL BUDGET (B+C)	32,958,648	32,958,648	-	32,958,648	-	-	-	-	-	32,958,648	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	(3,234,617)	(3,234,617)	-	(3,234,617)	-	-	-	-	-	(3,234,617)	-	-	-	-	-	-	-
FTEs	149.1	149.1	-	149.1	-	-	-	-	-	119.08	-	12.0	7.0	3.0	3.0	5.0	-
HC	155.0	155.0	-	155.0	-	-	-	-	-	125.00	-	12.0	7.0	3.0	3.0	5.0	-

Appendix A: Organizational Chart



Appendix B: 2014 Budget & Projected 2015 and 2016 Projections

Statement of Activities and Capital Expenditures							
2014 Budget & Projected 2015 and 2016 Budgets							
Statutory							
	2014 Budget	2015 Projection	\$ Change 14 v 15	% Change 14 v 15	2016 Projection	\$ Change 15 v 16	% Change 15 v 16
Funding							
ERO Funding							
WECC Assessments	\$ 29,568,031	\$ 35,174,653	\$ 5,606,622	19.0%	\$ 34,873,580	\$ (301,073)	-0.9%
Penalty Sanctions	-	-	-	-	-	-	-
Total ERO Funding	\$ 29,568,031	\$ 35,174,653	\$ 5,606,622	19.0%	\$ 34,873,580	\$ (301,073)	-0.9%
Membership Dues							
Federal Grants	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	156,000	162,240	6,240	4.0%	168,730	6,490	4.0%
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 29,724,031	\$ 35,336,893	\$ 5,612,862	18.9%	\$ 35,042,310	\$ (294,583)	-0.8%
Expenses							
Personnel Expenses							
Salaries	\$ 14,959,388	\$ 16,776,778	1,817,390	12.1%	\$ 17,901,020	1,124,242	6.7%
Payroll Taxes	963,709	1,040,161	76,452	7.9%	\$ 1,081,767	41,606	4.0%
Benefits	2,510,603	2,463,000	(47,603)	-1.9%	\$ 2,561,520	98,520	4.0%
Retirement Costs	963,709	1,040,161	76,452	7.9%	\$ 1,081,767	41,606	4.0%
Total Personnel Expenses	\$ 19,397,409	\$ 21,320,100	\$ 1,922,691	9.9%	\$ 22,626,074	\$ 1,305,974	6.1%
Meeting Expenses							
Meetings	\$ 306,183	\$ 318,430	12,247	4.0%	\$ 331,168	12,738	4.0%
Travel	804,138	836,304	32,166	4.0%	869,756	33,452	4.0%
Conference Calls	45,084	46,887	1,803	4.0%	48,763	1,876	4.0%
Total Meeting Expenses	\$ 1,155,405	\$ 1,201,621	\$ 46,216	4.0%	\$ 1,249,687	\$ 48,066	4.0%
Operating Expenses							
Consultants & Contracts	\$ 1,267,500	\$ 690,300	(577,200)	-45.5%	\$ 448,811	(241,489)	-35.0%
Office Rent	1,276,728	1,327,797	51,069	4.0%	1,380,909	53,112	4.0%
Office Costs	6,986,326	7,540,679	554,353	7.9%	6,818,426	(722,253)	-9.6%
Professional Services	663,280	689,811	26,531	4.0%	717,404	27,593	4.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	3,625,000	3,987,500	362,500	10.0%	4,386,250	398,750	10.0%
Total Operating Expenses	\$ 13,818,834	\$ 14,236,087	\$ 417,253	3.0%	\$ 13,751,800	\$ (484,287)	-3.4%
Total Direct Expenses	\$ 34,371,648	\$ 36,757,808	\$ 2,386,160	6.9%	\$ 37,627,561	\$ 869,753	2.4%
Indirect Expenses	-	-	-	-	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-
Total Expenses (B)	\$ 34,371,648	\$ 36,757,808	\$ 2,386,160	6.9%	\$ 37,627,561	\$ 869,753	2.4%
Change in Assets	\$ (4,647,617)	\$ (1,420,915)	\$ 3,226,702	-69.4%	\$ (2,585,251)	\$ (1,164,336)	81.9%
Fixed Assets							
Depreciation	\$ (3,625,000)	\$ (3,987,500)	(362,500)	10.0%	\$ (4,386,250)	(398,750)	10.0%
Computer & Software CapEx	2,176,000	2,463,520	287,520	13.2%	1,762,061	(701,459)	-28.5%
Furniture & Fixtures CapEx	36,000	37,440	1,440	4.0%	38,938	1,498	4.0%
Leasehold Improvements	-	65,625	65,625	-	-	(65,625)	-100.0%
Incr(Dec) in Fixed Assets (C)	\$ (1,413,000)	\$ (1,420,915)	\$ (7,915)	0.6%	\$ (2,585,251)	\$ (1,164,336)	81.9%
TOTAL BUDGET (=B+C)	\$ 32,958,648	\$ 35,336,893	\$ 2,378,245	7.2%	\$ 35,042,310	\$ (294,583)	-0.8%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (3,234,617)	\$ -	\$ 3,234,617	\$ -	\$ -	\$ -	
FTEs	149.1	158.6	9.6	6.4%	163.0	4.4	2.7%
HC	155.0	163.0	8.0	5.2%	163.0	-	0.0%

DOCKET NO. RR13-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2014 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 7

**WESTERN INTERCONNECTION
REGIONAL ADVISORY BODY**

PROPOSED 2014 BUSINESS PLAN AND BUDGET

2014 Business Plan and Budget

Western Interconnection Regional Advisory Body

**Approved by:
The Western Interconnection Regional Advisory Body**

June 14, 2013

Table of Contents

Introduction	3
Section A — 2014 Business Plan	15
Western Interconnection Regional Advisory Body	
Section B — Supplemental Financial Information	19
Reserve Balance	19
Breakdown by Statement of Activity Sections	20
Section C — 2014 Non-Statutory Business Plan and Budget	24
Not applicable to WIRAB.....	
Section D	26
2013 Consolidated Statement of Activities by Program, Statutory and Non-Statutory	26

Introduction

TOTAL RESOURCES (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs	2.85			
Non-statutory FTEs				
Total FTEs	2.85			
Statutory Expenses	\$ 703,700			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 703,700			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement	\$ (114,792)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (114,792)			
Total Statutory Funding Requirement	\$ 588,908			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 588,908			
Statutory Funding Assessments	\$ 588,408	\$ 499,050	\$ 81,478	\$ 7,880
Non-Statutory Fees				
NEL	866,703,757	735,082,752	120,014,087	11,606,918
NEL%	100.00%	84.81%	13.85%	1.34%

*Refer to Table B-1 on page 16 in Section B.

Organizational Overview

In April 2006, ten Western Governors petitioned to create the Western Interconnection Regional Advisory Body under Section 215(j) of the Federal Power Act. The Governors indicated their interest in inviting all U.S. states, Canadian provinces and Mexico, which have territory in the Western Interconnection, to join WIRAB.

Pursuant to the order of the Federal Energy Regulatory Commission (FERC) in Docket No. RR06-2-000 issued on July 20, 2006 (the "Order")¹, the FERC:

- Granted the Western Governors' petition to establish the Western Interconnection Regional Advisory Body (WIRAB) under Section 215(j) of the Federal Power Act;
- Granted the request that WIRAB receive funding for reasonable costs of its Section 215(j) activities; and
- Directed WIRAB to develop a budget and related information and submit it to the ERO for review by the ERO and submission through the ERO budget approval process.

¹ Order on Petition to Establish a Regional Advisory Body for the Western Interconnection, 116 FERC ¶61,061, Docket No. RR06-2-000, July 20, 2006.

The Order states that funding for Regional Advisory Bodies should be part of the overall funding process for the Electric Reliability Organization (ERO). The Commission instructed WIRAB to develop a budget in a form similar to that specified for regional entities as set forth in Order 672.² The July 20 Order specified that the WIRAB should annually develop and submit to the ERO its budget for 215(j) activities and an organization chart that the ERO will then review and submit to the Commission. The WIRAB submission also needs to identify the portion of its costs for 215(j) activities that will be funded from Canada and Mexico, and the basis for this allocation.

Membership and Governance

All of the states with territory in the Western Interconnection (AZ, CA, CO, ID, MT, NE, NV, NM, OR, SD, TX, UT, WA, WY), the provinces of Alberta and British Columbia, and Mexico are members of WIRAB. Below is the list of members appointed by the Governor or Premier:

Alberta	David James, Department of Energy
Arizona	Leisa Brug, Governor's Office
British Columbia	Scott Barillaro, Ministry of Energy, Mines and Petroleum Resources
California	Bill Chamberlain, California Energy Commission
Colorado	Jeff Ackermann, Governor's Energy Office
Idaho	Marsha Smith, Public Utilities Commission
Mexico	Marcos Valenzuela, CFE
Montana	Tom Kaiserski, Department of Commerce
Nebraska	Tim Texel, Nebraska Power Review Board
Nevada	Rebecca Wagner, Public Utilities Commission
New Mexico	David Martin, Energy, Minerals and Natural Resources Department
Oregon	John Savage, Public Utility Commission
South Dakota	Brian Rounds, Public Utilities Commission
Texas	Vacant
Utah	Cody Stewart, Governor's Office
Washington	Tony Usibelli, Department of Community, Trade and Economic Development
Wyoming	Shawn Reese, Governor's Office

The Governors created WIRAB as a standing advisory committee to the Western Interstate Nuclear Board (WINB), which was formed pursuant to the Western Interstate Nuclear Compact, P.L. 91-461. Members of the WIRAB are appointees of the Governors and Premiers or their alternates. WIRAB has the same status under the compact as the Western Interstate

² Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Reliability Standards, Order 672, Docket RM05-30-000, Feb. 3, 2006, P. 228. "Each Regional Entity must submit its complete business plan, entire budget and organizational chart to the ERO for it to submit to the Commission. The complete business plan and the entire budget will provide the Commission with necessary information about any non-statutory activities, the source of their funding, and whether the pursuit of such activities presents a conflict of interest for the Regional Entity. For a Cross-Border Regional Entity, this information will also inform the Commission as to what portion of the budget is expended upon activities within the United States."

Energy Board (WIEB). WIRAB operates under the bylaws of WINB as revised on April 4, 2006. (See organizational chart on page 14.)

Statutory Functional Scope

FERC approved the petition of the Western Governors to create WIRAB as a regional advisory body under Section 215(j) of the Federal Power Act.

2014 Key Assumptions

- WIRAB continues to operate with the participation of all U.S. States and Canadian Provinces in the Western Interconnection, and Mexico.
- WIRAB continues to meet regularly by conference call and topical webinars, and is scheduled to hold two in-person meetings in 2014. WIRAB representatives will meet with FERC at its offices once in 2014.
- Beginning January 1, 2014, the existing Western Electricity Coordinating Council (WECC) will be bifurcated into WECC and a Reliability Coordination Company (RCCo).
- There is no significant expansion of FERC, NERC or WECC responsibilities as a result of legislation pending in the U.S. Congress.
- Fiscal constraints in State and Provincial agency budgets make the reimbursement of travel costs associated with WIRAB activities more important.

2014 Goals and Key Deliverables

- Advice to FERC, NERC and WECC and the new RCCo on whether standards, budgets and fees, governance, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest. WIRAB will examine fees, standards and governance of WECC and NERC. It will continue to pursue its long-standing priorities of: determining if consumers are getting a “bang-for-the-buck” being spent on reliability including the development of metrics to measure system reliability; promoting comity among entities in the Canadian, U.S. and Mexican portions of the Western Interconnection; and fostering transparency in the activities of WECC, the RCCo and NERC.
- Regular conference calls or in-person meetings of WIRAB, which include opportunities for public comment.
- Webinars or workshops to expand the understanding of States and Provinces on reliability issues. For example, WIRAB has held a series of webinars for Western states/provinces on the proposed bifurcation of WECC. The primary audience of the

webinars is WIRAB members, however, because of the broad interest in the webinar topics, other Western state and provincial agency personnel will be invited to participate.

- Monitoring of reliability issues important to the Western Interconnection including, but not limited to the following actions.
 - Registered entity, WECC, NERC and FERC actions to implement the recommendations from the NERC/FERC inquiry into the September 8, 2011 Southwest outage, the largest outage in the Western Interconnection since 1996, including critical reforms such as improved data sharing and operational practices.
 - Implementation of the bifurcation of WECC, including whether bifurcation goals, such as an increased focus on reliability, are being achieved.
 - Trends in violations, including work with FERC on implementation of a violations mapping tool based on WIRAB's pilot web-based violations mapping tool and work with WECC on its violations data which is under development.
 - The reliability impacts of a Western energy imbalance market and other reforms (e.g., changes to reserve sharing practices) designed to improve system efficiency and lower the cost of integrating variable generation.
 - Monitoring the changing generation mix in the Western Interconnection and implications for system operations and reliability.
 - Federal government cyber security actions with a particular focus on opportunities for states, particularly PUCs to assist in improving the cyber security preparedness of Western entities.

Information gleaned from monitoring issues will be used by WIRAB staff to prepare briefing memos for WIRAB members prior to all WIRAB conference calls and meetings and to identify webinar topics. The monitoring effort involves participation in all meetings of the WECC Board of Directors, including reports on WIRAB concerns and recommendations, attendance at selected meetings of the NERC Board of Trustees and Members' Representatives Committee, and attendance at selected WECC committee and work group meetings. WIRAB's meetings, webinars and monitoring better inform Western states, Western provinces and Mexico on grid reliability issues. Based on this informational foundation, WIRAB will offer concise and relevant advice to FERC, NERC, WECC and the new RCCo that reflects the public interest of Western states, Western provinces and Mexico. WIRAB's work also promotes international comity with Western Canadian Provinces and Mexico on reliability issues which is necessary for the effective implementation of reliability standards in the Western Interconnection.

I. 2014 Initiatives

A. WECC bifurcation

The WECC bifurcation discussions began in June 2012 and are in response to the findings from the FERC/NERC report on the September 8, 2011 Pacific Southwest Outage.

Additionally, NERC CEO Gerry Cauley specifically recommended that WECC consider this structural change in his July 26, 2012 letter to WECC CEO Mark Maher. While a final decision on bifurcation will not take place until the June 27, 2013 WECC Annual Board Meeting and necessary filings with NERC and FERC, the assumption is that bifurcation will go forward and that the WECC Regional Entity and a new RCCo will begin operations January 1, 2014.

- As appropriate, WIRAB will provide advice to WECC and the RCCo.
- As appropriate, WIRAB will provide advice to NERC and FERC on actions needed to achieve the goals of bifurcation and to improve reliability in the Western Interconnection.
- WIRAB will hold webinars and other outreach activities to state/provincial officials to expand their understanding of topics being addressed by WECC and the RCCo, and the programs and policies being implemented by the two organizations.
- WIRAB will monitor the implementation of the bifurcation to determine if it is achieving its objectives, including monitoring the efficacy of the division of responsibilities between WECC and the RCCo in areas such as planning and data sharing.
- WIRAB's staff work will be supplemented by technical consulting services, particularly as it relates to the work of the RCCo and the interaction of WECC and the RCCo.

B. Deficiencies in Western Interconnection operations

The September 8, 2011 Southwest outage highlighted significant deficiencies in the operation of the Western grid. These shortcomings have been confirmed in WECC's 2012 survey of the practices of Generator Owners, Generator Operators, Planning Coordinators, the Reliability Center, Transmission Operators and Transmission Providers and in work conducted for the State-Provincial Steering Committee on the application of new transmission technologies.

In 2014, WIRAB will undertake two new initiatives to address deficiencies in grid operation:

1. Investigate ways to improve reliability and lower costs to consumers in the current grid operations structure in the Western Interconnection and make recommendations for improved data sharing, model data inputs, the use of grid management tools, training, audits, and transparency. This work will take into account the changing generation mix in the Western Interconnection with substantially greater amounts of variable generation, which has low spinning mass generation, and greater amounts of distributed generation.

Given the reality of today's system – that advanced situational analysis and grid management technologies are available but are not being widely used – further inquiry is warranted in order to improve WIRAB's advice to FERC, NERC, WECC and the RCCo, and to determine how States and Provinces can encourage the adoption and use of these technologies.

- WIRAB will work with WECC and other interested parties in the Western Interconnection to improve data sharing. WIRAB will consider actions that could

- improve data sharing among system operators and with market operators and researchers, including a potential Declaratory Order by FERC and modifications to the existing WECC Universal Non-Disclosure Agreement. WIRAB will also closely monitor the evolution of data sharing practices between WECC and the RCCo to improve reliability and minimize costs to consumers.
- WIRAB will work to improve grid reliability by strengthening the directives from the Reliability Center and promoting actions by the RCCo to improve operational practices, maintain central network models and tools, provide services particularly to small BAs, TOPs and GOs and foster technological innovation in the Western Interconnection.
 - WIRAB will work with interested parties in the region to encourage the use and timely maintenance of accurate network models.
 - WIRAB will explore options to current training and audit programs to accelerate the use of best operating practices, including examining successful practices in other regions and industries. WIRAB will examine whether training should be funded under Section 215 and done across companies. WIRAB will examine potential changes to WECC audit procedures to promote sharing of best practices and collaboration among companies in sharing information and relying on one another's analyses.
 - WIRAB will continue to encourage practices by NERC and FERC that would make public the names of companies with confirmed non-CIP violations.
 - WIRAB will review and provide feedback to WECC on its annual survey of the practices of Registered Entities.
2. Investigate the implications of alternative grid operations structures on reliability and costs to consumers. This work will examine new grid operational structures, such as geographically-broad Balancing Authorities, consolidation of functions across multiple Balancing Authorities or Transmission Operators (e.g., measures such as an Energy Imbalance Market, the Northwest Power Pool MC's proposed Following Reserve Assistance Program), and closer operational coordination between the RCCo and Registered Entities (e.g., centrally managed models and tools).

C. Improved understanding of reliability implications of greater use of natural gas for power generation

Using information from a forthcoming study by the State-Provincial Steering Committee, WIRAB will examine the adequacy of the gas system to meet needs of the Western electricity

sector, including gas supplies to power plants to meet ramping requirements driven by changes in load and the output of variable generation.

- WIRAB will monitor actions at FERC, NERC, WECC and NAESB and in different regions of the country to improve coordination at the interface of the natural gas and electric industries.
- As appropriate, WIRAB will offer advice on actions to reduce outages due to gas supply disruptions.

D. Improved understanding of reliability issues by states/provinces:

It is important that state/provincial officials stay abreast of reliability-related developments. To meet this need, WIRAB will hold a series of webinars addressing topics, such as: *the future of funding under Section 215 of the Federal Power Act to advance reliability objectives; Critical Infrastructure Protection and NERC Cybersecurity Standards (CIP Version 5 and how it compares to Version 4); FERC Order No. 773 Approving NERC's Definition for the BES.*

As part of improving state/provincial understanding of grid reliability issues, WIRAB plans to examine existing, proposed and potential measures that show the Western Interconnection is doing either a “good,” “bad,” or “satisfactory” job in preventing cascading outages. WIRAB will examine the feasibility of using a number of quantitative desired end-state metrics that measure the reliability of the system. The work would build on WECC’s first “State of the Interconnection” report and similar work by NERC. The objective is metrics comparable to the quality-of-services benchmarks used for utilities (e.g., SAIFI (number of “blips”), SAIDI (duration of “blips”), restoration response, injuries and deaths, and at-fault customer service quality complaints). This could lead to a “reliability dashboard” to show the reliability performance of companies.

E. Other activities

- **Variable Generation**
 - WIRAB will evaluate whether WECC’s work on variable generation issues adds value to Western actions to lower the cost of integrating variable generation in a reliable manner.
 - WIRAB will examine the reliability benefits from the operation of a real-time Energy Imbalance Market.
 - WIRAB will consider potential advice to WECC, the RCCo, NERC and/or FERC on the functions WECC and the RCCo should be performing to adequately address the reliability challenges presented by variable generation.
- **Cybersecurity**
 - WIRAB will monitor and evaluate the impact of pending federal legislation.
 - WIRAB will assess NERC, WECC and RCCo implementation of any newly-enacted cyber legislation.

- **Consistency in Standards and the Sharing of Data Across International Borders**
 - WIRAB will foster consistency in standards and the sharing of data across international borders.
- **Deployment of advanced grid monitoring and operating technologies.**
 - Building on the planned Fall 2013 Western Interconnection Transmission Technology Forum, WIRAB will identify and foster the use of advanced technologies in grid operations that will build on the expanding deployment of PMUs and development of tools to use synchrophaser data.

II. WIRAB Board Operations

- Hold regular meetings with FERC staff and/or Commissioners.
- Coordinate with WECC and NERC on receipt of revenues to support the 2012 WIRAB budget.
- Develop the 2015 proposed WIRAB business plan and budget.
- Execute annual audit of WIRAB finances.

III. Meetings and Technical Conferences

- Attend all WECC and RCCo Board meetings.
- Attend WECC and RCCo committee and subcommittee meetings on germane issues.
- Attend WECC and RCCo workshops on system operations and standards.
- Attend some, but not all, NERC Board meetings and NERC Member Representatives Committee meetings.
- Attend selected NERC meetings and workshops on relevant topics.
- Monitor all FERC business meetings.
- Attend, by webcast or in person, FERC technical conferences on reliability issues.
- Annually visit with FERC in its offices.

IV. WIRAB Educational Seminars and Webinars

- Hold briefings and webinars for WIRAB members and other Western state and provincial officials on reliability issues important to regulatory commissions and energy agencies in the Western Interconnection.

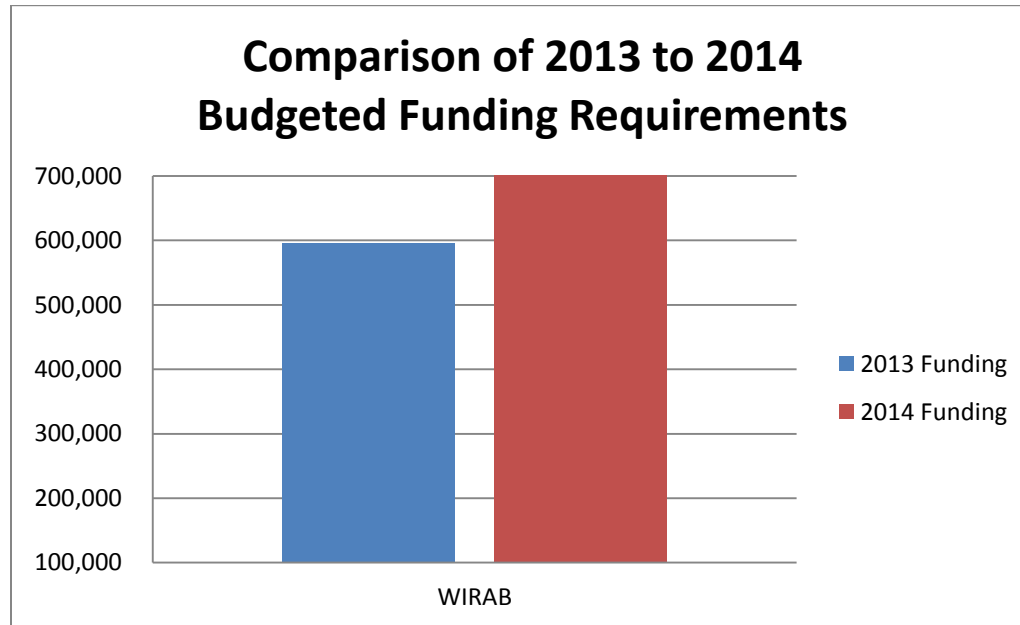
2014 Overview of Cost Impacts

WIRAB's proposed 2014 budget is \$703,700, a notable increase from the 2013 budget. Total projected FTEs in 2014 are 2.85. Staffing and indirect costs will increase in 2014 for the following reasons.

- WIRAB will be monitoring and potentially offering advice on the two organizations, WECC and the RCCo, rather than just one organization.
- Changes that may be initiated by the independent boards of WECC and the RCCo will require monitoring and evaluation by WIRAB.
- WIRAB will be delving more deeply into actions the RCCo, WECC and the industry are taking to rectify the deficiencies in grid operations highlighted by the September 8, 2011 outage.
- WIRAB will be considering ways to improve the analysis of the reliability implications of future scenarios evaluated in WECC studies of needed transmission expansion.
- WIRAB will be examining the reliability impacts of reforms to lower the cost of integrating variable generation and increase system efficiencies, such as establishment of a California ISO/PacifiCorp energy imbalance market and development of new practices in reserve sharing to accommodate the integration of large amounts of variable generation (e.g., Northwest Power Pool MC's Following Reserve Assistance Program field trial).

The budget includes \$150,000 for contracting for technical expertise on issues related to improved grid operating practices, standards and compliance. This expertise will help WIRAB prepare technically-sound advice under Section 215(j). Travel costs will increase to \$40,000 due to the need for both staff and states to attend some meetings of both WECC and the new RCCo. Meeting costs will be slightly higher than in the 2013 budget while WIRAB will continue to hold two in-person meetings per year. Wherever feasible, WIRAB meetings will be coordinated with other meeting of Western states and provinces. A working capital reserve of \$100,000 will be maintained.

Base Operating Budget	Budget 2013	Projection 2013	Budget 2014	Change	
				2014 Budget v 2013 Budget	% Change
Western Interconnection Regional Advisory Body	595,180	525,800	703,700	108,520	18.2%
TOTAL	595,180	525,800	703,700	108,520	18.2%
Working Capital Reserve	(59,688)	9,492	(114,792)	(55,104)	
Total Funding	535,492	535,292	588,908	53,416	10.0%



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

WIRAB FTE's

Total FTE's by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs ¹ 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
STATUTORY						
Operational Programs						
WIRAB	2.75	2.30	2.85	-	2.85	0.10
Total FTEs Operational Programs	2.75	2.30	2.85	-	2.85	0.10
Administrative Programs						
WIRAB (included in indirect expense)	-	-	-	-	-	-
Total FTEs Administrative Programs	-	-	-	-	-	-
Total FTEs	2.75	2.30	2.85	-	2.85	0.10

2013 Budget and Projection and 2014 Budget Comparisons

WIRAB - Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
STATUTORY					
	2013 Budget	2013 Projection	Variance 2012 Projection v 2012 Budget Over(Under)	Draft 2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 534,692	\$ 534,692	\$ -	588,408	\$ 53,716
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ 534,692	\$ 534,692	\$ -	\$ 588,408	\$ 53,716
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	800	600	(200)	500	(300)
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 535,492	\$ 535,292	\$ (200)	\$ 588,908	\$ 53,416
Expenses					
Personnel Expenses					
Salaries	\$ 245,900	\$ 210,000	\$ (35,900)	\$ 260,000	\$ 14,100
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ 245,900	\$ 210,000	\$ (35,900)	\$ 260,000	\$ 14,100
Meeting Expenses					
Meetings	\$ 10,000	\$ 10,000	\$ -	\$ 12,000	\$ 2,000
Travel	27,000	27,000	-	40,000	13,000
Conference Calls	2,200	2,200	-	2,500	300
Total Meeting Expenses	\$ 39,200	\$ 39,200	\$ -	\$ 54,500	\$ 15,300
Operating Expenses					
Consultants & Contracts	\$ 75,000	\$ 75,000	\$ -	\$ 150,000	\$ 75,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 75,000	\$ 75,000	\$ -	\$ 150,000	\$ 75,000
Total Direct Expenses	\$ 360,100	\$ 324,200	\$ (35,900)	\$ 464,500	\$ 104,400
Indirect Expenses	\$ 235,080	\$ 201,600	\$ (33,480)	\$ 239,200	\$ 4,120
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 595,180	\$ 525,800	\$ (69,380)	\$ 703,700	\$ 108,520
Change in Assets	\$ (59,688)	\$ 9,492	\$ 69,180	\$ (114,792)	\$ (55,104)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-
TOTAL BUDGET (=B + C)	\$ 595,180	\$ 525,800	\$ (69,380)	\$ 703,700	\$ 108,520
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (59,688)	\$ 9,492	\$ 69,180	\$ (114,792)	\$ (55,104)
FTEs	2.75	2.30	-	2.85	-

Section A – Statutory Programs 2014 Business Plan and Budget



Section A — 2014 Business Plan

Western Interconnection Regional Advisory Body

WIRAB (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.75	2.85	0.10
Direct Expenses	\$ 360,100	\$ 464,500	\$ 104,400
Indirect Expenses	\$ 235,080	\$ 239,200	\$ 4,120
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 595,181	\$ 703,700	\$ 108,519

Program Scope and Functional Description

The western governors created WIRAB to provide advice to FERC, NERC and WECC on whether standards, budgets and fees, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest.

WIRAB meetings are open to all. There are regular meetings via web conferencing and topical webinars. In 2014, there will be two in-person meetings. These meetings are expected to be held in April and October.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Interest income will be \$300 lower due to continued low interest rates and a reduction in the carry-over amount.

Personnel Expenses

- Total expenses for salaries will increase due to the hiring of additional staff. Payroll taxes, Benefits, and Retirement Costs are included in Indirect Costs and are detailed in Table B-4 on Page 21.

Meeting Expenses

- Travel costs will increase by \$13,000 due to the increased state and staff travel. There will continue to be two WIRAB meetings per year and some travel to WECC, the new RCo, and NERC and FERC meetings.
- Meeting expenses will increase (\$2,000). There will still be two meetings in 2013, and meeting costs are going up.
- Conference call expenses increase slightly (\$300).

Operating Expenses

- The budget includes \$150,000 for contracting for technical expertise on issues related to standards and compliance. This expertise will help WIRAB prepare technically-sound advice under Section 215(j).

Indirect Expenses

- Indirect expenses are based on salary expenses, so the costs will increase but the percentage will be lower.

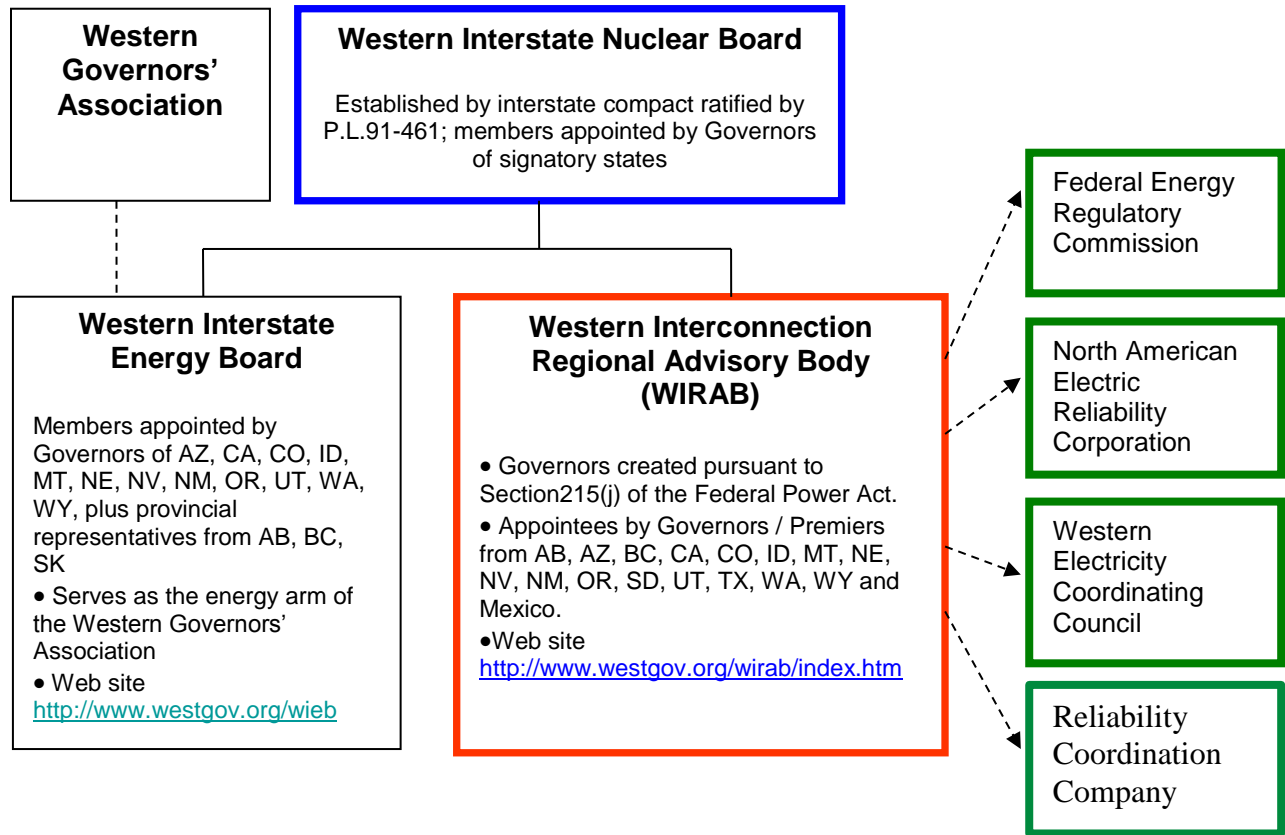
Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

2014 Organizational Chart



Section B – Supplemental Financial Information 2014 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2013-2014	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2012	205,100
Plus: 2013 Funding (from LSEs or designees)	534,692
Plus: 2013 Other funding sources	800
Less: 2013 Projected expenses & capital expenditures	(525,800)
Projected Working Capital Reserve (Deficit), December 31, 2013	<u>214,792</u>
Desired Working Capital Reserve, December 31, 2014	¹ 100,000
Minus: Projected Working Capital Reserve, December 31, 2013	214,792
Increase(decrease) in funding requirement to achieve Working Capital Reserve	<u>(114,792)</u>
2014 Expenses and Capital Expenditures	703,700
Less: Penalty Sanctions ²	0
Less: Other Funding Sources	(500)
Adjustment to achieve desired Working Capital Reserve	(114,792)
2014 NERC Assessment	<u>588,408</u>

¹ On June 29, 2009 WIRAB members approved a desired working capital reserve of \$100,000. The reserve consists of the following components: \$100,000 for contingencies

² Penalty sanctions are not applicable to WIRAB

Explanation of Changes in Reserve Policy from Prior Years

None

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, of the 2013 WIRAB Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Not applicable to WIRAB

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Total Salaries	\$ 245,900	\$ 210,000	\$ 260,000	\$ 14,100	5.7%
Total Payroll Taxes	-	-	-	-	
Total Benefits	-	-	-	-	
Total Retirement	-	-	-	-	
Total Personnel Costs	\$ 245,900	\$ 210,000	\$ 260,000	\$ 14,100	5.7%
FTEs	2.75	2.30	2.85	0.10	3.6%
Cost per FTE					
Salaries	\$ 89,418	\$ 91,304	\$ 91,228	1,810	2.0%
Payroll Taxes	7,064	7,213	7,207	143	2.0%
Benefits	9,299	9,496	9,488	188	2.0%
Retirement	6,706	6,848	6,842	136	2.0%
Total Cost per FTE	\$ 112,488	\$ 114,861	\$ 114,765	\$ 2,277	2.0%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

With the expected bifurcation of WECC, there will be increased workload for WIRAB. There will be an additional staff person hired, who will work part-time on WIRAB issues.

Consultants and Contracts

See Table on page 13.

WIRAB is budgeting \$150,000 for consultants and contracts in 2014, an increase of \$75,000 from 2013. WIRAB will acquire technical consulting services related to deficiencies and best practices in operation of the grid by GOs, TOPs, BAs and the RC.

Section C – Non-Statutory Activities 2014 Business Plan and Budget



Section C — 2014 Non-Statutory Business Plan and Budget

None

**Section D – Additional Consolidated Financial
Statements
2014 Business Plan and Budget**



Section D

2012 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Financial Position

WIRAB Statement of Financial Position				
STATUTORY				
	As of December 31, 2012	As of December 31, 2013,	As of December 2014,	
	(per July 2011 -	projected	as budgeted	
	June 2012 audit)			
ASSETS				
Cash and Investments	\$ 205,100	\$ 214,792	\$ 100,000	
Total Assets	\$ 205,100	\$ 214,792	\$ 100,000	

DOCKET NO. RR13-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2014 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 8

DISCUSSION OF COMMENTS RECEIVED

DURING DEVELOPMENT OF NERC'S

2014 BUSINESS PLAN AND BUDGET

ATTACHMENT 13

DISCUSSION OF COMMENTS RECEIVED DURING DEVELOPMENT OF NERC'S 2014 BUSINESS PLAN AND BUDGET

During the preparation of its 2014 Business Plan and Budget, NERC posted several drafts (Draft #1, Draft #2 and the Final Draft) on its Website for stakeholder review and comment.¹ In addition, the NERC Board of Trustees invited stakeholders to provide policy input on the 2014 Business Plan and Budget. Copies of the comments and policy input received were posted on NERC's website. (See [2014 NERC Business Plan and Budget](#) and [Policy Input](#))

Comments on Draft #2 of NERC's 2014 Business Plan and Budget were received from the Edison Electric Institute (EEI), the Electric Power Supply Association (EPSA), the Ontario Independent Electricity System Operator (IESO), Tom Gianneschi and Mike Yelland. Policy Input comments regarding NERC's Business Plan and Budget were received from EEI, The Electricity Consumers Resource Council (ELCON) and SERC.

Overview of Comments

EEI. EEI agrees with the finding in the NERC State of Reliability Report that bulk power system reliability is adequate. EEI's comments generally focused on a concern with the percentage increase in NERC's budget and the benefits to reliability associated with the proposed budget increase. EEI recommended that NERC apply stronger budget discipline and consider limiting itself to a flat budget with an inflation adjustment or a two percent increase in overall spending in 2014. While indicating that it is management's responsibility to determine how to achieve this recommended outcome, EEI provided some suggestions for management's consideration to achieve this limitation, including imposing caps on salary increases, reducing its travel and professional services budgets, and eliminating planned research on vegetation management topics and Geo-Magnetic Disturbance (GMD) effects. While supportive of NERC's initiatives in various areas and the potential for efficiency gains and other benefits, EEI also noted the absence of any explicit estimates of cost savings in connection with compliance and enforcement reform initiatives, as well as in connection with NERC's proposed investments in the development of centralized software applications supporting key NERC and Regional Entity business processes. EEI also requested that NERC consider spreading out the development of these centralized software applications over a longer period of time and using reserves as a source of funding. EEI also encouraged expanding NERC's collaboration with the North American Transmission Forum.

In its policy input comments EEI encouraged NERC management to work closely with the Electricity Sub-sector Coordinating Council (ESSC) regarding future ES-ISAC budget development. EEI also supported the maintenance of reserves to potentially fund ES-ISAC tools

¹ Formal comments were solicited on the 1st and 2nd drafts. The final draft was posted as part of the agenda for the open Finance and Audit Committee meeting, during which an opportunity for comments from stakeholders was provided.

such as the Cyber Federated Model (CFM) and the Cybersecurity Risk Information Sharing Program (CRISP).

EPSA. EPSA's comments raised concerns about the number of priorities NERC is undertaking. EPSA supported EEI's comments regarding the rate of increase in NERC's budget since becoming the ERO.

IESO. IESO raised similar concerns with the proposed budget and assessment increases contained in Draft #2 of NERC's 2014 Business Plan and Budget. IESO supported NERC's efforts to control enterprise IT application and development plan costs and, while supporting NERC's proposed capital financing program, encouraged further discussion of quantitative benefits. The IESO also recommended that NERC adopt a standard format to be used for each draft of its business plan and budget, provide its 3 year forecasts earlier in the process, and include its working capital and operating reserve analysis in the first draft of its business plan and budget.

SERC. In its policy input comments SERC recommended that future business plans show evidence of leveraging the prioritization and reliability gap analysis performed by the Reliability Issues Steering Committee. SERC also recommended that given the strong state of bulk electric system reliability and difficult economic times, NERC should leverage prioritization efforts to optimize resource allocation in a constrained budget environment.

Individual commenters. Mike Yelland, a consultant and former employee of the IESO, requested that further rationale be provided for the Personnel Certification and Operator Training operating reserve amount and reiterated a comment of the IESO regarding the NERC 2013 business plan and budget in which the IESO suggested that where possible NERC include costs in program area budgets rather than reserves.

Tom Gianneschi, a Member of the MRC, supported EEI's comments. He also suggested that NERC's budget is largely reactive and that consumers who ultimately provide the funding for NERC's budget should set the threshold for how much additional reliability they are willing to pay for. He also suggested that further details be provided regarding the proposed capital budget and payback on proposed investments.

Response to Comments

Management and the board appreciate the ongoing input of stakeholders in the business plan and budgeting process and are very mindful of the impact of the costs of NERC's operations on industry and consumers. NERC's final recommended 2014 budget was significantly reduced from earlier drafts and reflects the resources required for NERC to perform its statutory responsibilities. NERC made a number of changes in arriving at its final recommended 2014 business plan and budget. The following is a list of the significant changes from Draft #2:

1. Personnel Expense
 - a. Eliminated 1 of the 2 proposed ES-ISAC positions
 - b. Eliminated a double count of one administrative position

- c. Reduced budgeted benefits costs
 - i. Medical benefit premium increase reduced from 12% to 9% on assumption NERC will put in place a self-insured plan without impacting current benefit levels, as outlined by our benefits consultant.
 - ii. Reduced budgeted cost of employee education and relocation by approximately 10%
2. Travel
 - a. Reduced travel budget by approximately \$200k
 - b. Reduced meeting expenses by approximately \$84k
 - c. Travel expense is lower in the final 2014 budget than in the 2013 budget, notwithstanding the addition of personnel.
 3. Contracts and Consultants
 - a. Included potential 2014 funding of a portion of FAC-003 vegetation research as a Known Operating Reserve Contingency and deferred previously budgeted \$500k in funding for this research to 2015 and 2016, spread evenly over those two years
 - b. Eliminated \$50k in right-of-way vegetation research based on assumption that the EEI Vegetation Working Group will assume financial responsibility for this research, per EEI's comments
 - c. Reduced Reliability Assessment and Performance Analysis database development costs by \$200k, with additional database development costs identified as a potential Known Operating Reserve Contingency
 - d. Eliminated \$75k budgeted for outside consultants for event analysis
 - e. Reduced communications consulting costs by \$100k
 - f. Reduced Risk Management and Internal Controls outside auditor budget by \$75k
 - g. Reduced ES-ISAC contractor and consulting budget by \$134k
 4. Capital Budget and Enterprise Application Development Costs and Financing – Provided additional detail regarding the proposed capital budget, including the plan to finance the development of certain software applications and hardware.
 5. Provided further detail regarding working capital and operating reserve requirements.

As a result of these and other changes, the final Board-approved 2014 operating expenses increase is 2.8% and the combined operating and capital budget increase is 3.9%, in each case compared to the 2013 budget. This compares to an operating expense increase of 6.4% and combined operating and capital budget increase of 7.5% in Draft #2. Draft #2 also contained a projected average assessment increase of 11.4% compared to 8% in the final Board-approved budget.

NERC's budget increases have been lower, in both absolute dollars and percentages, over the past 3 years compared to the first 5 years, reflecting the maturation of the organization and its resource capabilities. NERC's assessments were reduced by over \$3 million in 2013 from 2012. NERC's total increase in assessments between 2012 and 2014 is approximately \$740k. NERC's 2014 assessment is 1.7% lower than was projected for 2014 in NERC's 2013 business plan and

budget. Attracting and retaining qualified personnel is a key challenge at NERC, as well as for a number of the Regional Entities. NERC's salary and benefit levels must remain competitive to do this. This conclusion is supported by market comparisons. Total benefit expense was significantly reduced in 2013 and is within market. The 7.5% increase in average personnel cost per FTE is due to a variety of factors, including higher costs to employ senior staff, as well as to hire experienced personnel to fill budgeted positions and vacancies created by turnover of existing employees. It does not represent the percentage increase in individual management or staff salaries. The 2014 budget includes a projected 2.5% average increase in salary expense, which is below industry average.

Capital investments, including planned investments in enterprise software applications which represent the largest component of NERC's overall capital budget, are essential to improving the efficiency and effectiveness of NERC and Regional Entity operations, as well as reducing unnecessary costs to registered entities. There is no overlapping investment included or contemplated as part of the Regional Entities' business plans and budgets, and the efficiency gains associated with developing a single integrated application was assumed to outweigh the costs to develop, integrate, operate and maintain 9 separate applications. Significant controls have been put in place regarding the review, approval and execution of these projects, including oversight by the Regional Entity Management Group (comprised of the president and chief executive officer of NERC and each chief executive or equivalent person within each Regional Entity), the NERC Standards Oversight and Technology Committee and the NERC Finance and Audit Committee.

NERC plans to continue to take the work and recommendations of the RISC into account in the development of future business plans, budgets and resource allocation decisions. NERC also looks forward to the input of the ESSC regarding ES-ISAC priorities and resource requirements.

DOCKET NO. RR13-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2014 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 9

**CALCULATION OF ADJUSTMENTS
THE AESO 2014 NERC ASSESSMENT
TO THE IESO 2014 NERC ASSESSMENT,
THE NEW BRUNSWICK 2014 NERC ASSESSMENT,
AND THE QUEBEC 2014 NERC ASSESSMENT**

2014 Alberta Electric System Operator Adjustment
Credit for NERC Compliance Costs

	Total NERC Compliance Budget AESO NEL Allocation 2014	Total NERC Compliance Budget AESO NEL Allocation 2013		
NERC Compliance Budget				
Compliance Operations, Investigations & Org Registration and Certification	\$ 9,496,446	\$ 8,928,994	2014 FTEs	
Event Analysis	4,048,371	6,725,004	<u>Total</u>	<u>Credit</u>
Enforcement	6,395,091	3,738,430	400 Operations & Investigations	19.20 15.00
			500 Org Registration	3.84 3.84
Total Compliance Budget, including Fixed Assets	\$ 19,939,908	\$ 19,392,428	402 Event Analysis	9.60 8.00
			404 Enforcement	<u>18.24 18.24</u>
AESO NEL Share (2011)	1.323%	1.298%		<u>50.88 45.08</u>
AESO Proportional Share of Compliance Costs, including Fixed Assets	\$ 263,860	\$ 251,637		88.6%
Net Total Staff	50.88	54.50	2013 FTEs	
			<u>Total</u>	<u>Credit</u>
% Credit (45.08 of 50.88 FTEs)	88.60%	66.97%	400 Operations	15.00
\$ Credit (45.08 of 50.88 FTEs)	\$ 17,666,884	\$ 12,987,590	500 Org Registration	3.00 3.00
AESO credit for compliance costs	\$ 233,782	\$ 168,528	402 Event Anal & Investigation	15.50 13.50
			403 Reporting & Tracking	5.00 4.00
Additional Credits for 2014			404 Enforcement	<u>16.00 16.00</u>
Credit for SAFNR	\$ 531,825	\$ 725,500		<u>54.50 36.50</u>
	\$ 531,825	\$ 725,500		67.0%
AESO NEL Share (2011)	1.323%	1.298%		
AESO credit for additional costs not allocated	\$ 7,038	\$ 9,414		
Total AESO Credit	\$ 240,819	\$ 177,942		

2014 IESO Adjustment
Credit for NERC Compliance Costs

	<u>2014</u>	<u>2013</u>	<u>Change</u>	
NERC Compliance Budget				
Compliance Operations, Investigations & Org Registration and Certification	\$ 9,496,446	\$ 8,928,994		
Event Analysis	4,048,371	6,725,004		
Enforcement	6,395,091	3,738,430		
Total Compliance Budget, including Fixed Assets	<u>19,939,908</u>	<u>19,392,428</u>	<u>547,480</u>	<u>2.82%</u>
IESO NEL Share (2012)	3.156%	3.167%		
IESO Proportional Share of Compliance Costs, including Fixed Assets	<u>\$ 629,303</u>	<u>\$ 614,094</u>		
Total Compliance Staff	<u>50.88</u>	<u>54.50</u>		
% Credit (42.88 of 50.88 FTEs)	84.28%	85.32%		
\$ Credit (42.88 of 50.88 FTEs)	\$ 530,356	\$ 523,952	<u>6,404</u>	<u>1.22%</u>
Additional Credit for SAFNR Contract	<u>531,825</u>	<u>725,500</u>		
IESO NEL Share (2012)	3.156%	3.167%		
Additional Credit for SAFNR Contract	<u>\$ 16,784</u>	<u>\$ 22,974</u>	<u>(6,190)</u>	<u>-0.04%</u>
IESO Credit - NERC Costs, including Fixed Assets	<u>\$ 547,141</u>	<u>\$ 546,926</u>	<u>215</u>	<u>0.04%</u>

**2014 New Brunswick Adjustment
Credit for NERC Compliance Costs**

	<u>2014</u>	<u>2013</u>	<u>Change</u>	
NERC Compliance Budget				
Compliance Operations, Investigations & Org Registration and Certification	\$ 9,496,446	\$ 8,928,994		
Event Analysis	4,048,371	6,725,004		
Enforcement	6,395,091	3,738,430		
Total Compliance Budget	<u>19,939,908</u>	<u>19,392,428</u>	547,480	2.8%
New Brunswick NEL Share (2012)	<u>0.311%</u>	<u>0.306%</u>		
NB Proportional Share of Compliance Costs, including Fixed Assets	\$ 62,013	\$ 59,403	2,610	4.4%
Total Compliance Staff	<u>50.88</u>	<u>54.50</u>	(4)	-6.6%
% Credit (44.08 of 50.88 FTEs)	86.64%	85.32%		
\$ Credit (44.08 of 50.88 FTEs)	\$ 53,725	\$ 50,683	3,042	6.0%
Additional Credits for 2014 - SAFNR Contract	531,825	725,500		
New Brunswick NEL Share (2012)	<u>0.311%</u>	<u>0.306%</u>		
Additional Credits for SAFNR	\$ 1,654	\$ 2,222		
New Brunswick Credit - NERC Costs, including Fixed Assets	<u>\$ 55,379</u>	<u>\$ 52,906</u>	2,473	4.7%

2014 Quebec Adjustment
Credit for NERC Compliance Costs

	Total NERC Compliance Budget Quebec NEL Allocation
NERC Compliance Budget	
Compliance Operations, Investigations & Org Registration and Certification	\$ 9,496,446
Event Analysis	4,048,371
Enforcement	6,395,091
Total Costs, including Fixed Assets	19,939,908
Quebec NEL Share (2012)	4.129%
Quebec Proportional Share of Compliance Costs, including Fixed Assets	\$ 823,319
Total Compliance Staff	50.88
% Credit (34.88 of 50.88 FTEs)	68.55%
\$ Credit (34.88 of 50.88 FTEs)	\$ 13,669,497
Quebec Credit (Proportional share of all costs x % Credit)	\$ 564,414
Proportional Share of NERC Compliance Costs paid by Régie de l'énergie	\$ 258,905
Proportional Share of NPCC CORC Program paid by Régie de l'énergie (Refer to Column I-2, page 75, 2014 NPCC Business Plan and Budget)	\$ 869,409
2014 Billing to Régie de l'énergie for Compliance Program Costs-NERC and NPCC	\$ 1,128,314
Additional Credits for 2014	
Credit for SAFNR	\$ 725,500
	\$ 725,500
Quebec NEL Share (2012)	4.129%
Quebec credit for additional costs not allocated	\$ 29,956
Total Quebec Credit for 2014	\$ 594,369

2013 Quebec Adjustment
Credit for NERC Compliance Costs

	Total NERC Compliance Budget Quebec NEL Allocation
NERC Compliance Budget	
Compliance Operations (includes Organization Registration)	\$ 6,644,000
Compliance Enforcement	6,725,004
Event Analysis and Investigations	6,023,424
Total Costs, including Fixed Assets	19,392,428
Quebec NEL Share (2011)	4.123%
Quebec Proportional Share of Compliance Costs, including Fixed Assets	\$ 799,467
Total Compliance Staff	54.50
% Credit (35.5 of 54.5 FTEs)	65.14%
\$ Credit (35.5 of 54.5 FTEs)	\$ 12,631,765
Quebec Credit (Proportional share of all costs x % Credit)	\$ 520,754
Proportional Share of NERC Compliance Costs paid by Régie de l'énergie	\$ 278,713
Proportional Share of NPCC CORC Program paid by Régie de l'énergie (Refer to Column H-2, page 83, 2013 NPCC Business Plan and Budget)	\$ 1,369,666
2013 Billing to Régie de l'énergie for Compliance Program Costs-NERC and NPCC	\$ 1,648,379
Additional Credits for 2013	
Credit for SAFNR	\$ 725,500
	\$ 725,500
Quebec NEL Share (2011)	4.123%
Quebec credit for additional costs not allocated	\$ 29,909
Total Quebec Credit for 2013	\$ 550,663

	2014 Compliance FTEs
	Total Credit
400 Operations & Investigations	19.20 5.80
500 Org Registration	3.84 2.84
402 Event Analysis	9.60 8.00
404 Enforcement	18.24 18.24
	50.88 34.88

	2013 Compliance FTEs
	Total Credit
400 Operations	15.00
500 Org Registration	3.00 2.00
402 Event Anal & Investigation	15.50 13.50
403 Reporting & Tracking	5.00 4.00
404 Enforcement	16.00 16.00
	54.50 35.50

DOCKET NO. RR13-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2014 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 10

**STATUS REPORT ON THE ACHIEVEMENT
OF NERC'S 2013 GOALS**

ATTACHMENT 15

Status Report on the Achievement of NERC's 2013 Goals and Objectives

This Attachment provides a summary of NERC's 2013 goals and objectives and a status report on their achievement as of June 30, 2013.

During the first two quarters of 2013, NERC and the Regional Entity Executive Management Group continued to improve and refine the ERO business planning and budgeting process through the development and integration of a multi-year strategic plan. The *2012-2015 ERO Enterprise Strategic Plan*¹ is focused on (1) developing clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner, (2) being a strong enforcement authority that is independent, without conflict of interest, objective and fair, (3) promoting a culture of compliance that addresses reliability risks across the industry, (4) identifying the most significant risks to reliability, (5) being accountable for mitigating reliability risks, (6) promoting a culture of reliability excellence, (7) improving transparency, consistency, quality and timeliness of results, (8) operating as a collaborative enterprise working with industry and the Regional Entities and (9) improving efficiency and cost effectiveness.

Similar to the process undertaken in 2012, a set of specific 2013 objectives and measures was developed, with a threshold and a target for each measure. Progress against these measures is being tracked throughout the year. Exhibit 1 to this Attachment 15 sets forth the specific 2013 objectives, measures, thresholds and targets.

Exhibit 2 to this Attachment 15 is the summary of corporate performance measures as of June 30, 2013 which was presented before stakeholders and NERC's Board of Trustees at the August 14, 2013 open meeting of NERC's Corporate Governance and Human Resources Committee. Similar reports are prepared and presented each quarter at approximately the same time NERC prepares and presents in open session to the NERC's Finance and Audit Committee its quarterly and year to date financial reports comparing budgeted to actual expenditures, together with a rolling year end projection.

¹[https://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/ERO%20Enterprise%20Strategic%20Plan%202012-2015%20FINAL%20\(02%202012\)%20\(2\).pdf](https://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/ERO%20Enterprise%20Strategic%20Plan%202012-2015%20FINAL%20(02%202012)%20(2).pdf)

EXHIBIT 1

2013 NERC Corporate Performance Metrics

Approved: February 6, 2013 by Corporate Governance and Human Resources Committee

NERC is presenting its 2013 corporate performance metrics using the common strategic planning framework, *Electric Reliability Organization Enterprise Strategic Plan 2012-2015*¹, provided to the board in February 2012. The strategic plan framework was recently updated by NERC and the Regional Entities to include refined goals, objectives and deliverables for 2013-2016 and to formulate business plans and budgets for the upcoming three year cycle. For 2013 and beyond, the ERO Enterprise will work within four recognized goal areas: 1) standards; 2) compliance, registration and certification; 3) risks to reliability; and 4) coordination and collaboration.

As NERC continues to enhance the success of the ERO Enterprise, it improves the measurement of its own individual performance through established goals, objectives and metrics. The overall number of performance metrics for 2013 has been reduced to focus on results that aim to improve reliability. NERC management has worked to define 2013 metrics that are both within NERC's span of influence or control and meaningful to bulk power system reliability performance and effective risk mitigation strategies. Building on 2012, NERC continues a performance metric for 2013 based on overall reliability performance: *at-risk compensation will depend on the number of bulk power system category 3, 4 and 5 events*² (± 10 percent at stake depending on the number of category 3, 4 and 5 events). All other metrics include Target at 100 percent payout and Threshold at 70 percent, with no credit for less than Threshold achievement.

The specific objectives presented below were derived from the goals and deliverables outlined in the 2013 NERC Business Plan and Budget, which was approved by the NERC Board of Trustees (Board) on August 16, 2012 and accepted by the Federal Energy Regulatory Commission (FERC) in its order issued November 2, 2012.

¹ Enclosed is the updated *ERO Enterprise Strategic Plan 2013-2016*.

² Excluding terrestrial weather, however space weather (GMD) is included in the metric.

2013 NERC Corporate Performance Metrics

Approved: February 6, 2013 by Corporate Governance and Human Resources Committee

Standards

Goal 1 - Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner. These standards establish threshold requirements for ensuring the bulk power system is planned, operated and maintained in a manner that minimizes risks of cascading failures, avoids damage to major equipment and limits interruptions of bulk power supply.

	Objective	Measure	Threshold	Target
1a	Standards are timely, clear and responsive to reliability and security risks.	Percent of board-approved standards that meet quality criteria and results-based construct	Complete initial tabletop quality assessment of all standards and 1 new standard meets quality criteria and results-based construct	Complete initial tabletop quality assessment of all standards and 3 new standards meet quality criteria and results-based construct
		CIP V5, BAL-003 frequency response, TPL footnote b, COM-003, and GMD (if ordered) standards filed	Filed by yearend with extensions	All filed within deadlines (COM-003 by yearend)
		Percent reduction in existing FERC standards directives, year beginning to yearend excluding new	33% reduction from December 31, 2012 (filed or otherwise resolved)	50% reduction from December 31, 2012 (filed or otherwise resolved)
		Standards process reforms completed per board 2012 resolutions	All reform resolutions have a solution designed and documented	All reform resolutions operational by yearend
1b	Standards are practical to implement and cost effective.	Requirements to be retired (Paragraph 81 – Phase 2)	Assessment complete with summary report	Requirements to retire identified, standards revisions approved and filed
		Model standard application guide/RSAW, consolidating existing documents	Model application guide/RSAW and one sample complete	10% of standards have associated application guide/RSAW completed in new format

Compliance, Registration and Certification

Goal 2 - Be a strong enforcement authority that is independent, without conflict of interest, objective and fair. The ERO retains and refines its ability to use standards enforcement when warranted and impose penalties and sanctions commensurate with risk.

	Objective	Measure	Threshold	Target
2a	The ERO registers entities commensurate with risk to the bulk power system and ensures all key reliability entities are certified to have essential capabilities.	Framework and plan to begin in 2014		
2b	The ERO holds industry accountable for violations that create serious risk to the bulk power system; resulting actions are timely and transparent to industry.	Aging curve to monitor aging of caseload (2%)	Caseload aging curve developed	Caseload aging curve developed and baseline established for 2013
		Twelve-month rolling average of active violations divided by monthly filings and dismissals (caseload index) (3%)	12 months	10 months
		Number of active possible violations preceding January 1, 2012 ³ (3%)	100, excluding those held by appeal, regulator, or court	Zero, excluding those held by appeal, regulator or court
		Mitigation aging curve	Mitigation aging curve developed	Mitigation aging curve developed and baseline established for 2013

³ Reference date is the discovery date (e.g. by audit, self-report, self-certification, etc.) or, if event-based, the date of the event.

Compliance, Registration and Certification

Goal 3 - Promote a culture of compliance that addresses reliability risks across the industry. The ERO works with industry to identify standards, procedures, practices and controls to address reliability risks.

	Objective	Measure	Threshold	Target
3a	Industry has effective procedures and programs to monitor, detect, correct, report, and prevent compliance, reliability, and security issues.	Compliance reform (RAI) plan developed	Developed to include end state description and roadmap	Developed to include end state description, roadmap, and procedures and methods (how documents)
		Percent self identified violations and findings including FFT	Metric developed	Metric developed and baseline established for 2013
3b	The ERO uses efficient processes and proportional exercise of discretion to verify that compliance objectives are met by industry.	Percent of findings filed through FFT and spreadsheet without settlement agreements, compared to all violations and findings filed excluding dismissals (3%)	35%	50%
		Expand FFT to allow determinations to be made by auditors (5%)	Expanded program prerequisites completed but not implemented	Expanded program available and being used at regions

Risks to Reliability

Goal 4 - Identify the most significant risks to reliability. The ERO identifies and prioritizes reliability risks, facilitates effective solutions and interventions, and monitors results.

	Objective	Measure	Threshold	Target
4a	Risks are identified and prioritized based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.	State of reliability report	Published by June 30	Published by May 15
		Report to Board on priority risks based on industry expert inputs	Risk profile of priority risks	Risk profile with high priority risks scaled for action and assignment
		Risk control initiatives by ERO	One in progress	Three in progress (e.g., relay mis-operations, situation awareness, human error, cyber attack, or other) ⁴
4b	Events and system performance are consistently analyzed for sequence, cause, and remediation to identify reliability risks and trends, and to inform standards, compliance, and other programs. Industry is well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions.	Event analysis includes identification of standards and compliance gaps, correlated to severity index	All Category 3 and above events analyzed for risks, standards and compliance gaps	All Category 3 and above events analyzed for risks, standards and compliance gaps; documented risk control strategy in place for top three gaps
		Event reports published to industry	For Category 1 and above, 95% of initial reports received within 30 days of event; 95% of reports reviewed for quality within 30 days of receipt	All approved reports are posted to secure portal for industry access subject to release authorization by the entity
		Lessons learned and recommendations published	6	8

⁴ Three documented initiatives in addition to those credited in 4b.

Risks to Reliability

Goal 5 - Be accountable for mitigating reliability risks. The ERO works with industry stakeholders and experts to ensure the mitigation of known risks to reliability.

	Objective	Measure	Threshold	Target
5a	The ERO is tracking industry accountability for critical reliability and security recommendations.	Number of BPS category 3, 4 and 5 events excluding weather ⁵ , flood, or earthquake	<ul style="list-style-type: none"> (+10%): three or less Category 3 events occur and zero Category 4 or 5 events (0%): Zero Category 5 events, one or zero Category 4, and four or less Category 3 events (-10%): a Category 5 event occurs or two Category 4 events or five or more Category 3 events 	
5b	Industry is aware of and is effectively addressing security vulnerabilities and threats. Industry security posture is being evaluated and continuously improved. During crisis situations, ERO facilitates sharing of information among industry, regions, and government.	ES-ISAC fully utilized	60% of RC's and TO/TOPs; 33% of all other registered entities; industry submitting average of three information items per month last six months of 2013	80% of RC's and TO/TOPs; 50% of all other registered entities; industry submitting average of ten information items per month last six months of 2013
		Number of maturity model assessments completed	6	12
		GridEx	GridEx 2013 conducted	Exercise completed with extreme scenario, executive leadership component, and 100 plus entities engaged

⁵ Terrestrial weather excluded from metric, however space weather (GMD) is included in metric.

Risks to Reliability

Goal 6 - Promote a culture of reliability excellence. The ERO facilitates a learning environment throughout the industry through event causal analysis, communication of lessons learned, tracking of recommendations, and implementation of best practices.

	Objective	Measure	Threshold	Target
6a	ERO is a leading resource to industry and policy makers for reliability information.	Assessment reports	LTRA, two seasonal assessments, one special issues report published; reports are streamlined for board approval (half or less volume)	LTRA (November 20), seasonal assessments (May 15 and November 20), and two special issues report
6b	Reliability modeling and data accurately represent system behavior and are shared among reliability entities.	Model and data quality assessments begin in 2014		

Coordination and Collaboration

Goal 7 - Improve transparency, consistency, quality and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness. The ERO accomplishes this through effective coordination, collaboration and process improvements. The ERO communicates expectations clearly and fosters collaboration to deliver important results in advancing system reliability. The ERO engages the support and expertise of stakeholders, is an efficient steward of resources, and leverages information systems to create efficiencies and process controls.

	Objective	Measure	Threshold	Target
7a	The ERO acquires, engages, and retains highly qualified talent suited to the mission.	Qualifications	ERO qualifications description for ERO Enterprise auditors	ERO qualifications description for two additional common ERO Enterprise positions
		ERO enterprise (NERC and Regional Entity) infrastructure and applications ⁶	Secure, backed up infrastructure, database, and communications platform is designed, one ERO application is operational	Secure, backed up infrastructure, database, and communications platform is designed, three ERO PMO applications are operational
7b	ERO internal risks are understood and managed; ERO processes are effective, efficient, and continuously improved.	Internal risk management (75% weight)	Total year end operating and fixed asset expenditures do not exceed an amount equivalent to: (a) the 2013 operating expense and fixed asset expense budget plus b) an amount equivalent to the sum of : (i) the 2013 budget for known contingency operating reserves	Total year end operating expense and fixed asset expenditures do not exceed an amount equivalent to the approved operating expense and fixed asset expense budget plus an amount equivalent to the budget for known operating reserve contingencies.

⁶ Sample ERO Enterprise applications include: BES Exception, Event Information Data System (EIDS), and Reliability Assessment Database System (RADS).

			and (ii) 25% of the 2013 operating reserve budget for unforeseen contingencies.	
		Budgetary and working capital (25% weight)	Each Regional Entity has a written working capital and operating reserve policy in place that has been approved by its board or a committee of its board if the board has delegated the authority regarding establishment of such policy to a committee of the board (e.g. finance and audit committee).	Common working capital and operating reserve framework in place across NERC and all regions.

EXHIBIT 2

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Agenda Item 7
CGHRC Open Meeting
August 14, 2013

2013 NERC Performance Report

Quarter 2 – Draft for Preliminary Review

Mark Rossi, COO

Corporate Governance and Human Resources Committee Meeting

July 18, 2013

RELIABILITY | ACCOUNTABILITY



Objective	Q1	Q2	Q3	Q4	Trending	Comments
1a - Timely, clear and responsive to reliability and security risks						Completed assessment and results-based construct for standards. Reduced 47 directives. Solutions in SC charter agreed upon by SC and SOTC.
1b - Practical to implement and cost effective						Initiated assessment for Paragraph 81, Phase 2. Continued development of Standards application guide /RSAW.
2a - ERO registers entities commensurate with risk to the BPS						Framework and plan scheduled to be developed in 2014.
2b - ERO holds industry accountable for violations to the BPS						On trajectory to hit threshold for reduction of active violations preceding January 1, 2012. Block of historical violations continues taking longer than expected to process.
3a - Industry has effective procedures and programs						RAI implementation continued identification of "how" documents. Metric showing discovery of violations monitored.
3b - ERO uses efficient processes and proportional exercise of discretion						80% total filings through FFT and SNOP disposition
4a - Risks are identified and prioritized						State of Reliability Report completed – met target. Risk projects and control initiatives continue.
4b - Events and system performance are consistently analyzed						Analyzing Category 3 and above events is becoming resource constrained.

Objective	Q1	Q2	Q3	Q4	Trending	Comments
5a - ERO is tracking industry accountability for critical reliability and security						(+10%): three or less Category 3 events occur and zero Category 4 or 5 events (-10%): Category 5 event occurs or two Category 4 events or five or more Category 3 events
5b - Industry is aware of and is effectively addressing security vulnerabilities						Only one maturity model assessment completed at then end of Q2. Mitigation plan being developed to address resource constraints and competing priorities.
6a - ERO is a leading resource for reliability information						Published 2 assessment reports and planning another special issues report and LTRA for Q4.
6b - Reliability modeling and data are accurate and shared						Reliability modeling and data to begin in 2014.
7a - ERO acquires, engages, and retains highly qualified talent						Need regional support to integrate common ERO qualifications description for auditors.
7b - ERO internal risks are understood and managed						Projection being finalized. Preliminary estimate shows budget not meeting target. Mitigation plan being developed to achieve or exceed target.

I. Standards

- Completed quality assessment and results-based construct for standards
- Agreed upon solution by SC and SOTC on reform resolutions

II. Compliance, Registration and Certification

- Developed mitigation aging curve and initiated automated calculation and business rule
- Monitored metric for self-identified violations – 70%
- 80% of filings through FFT and SNOP disposition – original expectation was 73%

III. Risks to Reliability

- Published State of Reliability, Gas-Electric and summer assessment reports
- Developed high/medium priority risk area gap analysis for RISC
- Initiated risk control initiatives: workforce capability/HP and misops
- Published two lessons learned for six cumulative
- Utilized ES-ISAC – exceeded original expectations for RCs/TOs/TOPs
- Planned GridEx scenario, leadership component and entity engagement

IV. Coordination and Collaboration

- Developed Five-Year ERO Assessment criteria, metrics, survey, and timetable
- Continued audit implementation plan in response to FERC audit
- Completed 46% of risk management action plan

I. Compliance, Registration and Certification

- 12-month rolling average of active violations and caseload aging curve – Block of historical violations continues taking longer than expected to process

II. Risks to Reliability

- Analyze all Cat 3 events and documenting risk control strategy for three gaps – resource constrained
- Number of maturity model assessments completed to inform industry

III. Coordination and Collaboration

- Develop an ERO qualifications description for auditors to improve the acquisition and retention of qualified talent suited to the mission
- Project to exceed budget and known operating reserve by end of year
- Work with Regions and FAC on common working capital and operating reserve framework

DOCKET NO. RR13-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2014 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 11

**METRICS COMPARING
REGIONAL ENTITY OPERATIONS
BASED ON
THE 2014 BUDGETS**

ATTACHMENT 16

METRICS COMPARING REGIONAL ENTITY OPERATIONS BASED ON THE 2014 BUDGETS

Introduction

This Attachment provides metrics on the Regional Entities' operations based on their 2014 Business Plans and Budgets, and analysis of the metrics. Consistent with the similar attachments provided in NERC's 2010, 2011, 2012, and 2013 Business Plan and Budget filings, this Attachment focuses on providing quantitative data and information for the Regional Entities. The metrics focus primarily on the Regional Entities' Compliance Monitoring and Enforcement Programs (Compliance Program). This Attachment contains:

- a table providing the 2014 budget metrics values for each Regional Entity (page 4);
- a series of bar charts comparing the Regional Entities' Compliance Program 2014 budgeted costs (pages 5-7);
- a series of bar charts comparing the Regional Entities' projected costs for 2014 for "small," "medium" and "large" on-site and off-site operational compliance audits¹ and "small" and "large" on-site and off-site CIP compliance audits² (pages 8-10);

¹ An "operational" audit as referred to in this Attachment is an audit of the registered entity's compliance with the operations and planning or "Order 693" reliability standards. For purposes of this presentation (and consistent with the definitions used in the 2010, 2011, 2012 and 2013 Business Plan and Budget filings), a "small" operational compliance audit involves 25 or fewer reliability standard requirements to be audited; a "medium" operational compliance audit involves 26 to 75 requirements to be audited; and a "large" operational compliance audit involves more than 75 requirements to be audited. An on-site compliance audit takes place at the registered entity's site, while an off-site compliance audit takes place at another location, typically the Regional Entity's offices. As can be seen from the table on page 4 and from the bar charts on pages 8-10, MRO, ReliabilityFirst, SPP RE, Texas RE and WECC are not planning any "small" on-site operational compliance audits in 2014, NPCC and WECC are not planning any "medium" on-site operational compliance audits in 2014, and ReliabilityFirst is not planning any "large" on-site operational audits in 2014. Also, FRCC, ReliabilityFirst, and SERC are not planning any "medium" off-site operational audits in 2014, and FRCC, MRO, ReliabilityFirst, SERC, SPP RE and Texas RE are not planning any "large" off-site audits. The latter fact (that six Regional Entities plan no large off-site operational audits) reflects that if the registered entity has more than 75 requirements to be audited, the Regional Entity will likely conclude that an on-site compliance audit should be conducted.

² For purposes of this presentation, a "small" CIP compliance audit involves an entity with no critical cyber assets and 5 requirements. (There are requirements of the CIP standards that apply to registered entities with no critical cyber assets, for example, the requirements of CIP-001 concerning sabotage reporting and response; the requirements of CIP-002 which require the registered entity to have a risk-based assessment methodology and to use it annually to identify any critical assets and critical cyber assets, even if the result is "none;" and the requirements of CIP-003 that the registered entity have in place a cyber security policy and a designated, single senior manager with overall responsibility for leading the entity's compliance with the CIP standards.) A "large" CIP compliance audit involves any

- trend line plots of the Regional Entities' 2014 Compliance Program budgets against numbers of registered entities and numbers of registered functions in each Region (page 11);
- bar charts comparing the Regional Entities' numbers of registered entities per Compliance Program FTE³ and numbers of registered functions per Compliance Program FTE based on their 2014 budgets (page 12);
- bar charts comparing the Regional Entities' numbers of registered entities per Compliance Program FTE and numbers of registered functions per Compliance Program FTE in their 2013 and 2014 Business Plans and Budgets (page 13); and
- discussion and analysis of the metrics (pages 14-19). The discussion and analysis focuses on variations in the Regional Entity metrics based on their 2014 budgets and possible reasons for the variations.

The table on page 4 shows the following quantitative data for each Regional Entity based on its 2014 Business Plan and Budget. This data is used to develop the bar charts and trend line graphs that follow based on the Regional Entities' 2013 budgets.

- Numbers of registered entities
- Numbers of registered functions
- Total NEL (GWh)
- NEL (GWh) per registered entity
- Total ERO funding
- ERO (statutory) funding⁴ per registered entity

entity with critical cyber assets and 5 requirements, auditing 43 requirements or 162 sub-requirements. These definitions are the same as used in Attachment 15 of the 2012 and 2013 Business Plan and Budget filings. As can be seen from the table on page 4 and the bar charts on page 10, only SERC and Texas RE are planning any "small" on-site CIP audits in 2014 and all the Regional Entities are planning only "small" off-site CIP audits in 2014. Similar to the operational audits (note 1 above), this fact reflects that if there is a need to audit the registered entity's compliance with 43 or more requirements or 162 or more sub-requirements of CIP standards, the Regional Entity will likely conclude that an on-site compliance audit should be conducted. The decision to conduct an on-site CIP audit can also be influenced by the need for the Regional Entity's CIP audit staff to review facilities and equipment that are the subject of Technical Feasibility Exception (TFE) requests or audit the registered entity's compliance with the terms of an approved TFE.

³ FTE = full-time equivalent employee. Each FTE is assumed to work 2,080 hours per year. An employee working less than 2,080 hours per year is counted as a fractional FTE based on number of hours divided by 2,080 hours.

⁴ ERO funding is defined as the sum of assessments and penalty sanctions.

- ERO funding per registered function
- Total statutory budget
- Total statutory budget⁵ per registered entity
- Total statutory budget per registered function
- Total statutory FTE
- Registered entities per statutory FTE
- Registered functions per statutory FTE
- Total Compliance Program budget
- Compliance Program budget per registered entity
- Compliance Program budget per registered function
- Total Compliance FTE
- Registered entities per Compliance Program FTE
- Registered functions per Compliance Program FTE
- Projected numbers of small, medium and large on-site operational audits in 2014
- Estimated costs for small, medium and large on-site operational audits in 2014
- Projected numbers of small, medium and large off-site operational audits in 2014
- Estimated costs for small, medium and large off-site operational audits in 2014
- Projected numbers of small and large on-site CIP audits in 2014
- Estimated costs for small and large on-site CIP audits in 2014
- Projected numbers of small and large off-site CIP audits in 2014
- Estimated costs of small and large off-site CIP audits in 2014
- Average number of contractors used and projected contractor costs for small, medium and large on-site operational audits
- Average number of contractors used and projected contractor costs for small, medium and large off-site operational audits

⁵ Total budget is defined as the sum of total expenses and the total increase in fixed assets.

Metrics for Budget Submissions	FRCC	MRO ⁷	NPCC ⁷	RFirst	SERC	SPP RE	TRE	WECC ⁸
Number of registered entities	68	125	293	332	247	140	222	469
Number of registered functions	242	502	590	669	694	400	448	1240
Total NEL (GWh)	220,684	284,519	641,382	902,132	1,018,700	217,689	324,860	866,704
NEL (GWh) per registered entity	3,245	2,276	2,189	2,717	4,124	1,555	1,463	1,848
Total ERO Funding ¹	\$ 5,831,057	\$ 8,877,944	\$ 13,764,880	\$ 16,517,917	\$ 15,788,999	\$ 9,727,456	\$ 10,912,141	\$ 18,563,902
ERO Funding per registered entity	\$ 85,751	\$ 71,024	\$ 46,979	\$ 49,753	\$ 63,923	\$ 69,482	\$ 49,154	\$ 39,582
ERO Funding per registered function	\$ 24,095	\$ 17,685	\$ 23,330	\$ 24,690	\$ 22,751	\$ 24,319	\$ 24,357	\$ 14,971
Total Budget ²	\$ 6,794,932	\$ 9,744,799	\$ 14,129,006	\$ 18,063,201	\$ 16,877,288	\$ 11,823,629	\$ 11,771,248	\$ 22,009,776
Total Budget per registered entity	\$ 99,925	\$ 77,958	\$ 48,222	\$ 54,407	\$ 68,329	\$ 84,454	\$ 53,024	\$ 46,929
Total Budget per registered function	\$ 28,078	\$ 19,412	\$ 23,947	\$ 27,000	\$ 24,319	\$ 29,559	\$ 26,275	\$ 17,750
Total Statutory FTE ³	30.40	40.75	36.86	72.00	79.2	33.85	60.00	130.00
Registered entity per Statutory FTE	2.24	3.07	7.95	4.61	3.12	4.14	3.70	3.61
Registered function per Statutory FTE	7.96	12.32	16.01	9.29	8.76	11.82	7.47	9.54
Total Compliance Budget ⁴	\$ 4,702,351	\$ 6,697,593	\$ 8,079,371	\$ 13,584,945	\$ 11,670,318	\$ 8,662,902	\$ 9,336,233	\$ 14,763,348
Compliance budget per registered entity	\$ 69,152	\$ 53,581	\$ 27,575	\$ 40,919	\$ 47,248	\$ 61,878	\$ 42,055	\$ 31,478
Compliance budget per registered function	\$ 19,431	\$ 13,342	\$ 13,694	\$ 20,306	\$ 16,816	\$ 21,657	\$ 20,840	\$ 11,906
Total Compliance FTE ³	19.26	21.26	16.00	43.00	42.50	22.10	40.00	58.00
Registered entity per Compliance FTE	3.53	5.88	18.31	7.72	5.81	6.33	5.55	8.09
Registered function per Compliance FTE	12.56	23.61	36.88	15.56	16.33	18.10	11.20	21.38
Number of Small Operational Audits Onsite ⁵	3	0	3	0	10	0	0	0
Estimated Cost per Small Operational Audit Onsite ⁵	\$ 7,411		\$ 13,900		\$ 10,550			\$ -
Number of Medium Operational Audits Onsite ⁵	1	6	0	11	15	1	4	0
Estimated Cost per Medium Operational Audit Onsite ⁵	\$ 18,527	\$ 44,049		\$ 40,942	\$ 16,392	\$ 22,113	\$ 34,027	\$ -
Number of Large Operational Audits Onsite ⁵	4	1	3	0	6	7	6	20
Estimated Cost per Large Operational Audit Onsite ⁵	\$ 37,054	\$ 52,452	\$ 61,150		\$ 37,605	\$ 56,357	\$ 51,798	\$ 43,567
Number of Small Operational Audits Offsite ⁵	8	11	7	52	15	3	18	27
Estimated Cost per Small Operational Audit Offsite ⁵	\$ 2,685	\$ 11,404	\$ 11,875	\$ 8,560	\$ 9,454	\$ 5,129	\$ 14,447	\$ 5,367
Number of Medium Operational Audits Offsite ⁵	0	1	7	0	0	16	7	21
Estimated Cost per Medium Operational Audit Offsite ⁵		\$ 43,083	\$ 21,950			\$ 10,796	\$ 25,328	\$ 14,513
Number of Large Operational Audits Offsite ⁵	0	0	20	0	0	0	0	8
Estimated Cost per Large Operational Audit Offsite ⁵			\$ 28,280					\$ 34,167
Number of Small CIP Audits Onsite ⁶	0	0	0	0	4	0	4	0
Estimated Cost per Small CIP Audit Onsite ⁶					\$ 10,182		\$ 18,797	\$ -
Number of Large CIP Audits Onsite ⁶	2	5	12	14	6	4	10	19
Estimated Cost per Large CIP Audit Onsite ⁶	\$ 74,108	\$ 57,520	\$ 58,150	\$ 50,453	\$ 38,159	\$ 90,638	\$ 51,496	\$ 47,463
Number of Small CIP Audits Offsite ⁶	9	8	22	31	4	16	22	45
Estimated Cost per Small CIP Audit Offsite ⁶	\$ 2,685	\$ 5,702	\$ 7,830	\$ 3,738	\$ 14,194	\$ 5,129	\$ 14,447	\$ 5,367
Number of Large CIP Audits Offsite ⁶	0	0	0	0	0	0	0	0
Estimated Cost per Large CIP Audit Offsite ⁶								
Avg. Number of Contractors Per Small Audits Onsite			2.0			-		0.0
Avg. Number of Contractors Per Medium Audits Onsite			4.0			2.0		2.0
Avg. Number of Contractors Per Large Audits Onsite			5.0			2.0		2.0
Avg. Number of Contractors Per Small Audits Offsite			1.0			-		0.0
Avg. Number of Contractors Per Medium Audits Offsite			2.0			1.0		2.0
Avg. Number of Contractors Per Large Audits Offsite			2.0					2.0
Cost of Contractors Per Small Audits Onsite			\$ 5,740					\$ -
Cost of Contractors Per Medium Audits Onsite			\$ 19,320			\$ 13,600		\$ -
Cost of Contractors Per Large Audits Onsite			\$ 37,800			\$ 34,879		\$ 13,000
Cost of Contractors Per Small Audits Offsite			\$ 9,940					\$ 3,250
Cost of Contractors Per Medium Audits Offsite			\$ 19,740			\$ 6,600		\$ 9,750
Cost of Contractors Per Large Audits Offsite			\$ 25,900					\$ 13,000

¹ ERO Funding is a sum of Assessments and Penalty Sanctions

² Total Budget is a sum of Total Expenses and Capital Expenditures

³ Each FTE that works 2,080 hours per year is counted as one FTE. An FTE working less than the 2,080 hours per year is counted as a fractional FTE.

⁴ Total Compliance Budget is a sum of Direct Expenses, Indirect Expenses and Capital Expenditures

⁵ Size of Operational audits are defined by number of requirements:

Small	25 or less
Medium	26 to 75
Large	More than 75

⁶ Size of a CIP audit is defined as:

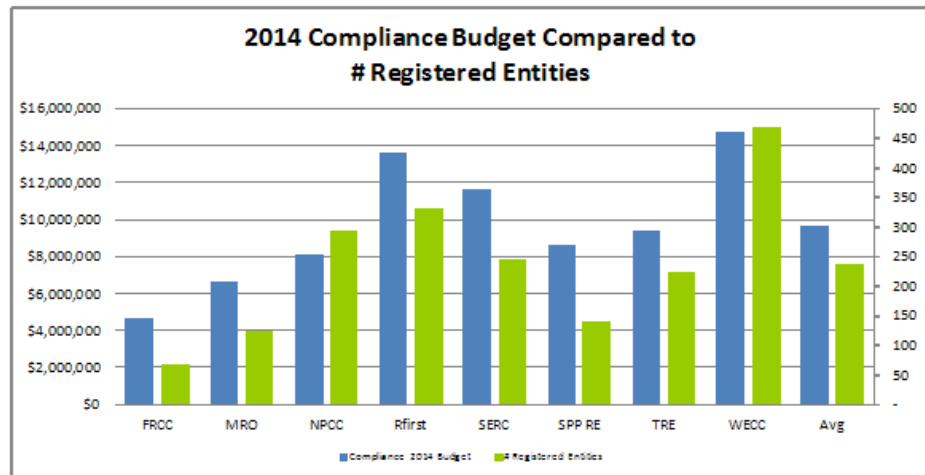
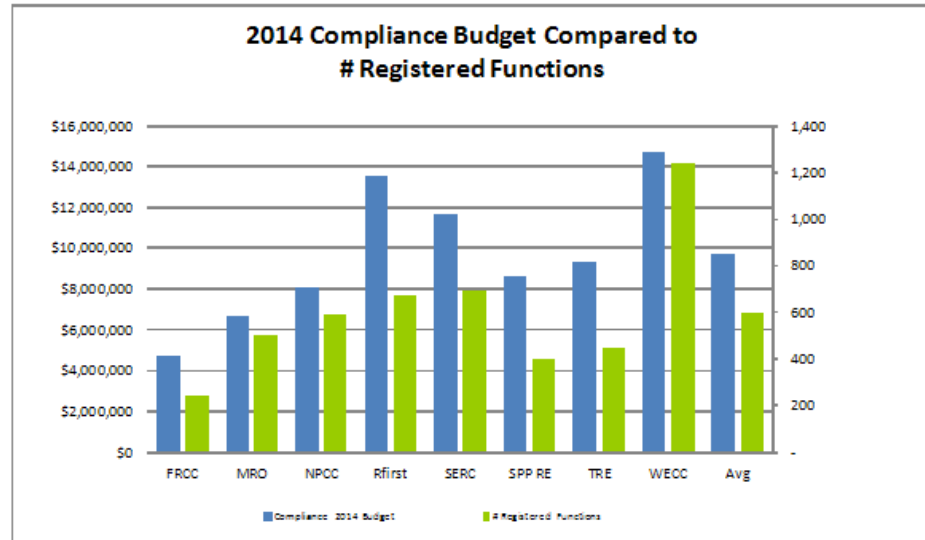
Small	Any entity with no critical cyber assets and 5 requirements
Large	Any entity with critical cyber assets and 5 requirements, auditing 43 requirements or 162 sub requirements

⁷ Due to the specifics of the compliance program included in the individual provincial MOUs for cross-border regional entities, some of these metrics are not directly comparable.

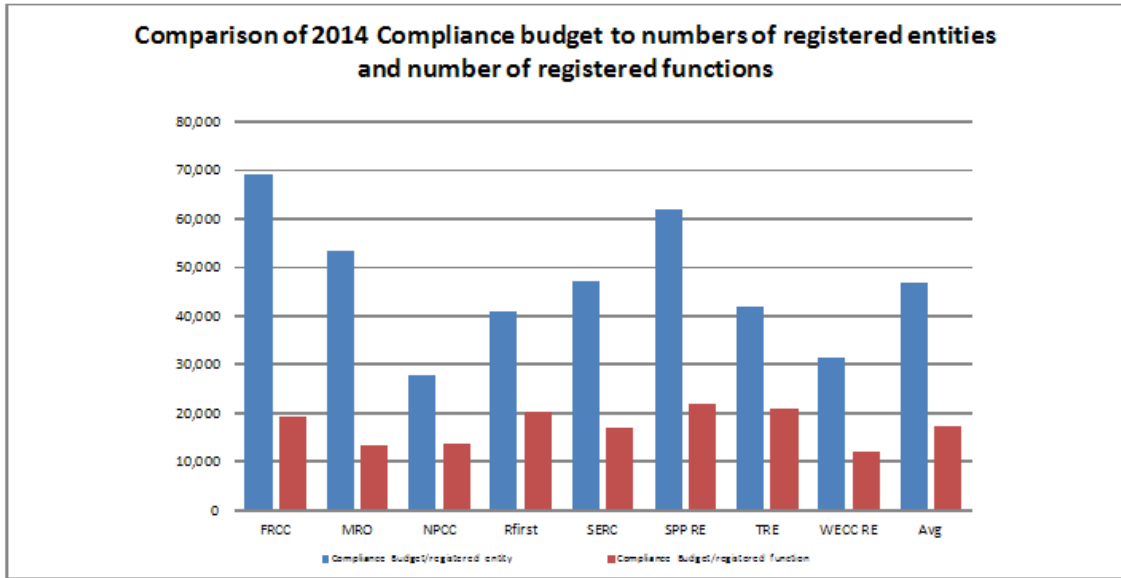
⁸ The costs offset by grant funding totalling \$3,628,308 have been excluded from the Total Budget and 5.0 FTEs have been excluded from the calculations of registered entity per Statutory FTE and registered function per Statutory FTE.

Compliance 2014 Budget

	FRCC	MRO	NPCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Compliance 2014 Budget	4,702,351	6,697,593	8,079,371	13,584,945	11,670,318	8,662,902	9,336,233	14,763,348	9,687,133
# Registered Entities	68	125	293	332	247	140	222	469	237
# Registered Functions	242	502	590	669	694	400	448	1,240	598

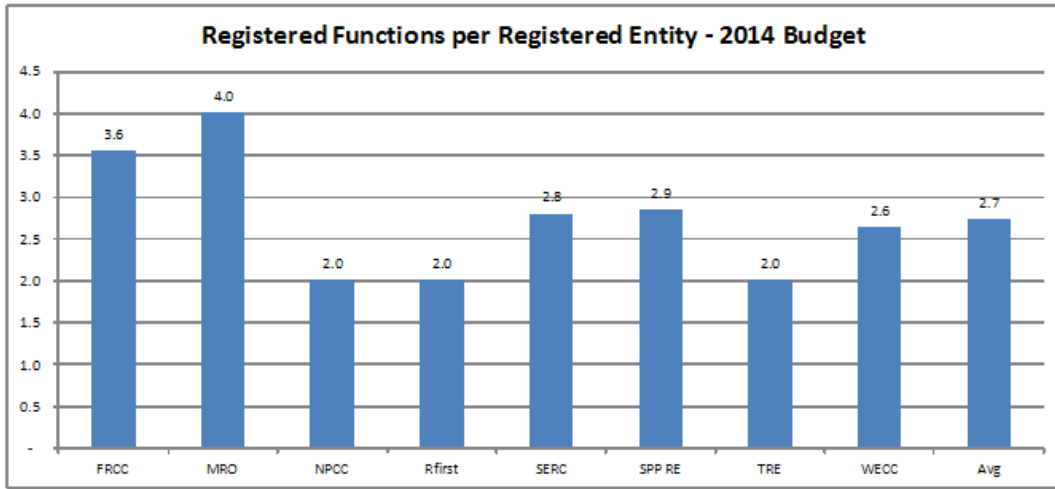


	FRCC	MRO	NPCC	Rfirst	SERC	SPP RE	TRE	WECC RE	Avg
Compliance Budget/registered entity	69,152	53,581	27,575	40,919	47,248	61,878	42,055	31,478	46,736
Compliance Budget/registered function	19,431	13,342	13,694	20,306	16,816	21,657	20,840	11,906	17,249

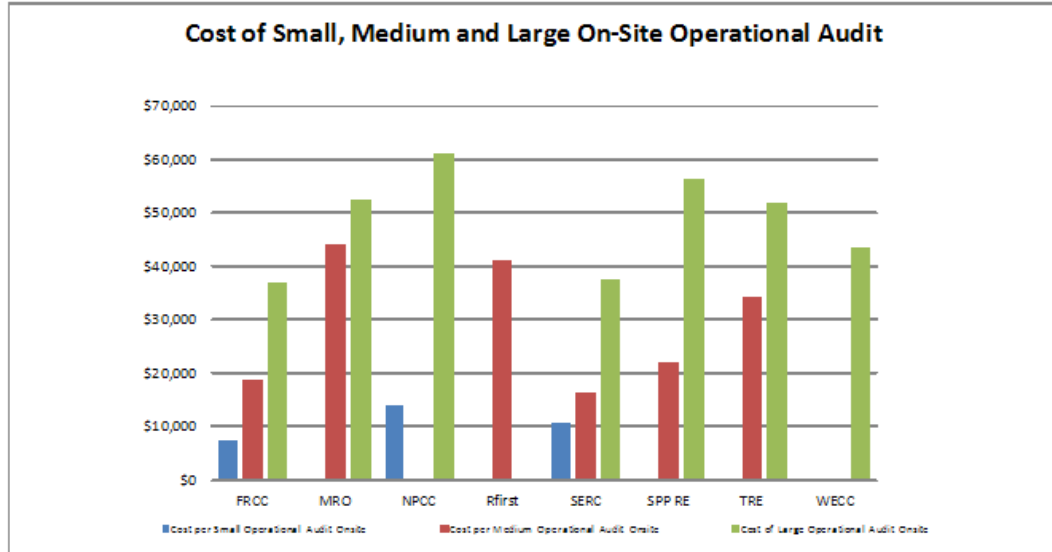


Registered Functions per Registered Entity
2014 Budget

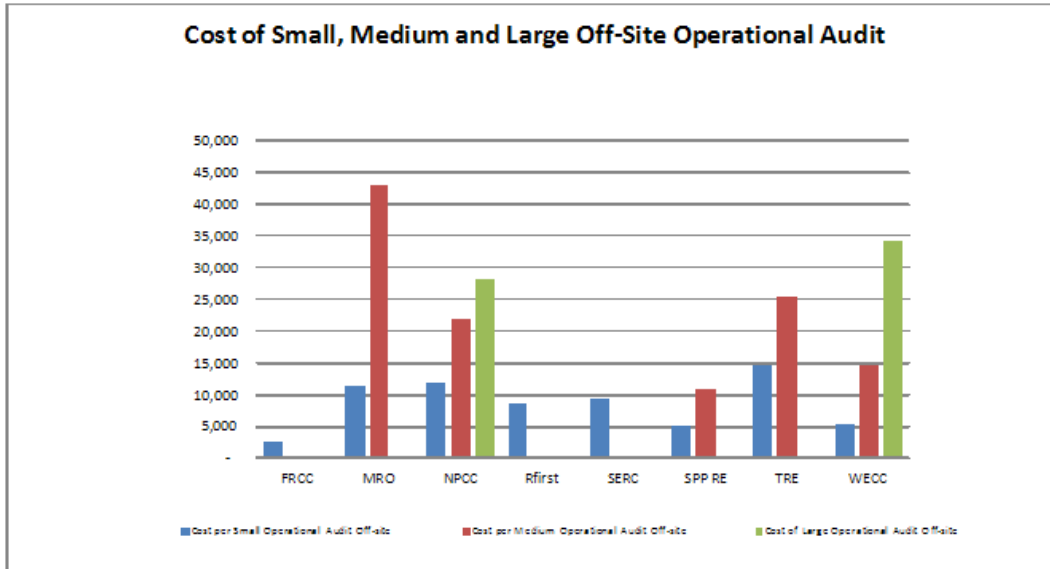
FRCC	MRO	N PCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
3.6	4.0	2.0	2.0	2.8	2.9	2.0	2.6	2.7



	FRCC	MRO	N PCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Cost per Small Operational Audit Onsite	7,411		13,900		10,550			-	7,965
Cost per Medium Operational Audit Onsite	18,527	44,049		40,942	16,392	22,113	34,027	-	25,150
Cost of Large Operational Audit Onsite	37,054	52,452	61,150		37,605	56,357	51,798	43,567	48,569

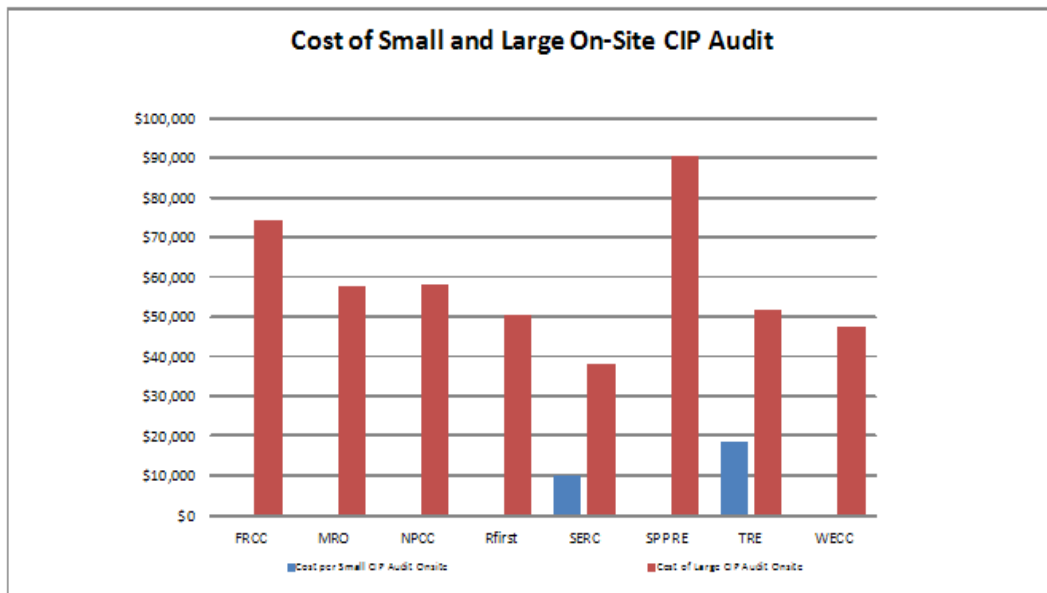


	FRCC	MRO	NPCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Cost per Small Operational Audit Off-site	2,685	11,404	11,875	8,560	9,454	5,129	14,447	5,367	8,615
Cost per Medium Operational Audit Off-site		43,083	21,950			10,796	25,328	14,513	23,134
Cost of Large Operational Audit Off-site			28,280					34,167	31,224



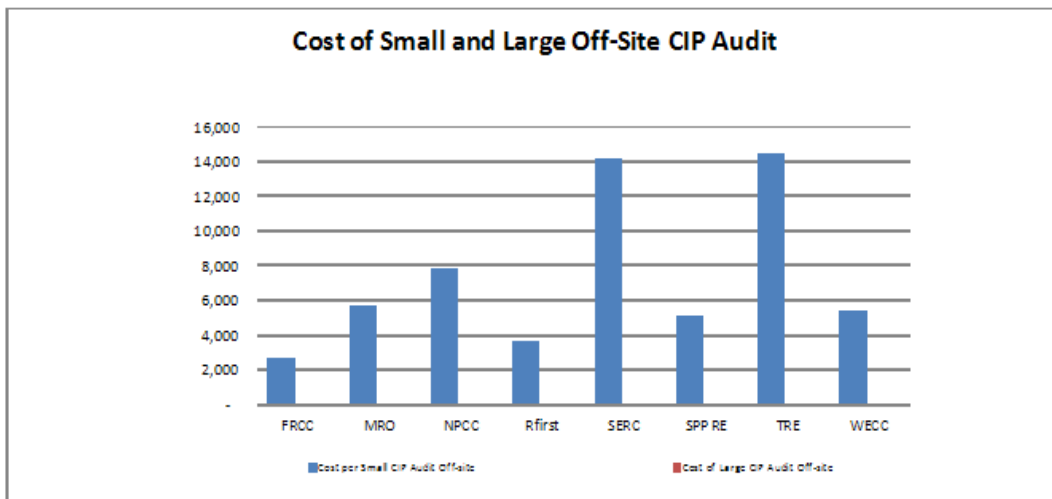
Cost per Small CIP Audit Onsite
 Cost of Large CIP Audit Onsite

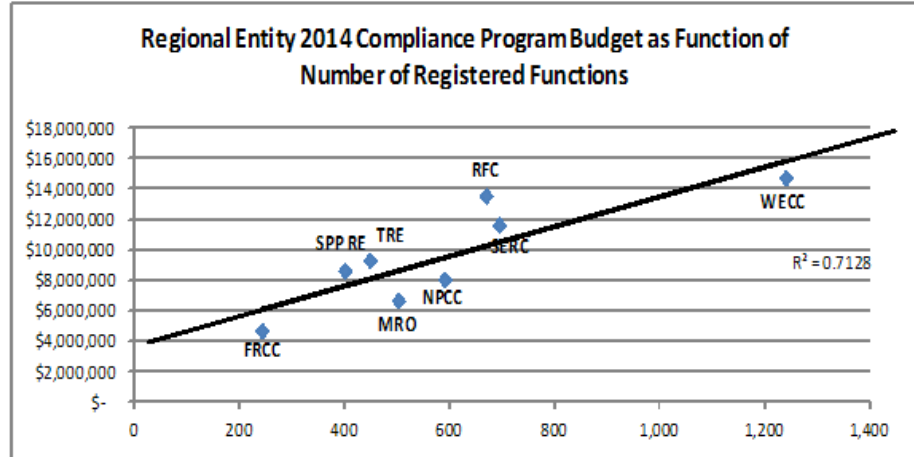
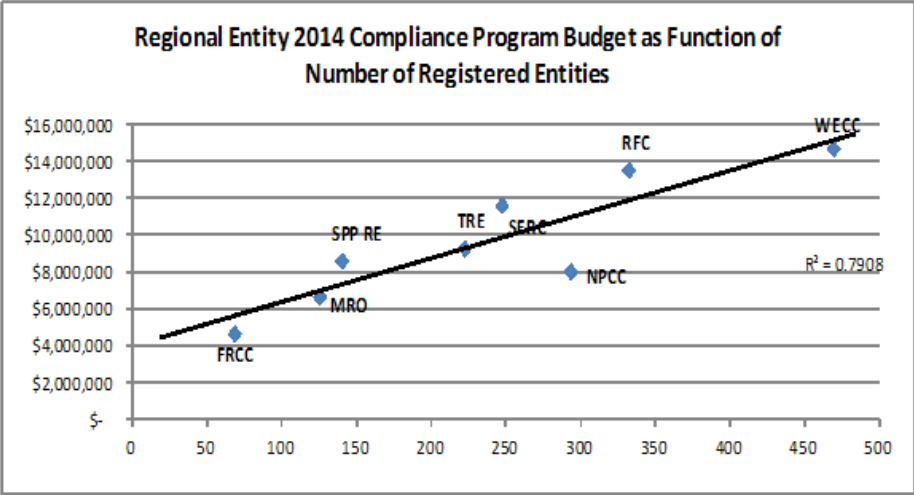
	FRCC	MRO	N PCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Cost per Small CIP Audit Onsite					10,182		18,797	-	9,660
Cost of Large CIP Audit Onsite	74,108	57,520	58,150	50,453	38,159	90,638	51,496	47,463	58,498



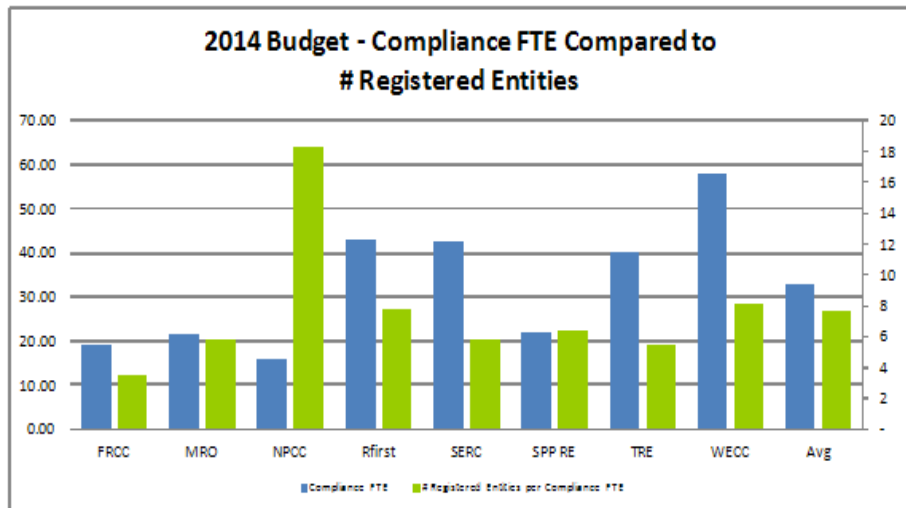
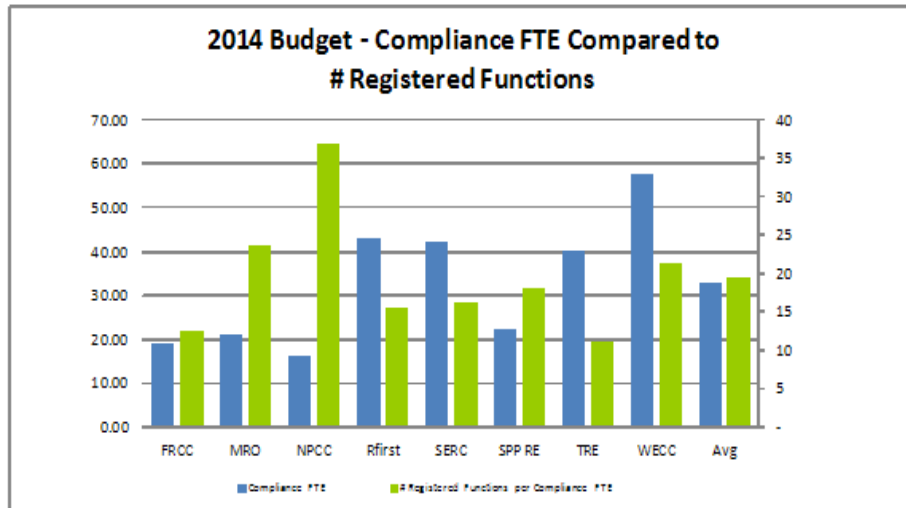
Cost per Small CIP Audit Off-site
 Cost of Large CIP Audit Off-site

	FRCC	MRO	N PCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Cost per Small CIP Audit Off-site	2,685	5,702	7,830	3,738	14,194	5,129	14,447	5,367	7,386
Cost of Large CIP Audit Off-site	-	-	-	-	-	-	-	-	-

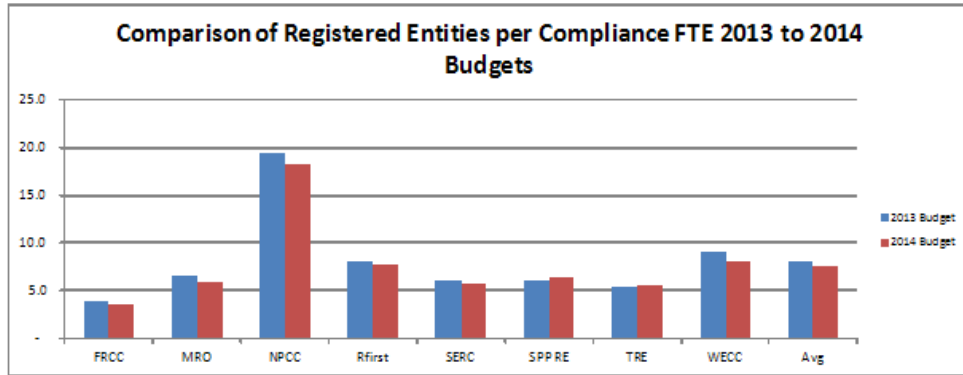




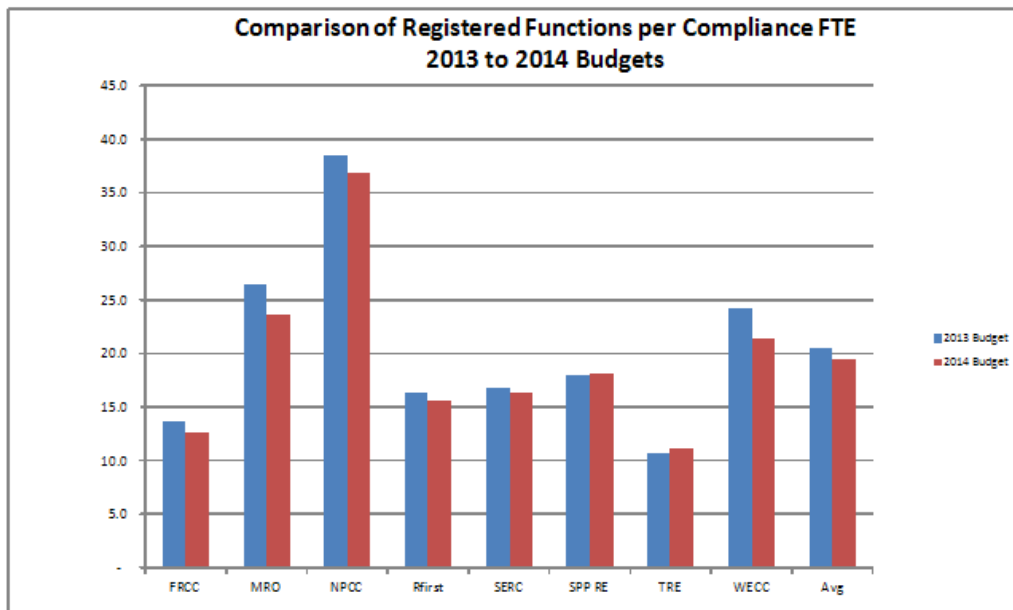
	FRCC	MRO	N PCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Compliance FTE	19.26	21.26	16.00	43.00	42.50	22.10	40.00	58.00	32.77
# Registered Entities per Compliance FTE	3.5	5.9	18.3	7.7	5.8	6.3	5.6	8.1	7.7
# Registered Functions per Compliance FTE	12.6	23.6	36.9	15.6	16.3	18.1	11.2	21.4	19.5



	FRCC	MRO	NPCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
2013 Budget	3.9	6.6	19.5	8.2	6.0	6.1	5.4	9.1	8.1
2014 Budget	3.5	5.9	18.3	7.7	5.8	6.3	5.6	8.1	7.7



	FRCC	MRO	NPCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
2013 Budget	13.6	26.4	38.5	16.3	16.8	18.0	10.7	24.2	20.6
2014 Budget	12.6	23.6	36.9	15.6	16.3	18.1	11.2	21.4	19.5



Discussion and Analysis

Metrics Based on 2014 Regional Entity Budgets

The development, collection, analysis and comparison of Regional Entity Compliance Program metrics data continues to be a complicated and time-consuming process, requiring careful consideration of many complex factors. In analyzing the Regional Entity metrics based on their 2014 budgets, NERC has in a number of instances looked at the average value among the Regional Entities for the metric, as well as the range of the individual values around the average. This data has been considered as part of the effort to understand and explain the differences among the Regional Entities' budgeted values, and not because NERC believes the deviation from an average, standing alone, is a measure of an individual Regional Entity's efficiency or effectiveness.

The Regional Entity metrics provided in this Attachment, based on the Regional Entities' 2014 Business Plans and Budgets, continue to show, in general, that the Regional Entities with the larger numbers of registered entities and registered functions have the larger Compliance Program budgets. The bar charts and accompanying data on page 5 of this Attachment depict the relative positions of the Regional Entities with respect to (i) total Compliance Program budget for 2014 and (ii) numbers of registered entities and registered functions.⁶ Three exceptions to this relationship (*i.e.*, that more registered entities and more registered functions means a larger Compliance Program budget) are (i) NPCC, which has a smaller Compliance Program budget than its rank order position in terms of numbers of registered entities and registered functions would suggest, (ii) SPP RE, which has a larger Compliance Program budget than its rank order position in terms of numbers of registered entities and registered functions would suggest, and (iii) Texas RE, which also has a larger Compliance Program budget than its rank order position in terms of numbers of registered entities and registered functions would suggest. NPCC has the third highest number of registered entities and the fourth highest number of registered functions, but NPCC's Compliance Program budget is the third lowest of the eight Regional Entities. This is due to the reduced scope of compliance activities in the Canadian Provinces that are part of the NPCC Region, as governed by the Memoranda of Understanding between NPCC and the Canadian Provinces within the NPCC Region. SPP RE has the third lowest number of registered entities and second lowest number of registered functions, but the fifth highest Compliance Program budget. Texas RE has the fourth lowest number of registered entities and third lowest number of registered functions, but the fourth highest Compliance Program budget.

The bar chart and accompanying data on page 6 of this Attachment show the 2014 Compliance Program budget per registered entity and per registered function for each Regional Entity. There are variations among the Regional Entities with respect to Compliance Program budget per registered entity and Compliance Program budget per registered function. The average of the Regional Entity values for Compliance Program budget per registered function is

⁶ The data on numbers of registered entities and registered functions in each Region used in the 2014 budget metrics are as of March, 2013 for the MRO Region; June 2013 for the FRCC Region; July, 2013 for the ReliabilityFirst, Texas RE and WECC Regions; and August, 2013 for the NPCC, SERC and SPP RE Regions.

\$17,249 (an increase of approximately \$1,000 over this average based on the 2013 Budgets); the two highest values (SPP RE - \$21,657 and Texas RE - \$20,840 and) are approximately 126% and 121% of the average, respectively, while the lowest value (WECC - \$11,906) is 69% of the average and the next lowest value is MRO at \$13,342 (77% of the average). With respect to Compliance Program budget per registered entity, the average for the Regional Entities is \$46,736 (an increase of approximately \$3,000 over the average from the 2013 Budgets); the two highest values (FRCC - \$69,152 and SPP RE - \$61,878) are approximately 148% and 132% of the average, respectively; and the lowest value (NPCC - \$27,575) is 59% of the average.⁷

As noted, FRCC and SPP RE have the two highest values for Compliance Program budget per registered entity, and SPP RE and Texas RE have the two highest values for Compliance Program budget per registered function. At the same time, FRCC, SPP RE and Texas RE have three of the four lowest totals of registered entities, and the three lowest totals of registered functions, among the eight Regional Entities. At the other end of the spectrum, WECC has the lowest values among the Regional Entities for Compliance Program budget per registered function and the second lowest value for Compliance Program budget per registered entity (only NPCC has lower value for Compliance Program budget per registered entity), and WECC has (by far) the highest numbers of registered entities and registered functions in its Region of all the Regional Entities. These data indicate, again (as indicated by these metrics as presented in previous years' business plan and budget filings), and in general, that there are economies of scale in Compliance Program operations and costs.

The graphs on page 11 of this Attachment, which display the results of two simple least-squares regression analyses using the Regional Entities' 2014 budgets, help to further illustrate the relationship between numbers of registered entities and registered functions, on the one hand, and total Compliance Program budget, on the other hand. Each Regional Entity's 2014 Compliance Program budget has been plotted against its number of registered entities, and its number of registered functions. On each of these charts, a linear trend line has been drawn based on the data points, and the correlation coefficient (R^2) of the data points is indicated. The disparity between the R^2 value for the plot based on number of registered entities (0.7908) and the R^2 value for the plot based on number of registered functions (0.7128) is similar to this analysis in the previous two years' Business Plan and Budget filings.⁸ NERC continues to

⁷ There is a variation among the Regional Entities in terms of registered functions per registered entity, ranging from a high value of 4.0 registered functions per registered entity for MRO to a low value of 2.0 registered functions per registered entity for NPCC, ReliabilityFirst and Texas RE. The overall average is 2.7 registered functions per registered entity. (See the data lines on page 8.) The values of this metric for each Regional Entity are generally consistent with the values based on the 2011, 2012 and 2013 Business Plans and Budgets – not surprisingly, neither the average nor the values of this metric for the individual Regional Entities have changed significantly. There is not an obvious reason why some Regional Entities (MRO and FRCC) have 1.8 to 2.0 times more registered functions per registered entity than do other Regional Entities (NPCC, Texas RE and ReliabilityFirst), and in any event this is a metric that is outside the control of the Regional Entities.

⁸ In the regression analysis that was provided in Attachment 15 of the 2012 Business Plan and Budget filing, the R^2 value for the plot based on number of registered functions was 0.7126 while the R^2 value for the plot based on number of registered entities was 0.725. In the regression analysis that was provided in Attachment 15 of the 2013 Business Plan and Budget filing, the R^2 value for the plot based on number of

believe that the regression analyses continue to indicate that neither number of registered entities or number of registered functions is a significantly better predictor of a Regional Entity's total Compliance Program budget than the other number. Further, a visual inspection of the two graphs shows that the data point for each Regional Entity is at approximately the same point relative to the trend line on both graphs. Specifically, the data points for FRCC, MRO, NPCC and WECC are on or below the trend line on both graphs, and the data points for SPP RE, Texas RE, SERC and ReliabilityFirst are on or above the trend line on both graphs. (These are the same positional relationships for the individual Regional Entities that were shown in the regression plots provided in Attachment 15 of the 2013 Business Plan and Budget filing). Finally, the fact that the y-intercept for each trend line is significantly greater than zero is a further indication that a simple comparison of the individual Regional Entity values to an average is not a strong indicator of relative efficiencies of the Regional Entities in their Compliance Programs.

The bar charts and accompanying data lines on page 12 of this Attachment show the numbers of registered functions per Compliance Program FTE and registered entities per Compliance Program FTE for each Regional Entity, based on the 2014 budgets. The average for the eight Regional Entities for numbers of registered entities per Compliance Program FTE is 7.7, (compared to the average of 8.1 based on the 2013 budgets); the lowest value (FRCC – 3.5) is 46% of the average and the highest value (NPCC – 18.3), is 239% of the average. This is about the same range of values around the average than was the case for the 2013 Budget (48% to 241%). The average for numbers of registered functions per Compliance Program FTE is 19.5 (a 5.3% reduction from the average based on the 2013 budgets); the lowest value (Texas RE – 11.2) is 58% of the average and the highest value (NPCC – 36.9), is 190% of the average. This is also a comparable range of values around the average than was the case for the 2013 Budget.

The bar charts and accompanying data lines on page 13 of this Attachment provide a comparison of the metrics for registered entities per Compliance Program FTE and registered functions per Compliance Program FTE, for each Regional Entity, based on the 2014 budgets, to the values of these metrics based on the Regional Entities' 2013 budgets as provided in the 2013 Business Plan and Budget filing. The values of this metric have decreased from the 2013 Budget to the 2014 Budget for FRCC, MRO, NPCC, ReliabilityFirst, SERC and WECC (*i.e.*, these Regional Entities now have fewer registered entities per Compliance Program FTE than in their 2013 budgets), while the values for this metric have increased from the 2013 budgets for SPP RE and Texas RE (*i.e.*, these Regional Entities now have more registered entities per Compliance Program FTE than in their 2013 budgets). With respect to registered functions per Compliance Program FTE, the 2014 budget values of this metric are lower than the 2013 budget values for FRCC, MRO, NPCC, ReliabilityFirst, SERC, and WECC (*i.e.*, these Regional Entities each now has fewer registered functions per Compliance Program FTE than its 2013 budget), while the 2014 budget values of this metric are higher than the 2013 budget values for SPP RE and Texas RE (*i.e.*, SPP RE and Texas RE now have more registered functions per Compliance Program FTE than in their 2013 budgets). The change in the value of these metrics for NPCC, ReliabilityFirst, SERC, SPP RE and Texas RE from their 2013 budgets to their 2014 budgets is

registered functions was 0.7758 while the R^2 value for the plot based on number of registered entities was 0.6704.

generally 6 percent or less for number of registered entities per Compliance Program FTE and is generally 5 percent or less for number of registered functions per Compliance Program FTE. This observation is consistent with the facts that (1) seven years after NERC was certified as the ERO, the population of registered entities and registered functions is fairly mature (*i.e.*, for the most part, the users, owners, and operators of the bulk power system that should be registered, have been registered, and for the relevant reliability functions⁹), and (2) the Regional Entities have significantly grown their Compliance Program staffs over time and are not planning significant staffing changes for their Compliance Programs in their 2014 budgets as compared to their 2012 budgets. For FRCC, MRO and WECC, the change in the value of these metrics from their 2013 budgets to their 2014 budgets is 9.6, 10.7 and 11.0 percent, respectively for number of registered entities per Compliance Program FTE and is 7.6, 10.6 and 11.7 percent, respectively for the number of registered functions per Compliance Program FTE.¹⁰

The bar charts and accompanying data lines on pages 8 through 10 of this Attachment provide the Regional Entities' estimated costs for 2014 to perform each type (operational and CIP; on-site and off-site) and size category of compliance audit.¹¹ The estimated costs to perform a compliance audit include the costs to prepare for the audit (including review of the registered entity's completed pre-audit questionnaire and Reliability Standards Audit Worksheets (RSAWs) and other registered entity-provided documents and information, and any pre-audit meetings), to perform the audit (whether on-site or off-site), and to report the results of the audit. Costs incurred in issuing and processing notices of alleged violations and proposed penalties resulting from the compliance audit are not included in the estimated cost to perform the compliance audit. The costs per audit for each category of audit, shown in the table on page 4 and the bar charts on pages 8 through 10, are based on the Regional Entities' estimates of the man-hours required to complete the preparation, performance and reporting functions for each category of compliance audit in 2014. The costs include the direct Salary expense and related Personnel Expense (Payroll Taxes, Benefits and Retirement Costs) for the man-hours of the Regional Entity personnel involved in preparation, performance and reporting for the audit and/or the costs for consultant/contractor resources used by the Regional Entity to perform the audit, but do not include any allocation of Regional Entity indirect costs. The costs also include Travel Expense for personnel in connection with on-site audits at the registered entity's location.

NERC and the Regional Entities note the following factors, among others, that can contribute to the differences in estimated costs per compliance audit among the Regional Entities for the various compliance audit size and site categories, as reported in the table on page 4 and shown in the bar charts on pages 8 through 10:

⁹ It is possible that implementation of the revised Bulk Electric System definition and exception procedure approved by the Commission in Docket Nos. RM12-6-000 and RM12-7-000, will result in some changes in registrations, at least in some Regions, when it becomes effective in 2014.

¹⁰ These two metrics, however, do not capture other Compliance Program resources, most notably contractor or consultant support, nor support that other departments (such as Legal and Regulatory) may provide to the Regional Entities' Compliance Programs.

¹¹ Estimated costs of a particular size or type of audit are not provided in the table on page 4 or in the applicable bar chart on pages 9 through 11 if no audits of that size or type are planned.

- Some Regional Entities are using consultants or contractors on their audit teams, which may entail a higher cost per hour than the use of Regional Entity employees.¹² For example, as shown on the table on page 4, NPCC, SPP RE and WECC are planning on the use of contractors in compliance audits in 2014. (In general and over time, as the Regional Entities have continued to build their Compliance Program staffs, they have been able to reduce their use of consultants or contractors in compliance audits. An exception is where very specialized subject matter expertise is required and there may not be cost justification for maintaining that expertise on staff in FTE positions.)
- The Regional Entity’s footprint may affect the extent to which travel costs must be incurred in the performance of on-site compliance audits within the Region.
- Although consistent definitions of “large” operational and CIP audits have been used, *i.e.*, an operational audit encompassing more than 75 reliability standards requirements and a CIP audit encompassing more than 43 CIP standards requirements or 162 sub-requirements), some Regional Entities may project a greater number of requirements to be audited in a typical “large” compliance audit than other Regional Entities. A Regional Entity that projects a larger number of requirements to be audited in a “large” audit would, all other things equal, estimate a greater amount of resources to conduct its “large” audit (*e.g.*, more auditors, more days at the registered entity’s site and/or more man-hours to review the registered entity’s documentation and to prepare the audit report).
- Some Regional Entities may simply be planning more steps, or budgeting higher man-hours, for the preparation, completion and/or reporting phases of their compliance audits. In particular, there may be variations in the levels of activity and man-hours budgeted by the Regional Entities for review of registered entity responses to pre-audit questionnaires and RSAWs, and other registered entity documents and information, prior to the on-site phase of a compliance audit.
- With respect to CIP compliance audits, as noted earlier, the need to examine equipment or facilities that are the subject of one or more TFE Requests or to audit the registered entity’s compliance with one or more approved TFEs complicates the difficulty of projecting the resource requirements for a CIP audit.

In addition to these factors, differences in estimated costs per audit among Regional Entities may reflect general differences in the market compensation levels in the different areas of the U.S. in which the various Regional Entities operate, thereby impacting their respective overall Personnel Expenses.

¹² It should be noted that although the cost to use a contractor or consultant on an individual audit assignment may be more costly than using a Regional Entity employee, the annual cost to the Regional Entity of retaining a contractor or consultant for a specific targeted assignment such as participating in certain compliance audits may be less than the cost of maintaining a FTE employee on staff for the year.

In conclusion, NERC reiterates that the development, collection, analysis and comparison of metrics on the Regional Entities' costs, operations and performance is an ongoing process. NERC and the Regional Entities will continue to work collaboratively to refine the metrics and improve their analysis of the reported metrics values and the factors that may cause variations in values among the Regional Entities. In addition, during 2014, NERC and the Regional Entities plan to evaluate whether additional or revised metrics should be developed to better reflect current practices in compliance auditing and other compliance monitoring activities, including the impacts of the ERO's Reliability Assurance Initiative.

DOCKET NO. RR13-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2014 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 12

METRICS ON NERC AND REGIONAL ENTITY

ADMINISTRATIVE (INDIRECT) COSTS

BASED ON

THE 2013 AND 2014 BUDGETS

ATTACHMENT 17

Analysis of NERC and Regional Entity Budgeted Indirect (Administrative Services) Costs 2014 Budgets versus 2013 Budgets

In the preparation of the NERC and Regional Entity 2014 Business Plans and Budgets, indirect expenses have been defined as those expenses which cannot be directly attributed to one of the statutory program functions.¹

The metrics presented in the tables on the last page of this Attachment are the same metrics presented in Attachment 16 to the 2010, 2011, 2012 and 2013 Business Plan and Budget filings. These tables provide several metrics comparing indirect costs and FTEs² in relation to total statutory costs and FTEs and direct statutory costs and FTEs, for NERC and each of the Regional Entities, in their 2014 Business Plans and Budgets and their 2013 Business Plans and Budgets.

Overall, the tables show an increase in the average indirect costs as a percent of total statutory costs and an increase in the average statutory indirect FTEs as a percentage of total statutory FTEs, in the NERC and Regional Entity 2014 budgets as compared to the 2013 budgets. This result is reflective of consistent application of the definition of indirect costs, as described above, in the preparation of the 2014 budgets.

As discussed in greater detail below, the changes in the averages for the three sets of metrics provided in this Attachment from the 2013 budgets to the 2014 budgets are largely a function of the elimination of the Reliability Coordinator and Interchange Authority functions from WECC's direct statutory costs (due to the formation of the RCCo) and the completion of a significant WECC program that has been funded by a U.S. Department of Energy (DOE) grant, the costs of which were budgeted and recorded as direct statutory costs, in 2013 (i.e., these costs were in WECC's 2013 budget but are not in its 2014 budget). The information in the first row of tables shows that, due primarily to these changes, WECC's total statutory budget has decreased from \$51,025,093 for 2013 to \$25,638,085 for 2014 (49.8% decrease); its total direct statutory budget has decreased from \$38,697,715 for 2013 to \$16,296,214 for 2014 (57.9% decrease); and its total statutory indirect budget has decreased from \$12,327,378 for 2013 to \$9,341,871 for 2014 (24.2% increase).³ As a result, all of WECC's metrics show increases in statutory indirect budget and budgeted statutory indirect FTEs relative to statutory direct and total budget and FTEs. The changes in the metrics for the other Regional Entities and NERC from their 2013 budgets to their 2014 budgets are all much less significant than the changes for WECC.

¹ NERC and Regional Entity provisions for Working Capital Reserve are not included in the budget data used to calculate these metrics.

² FTE = Full-time equivalent employee.

³ This comparison is not intended to suggest that WECC should be able to reduce its statutory indirect costs by the same percentage as it has reduced its statutory direct costs; to the contrary, such an expectation would be unreasonable, particularly considering the nature of certain of the eliminated direct costs, as discussed below.

Following is discussion of the individual metrics presented in the tables.

Percent of Statutory Indirect Budget to Total Statutory Budget

For NERC and the Regional Entities, the average percent of Statutory Indirect Budget to Total Statutory Budget (top row of tables) in the 2014 budgets is 35.5%, versus 32.3% in the 2013 budgets. For 2014, NPCC, ReliabilityFirst, SERC, Texas RE and WECC show percentages below or only slightly above the overall average. NERC's and MRO's 2014 values for this metric are slightly higher than the values for the entities just listed, but are not significantly above the overall average.

FRCC's percentages for this metric calculated from both its 2013 budget and its 2014 budget are considerably lower than the overall average, which is reflective of the methodology used by FRCC to identify and allocate staff time and Office Costs to the appropriate program. SPP RE continues to have a higher percentage than the average (the highest percentage among the Regional Entities) for this metric, reflecting the allocation of indirect costs (support services charges) from SPP, Inc., which are driven by SPP, Inc.'s operating budget. FRCC shows a decrease in this metric from its 2013 budget to its 2014 budget of 1.1 percentage points.

For NERC, MRO, NPCC, ReliabilityFirst, SERC, SPP RE, Texas RE and WECC, the percentages of Statutory Indirect Budget to Total Statutory Budget increased in their 2014 budgets from the percentages based on their 2013 budgets, ranging from an increase of only 0.2 percentage points for NPCC and ReliabilityFirst to increases of 7.4 percentage points for Texas RE and 12.2 percentage points for WECC. WECC's percentage for this metric based on its 2014 budget is significantly higher than its percentage based on its 2013 budget; this increase is primarily attributable to the creation of an independent new entity, the RCCo, that will take over the Reliability Coordinator and Interchange Authority registered functions from WECC. In its 2013 budget, WECC had 85.1 direct statutory FTEs in its Situation Awareness program (where the Reliability Coordinator and Interchange Authority functions were budgeted); these positions are moving to the RCCo and are not included in WECC's budgeted direct statutory FTEs or costs for 2014. The increase in this metric for WECC also reflects the termination of substantial expenses that were funded by a U.S. DOE grant and were recorded as statutory direct costs. The expenses for the DOE-funded Western Interconnection SynchroPhasor (WISP) program in which WECC has been engaged for several years are ending in 2013 and are not included in WECC's 2014 budget. The expenses of the WISP program, some of which were pass-through costs to other entities, has significantly increased its budgeted direct statutory costs relative to its budgeted indirect and total statutory costs for several years. Going forward, with the elimination of the Reliability Coordinator and Interchange Authority functions and associated costs and the elimination of costs for the WISP program, funded by a federal grant, from WECC's statutory direct costs, WECC's metrics comparing statutory indirect costs and staffing to statutory direct and total costs and staffing should be more comparable to those of the other Regional Entities, as WECC's functional organization will be more comparable to those of the other Regional Entities.

The overall average for the ratio of Statutory Direct Budget to Statutory Indirect Budget decreased from 2.74 based on the 2013 Business Plans and Budgets to 2.57 based in the 2014 Business Plans and Budgets. This change is consistent with the percentage change in the overall

average for Total Statutory Indirect Budget as a Percent of Total Statutory Budget.

Budgeted Indirect FTEs as a Percent of Budgeted Total FTEs

In the NERC and Regional Entity 2014 Business Plans and Budgets, on average the budgeted statutory indirect FTEs are 22.3% of total statutory FTEs, compared to an average of 21.5% for the 2013 budgets, an increase of 0.8 percentage points (second row of tables). On average, there are 4.41 statutory direct FTEs per statutory indirect FTE in the 2014 budgets, compared to 4.32 statutory direct FTEs per statutory indirect FTEs in the 2013 budgets, for an average increase of 0.09 statutory direct FTEs per statutory indirect FTE (a percentage change of approximately 2 percent). The small changes in these two metrics from 2013 to 2014 are comparable to the similarly small changes from 2012 to 2013, when the average budgeted statutory indirect FTEs as a percent of total budgeted FTEs increased 1.3 percentage points from 20.2% to 21.5%, and the average number of statutory direct FTEs per statutory indirect FTE decreased by 0.07, from 4.39 to 4.32. Thus, these metrics continue to demonstrate that, as the ERO organization continues to mature, NERC and the Regional Entities are achieving an operational balance between statutory direct FTEs and indirect FTEs.

NERC, MRO and WECC have higher percentages of budgeted statutory indirect FTEs to total statutory FTEs reflected in their 2014 budgets than in their 2013 budgets, although the increase in this metric for MRO is quite small. FRCC, NPCC, *ReliabilityFirst*, SERC and SPP RE have lower percentages of budgeted statutory indirect FTEs to total statutory FTEs reflected in their 2014 budgets than in their 2013 budgets. Texas RE's percentage of budgeted statutory indirect FTEs to total statutory FTEs reflected in its 2014 budget is the same as in its 2013 budget. SPP RE continues to have a very low percentage (the lowest percentage among the Regional Entities) of indirect statutory FTEs to total statutory FTEs, which reflects the fact that SPP RE has a very small staff of indirect FTEs and obtains many of its administrative services from SPP, Inc. In considering this metric, it should be kept in mind that, other than WECC's substantial staffing reductions in 2014 due to formation of the RCCo and elimination of the Reliability Coordinator and Interchange Authority functions at WECC, neither NERC nor any of the other Regional Entities are planning significant changes (increases or decreases) in overall staffing levels in their 2014 budgets from their 2014 budgets. Without significant changes in staffing from year to year, there will not be significant changes in the values of this metric.

Statutory Indirect Budget per Total FTE

The Statutory Indirect Budget per Total FTEs has increased from an average of \$87,510 in the 2013 NERC and Regional Entity budgets to \$95,164 in the 2014 budgets, an increase of \$7,654, or 8.7% (bottom row of tables). The increases in the statutory Indirect Budget per Total FTEs for NERC, *ReliabilityFirst*, SERC, SPP RE, Texas RE and WECC are reflective of their increased percentages of Statutory Indirect Budget to Total Statutory Budget (first row of tables). The statutory Indirect Budget per Total FTEs metric has decreased from the 2013 budget to the 2014 budget for FRCC, MRO and NPCC, however the percentage of Statutory Indirect Budget to Total Statutory Budget increased for MRO and NPCC.

**Analysis of Indirect (Administrative Services) Costs
2014 Budget versus 2013 Budget**

2013 BUDGET						2014 BUDGET					
Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory	Ratio of		Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory	Ratio of	
				Statutory Direct Budget to Indirect Budget	Statutory Direct Budget to Indirect Budget						
\$ 54,286,256	\$ 30,909,401	\$ 23,376,855	43.1%	1.32	NERC	\$ 56,390,096	31,154,625	25,235,471	44.8%	1.23	
6,531,782	5,861,218	670,564	10.3%	8.74	FRCC	6,794,932	6,172,992	621,940	9.2%	9.93	
9,283,539	5,558,189	3,725,350	40.1%	1.49	MRO	9,744,799	5,774,572	3,970,227	40.7%	1.45	
13,879,226	8,969,958	4,909,268	35.4%	1.83	NPCC	14,129,006	9,095,248	5,033,758	35.6%	1.81	
17,426,838	12,443,206	4,983,632	28.6%	2.50	ReliabilityFirst	18,063,201	12,869,165	5,194,036	28.8%	2.48	
15,907,603	10,433,393	5,474,210	34.4%	1.91	SERC	16,877,288	10,610,814	6,266,474	37.1%	1.69	
11,514,817	6,064,830	5,449,987	47.3%	1.11	SPP RE	11,823,629	5,736,162	6,087,467	51.5%	0.94	
10,935,780	7,916,802	3,018,978	27.6%	2.62	Texas RE	11,771,248	7,653,236	4,118,012	35.0%	1.86	
51,025,093	38,697,715	12,327,378	24.2%	3.14	WECC	25,638,084	16,296,214	9,341,870	36.4%	1.74	
				32.3%	2.74	AVERAGE				35.5%	2.57

2013 BUDGETED FTEs						2014 BUDGETED FTEs					
Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to		Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs	
				Indirect Statutory FTEs	Indirect Statutory FTEs						
186.25	133.50	52.75	28.3%	2.53	NERC	189.53	130.39	59.14	31.2%	2.20	
30.12	26.37	3.75	12.5%	7.03	FRCC	30.40	27.04	3.36	11.1%	8.05	
37.75	27.75	10.00	26.5%	2.78	MRO	40.75	29.79	10.96	26.9%	2.72	
35.86	26.86	9.00	25.1%	2.98	NPCC	36.86	27.86	9.00	24.4%	3.10	
73.00	57.20	15.80	21.6%	3.62	ReliabilityFirst	72.00	57.20	14.80	20.6%	3.86	
77.45	57.52	19.93	25.7%	2.89	SERC	79.20	59.37	19.83	25.0%	2.99	
34.50	31.25	3.25	9.4%	9.62	SPP RE	33.86	30.86	3.00	8.9%	10.29	
60.00	49.25	10.75	17.9%	4.58	Texas RE	60.00	49.25	10.75	17.9%	4.58	
216.30	160.00	56.30	26.0%	2.85	WECC	135.00	88.10	46.90	34.7%	1.88	
				21.5%	4.32	AVERAGE				22.3%	4.41

2013 BUDGET per FTE				2014 BUDGET per FTE					
Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Budget per Total FTE	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Budget per Total FTE		
								\$ 291,470	\$ 231,531
216,859	222,268	178,817	22,263	FRCC	223,518	228,291	185,101	20,459	
245,922	200,295	372,535	98,685	MRO	239,136	193,843	362,247	97,429	
387,039	333,952	545,474	136,901	NPCC	383,315	326,463	559,306	136,564	
238,724	217,539	315,420	68,269	ReliabilityFirst	250,878	224,985	350,948	72,139	
205,392	181,387	274,672	70,681	SERC	213,097	178,723	316,010	79,122	
333,763	194,075	1,676,919	157,971	SPP RE	349,192	185,877	2,029,156	179,783	
182,263	160,747	280,835	50,316	Texas RE	196,187	155,396	383,071	68,634	
235,900	241,861	218,959	56,992	WECC	189,912	184,974	199,187	69,199	
				\$ 87,510	AVERAGE				\$ 95,164