

**ATTACHMENT 1**

**PAGES 19-21 FROM NERC'S 2015 BUSINESS PLAN AND BUDGET**

## Compliance Enforcement Department

<b>Compliance Enforcement</b> (in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	18.24	15.01	(3.23)
Direct Expenses	\$ 2,864,951	\$ 2,456,441	\$ (408,509)
Indirect Expenses	\$ 3,429,147	\$ 3,161,698	\$ (267,449)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 100,993	\$ 188,727	\$ 87,734
<b>TOTAL BUDGET</b>	<b>\$ 6,395,091</b>	<b>\$ 5,806,866</b>	<b>\$ (588,224)</b>

### 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 noncompliance with Reliability Standards. The Compliance Enforcement department works collaboratively with the eight Regional Entities to ensure consistent and effective implementation of the Compliance Monitoring and Enforcement Program. Focus is also given to ensuring enterprise-wide resources are dedicated to the matters that have the greatest impact on reliability.

NERC's Compliance Enforcement department performs its responsibilities by:

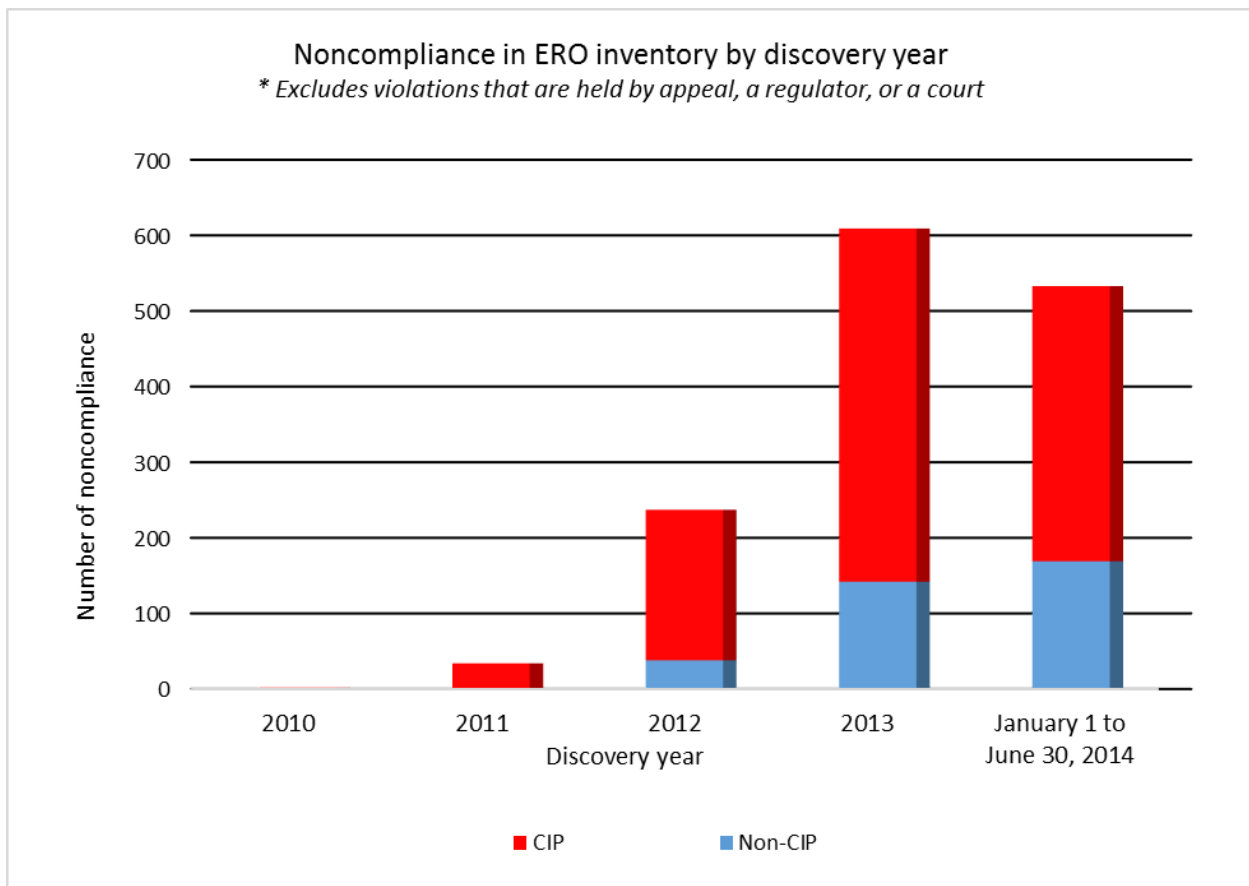
- Monitoring Regional Entities' enforcement processes and providing oversight over the outcome of such processes to ensure due process, to identify best practices and process efficiency opportunities, and to promote consistency among Regional Entities' business practices;
- Collecting and analyzing compliance enforcement 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 noncompliance 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
- Collaborating with other NERC departments, including Standards and Regional Oversight Compliance.

### Stakeholder Engagement and Benefit

Over the past few years, NERC and the Regional Entities made substantial progress in reducing the number of instances of noncompliance remaining to be evaluated and processed. The ERO Enterprise has held registered entities accountable for violations that created risk to the reliability of the BES while ensuring that enforcement actions are timely and transparent. NERC is also seeking to further promote a culture of reliability excellence by examining registered entities' internal compliance programs and considering them as mitigating factors in penalty determination.

**Processing Efficiencies**

In an effort to improve the efficiency of enforcement processing throughout the ERO Enterprise, NERC developed a series of key enforcement processing metrics, which are tracked and analyzed throughout the year. In addition, in 2012 and 2013, NERC established corporate goals to reduce the number of older violations remaining to be processed. Working with NERC, the Regional Entities invested significant time and resources in processing the older violations. As a result, the ERO Enterprise as a whole reduced the number of older violations substantially. For example, in 2012, NERC and the Regional Entities reduced the number of open violations dating from before 2011 (excluding violations that are held by appeal, a regulator, or a court, referred to as “on-hold” violations) by 80%. In 2013, NERC and the Regional Entities built on the successes of 2012. By January 1, 2014, the ERO Enterprise had reduced the number of pre-2012 violations (excluding “on hold” violations) by 93%. As of June 30, 2014, 43% of the pre-2013 noncompliance issues have been processed and resolved. The 237 pre-2013 remaining cases represent 2% of the total violations submitted to the ERO Enterprise from 2007 through June 30, 2014.



**FFT Enhancements**

NERC and the Regional Entities have worked together to implement the latest round of FFT improvements approved by FERC and reduce the amount of time required to process issues through the FFT program. As a result of these improvements, FFT treatment is now available for a limited pool of Possible Violations (PVs) that pose a moderate risk to the reliability of the BES (in addition to those posing a minimal risk). In addition, certain unmitigated PVs may be processed through the FFT program as long as mitigation is completed within 90 days of the date the FFT is posted.

To streamline processing of FFTs, Regional Entities now submit them for public posting on NERC's website at the end of each month. (The prior requirement was for NERC to submit monthly informational filings to FERC.) NERC maintains its enforcement oversight by reviewing a representative sample of FFTs during the 60-day window following the monthly posting as well as through an annual spot check. NERC's spot checks of FFT items ensure that issues selected for FFT treatment are appropriate for the program, that the issues are explained sufficiently in the posted documents, that the FFT program is implemented consistently across the Regions, and that information about FFT issues is presented consistently across the Regions.

### **Self-Report and Other Enforcement Improvements**

As part of the RAI, NERC and Regional Entity enforcement staff also have worked closely with stakeholders to identify potential improvements to self-report processes and other enforcement processes. A number of improvements were designed and implemented in 2013 and 2014. In 2013, NERC and the Regional Entities began two pilot programs (the Aggregation of Minimal Risk Issues and Enforcement Discretion pilot programs) to develop and test the real-world application of risk-based enforcement concepts. Under the Aggregation of Minimal Risk Issues pilot program, NERC and certain Regional Entities are testing the ability of selected registered entities to self-assess, identify, and mitigate minimal-risk noncompliance proactively. This pilot is focused on allowing registered entities with demonstrated effective management practices to self-identify and assess instances of noncompliance to aggregate minimal risk issues that would otherwise be individually self-reported. The first six-month cycle of this pilot ended in March 2014. In reviewing the results of the first cycle, NERC and the Regional Entities decided to continue the program for the next six to nine months and include additional registered entities to obtain more data on the impact of the program.

Under the Enforcement Discretion pilot program, certain Regional Entities are reviewing minimal-risk issues identified by certain registered entities (in some cases, through the Aggregation of Minimal Risk Issues pilot program) to determine whether those issues warrant Enforcement Discretion treatment. If an issue is tracked for Enforcement Discretion treatment, NERC and FERC will be notified and the record will be available for review, but no notice of PV will be issued to the registered entity. Issues recorded for Enforcement Discretion are referred to as Compliance Exceptions. The scope of the program will be increased to include additional registered entities so the ERO Enterprise may collect more data over the next six to nine months.

These activities are timed such that the additional data can be collected and provided to inform a filing to FERC, reporting on the RAI program.

### **Key Enforcement Efforts Underway in 2014**

In 2014, NERC and the Regional Entities are continuing to work together to reduce (and eventually eliminate) the number of violations in inventory that are older than 24 months. These efforts will ensure that Regional Entities are prioritizing and resolving older violations appropriately. Combined with efforts to decrease processing times through the use of alternative enforcement mechanisms and enforcement process refinements, the Regional Entities will reduce overall processing times and provide finality on compliance items more quickly to registered entities.

### **Promotion of Self-Identification of Noncompliance and Prompt Mitigation**

Although dedicated primarily to the evaluation and enforcement of discovered violations, Regional Entity enforcement programs play an important role in improving the reliability of the BES. By deploying proper incentives to encourage the self-discovery and timely self-reporting of violations, NERC and the Regional Entities have encouraged registered entities to take proactive steps to identify noncompliance. In 2013,

**ATTACHMENT 2**

**NERC REPORT**

**“KEY COMPLIANCE ENFORCEMENT METRICS AND TRENDS”**

**FOR THE FOURTH QUARTER OF 2014**

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Key Compliance Enforcement Metrics and Trends

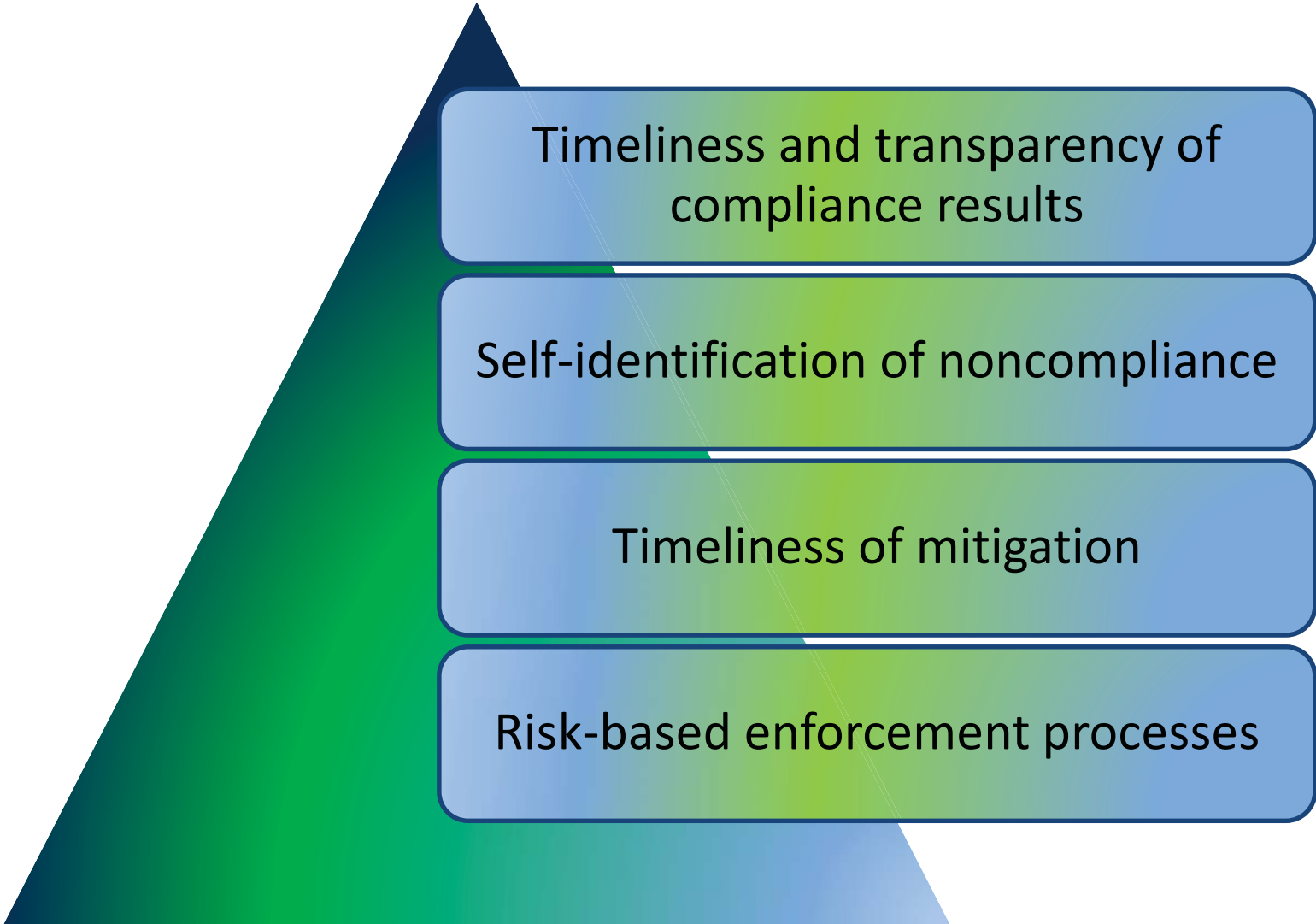
Sonia Mendonça, Associate General Counsel and Senior Director of  
Enforcement

Board of Trustees Compliance Committee

February 11, 2015

**RELIABILITY | ACCOUNTABILITY**





Timeliness and transparency of  
compliance results

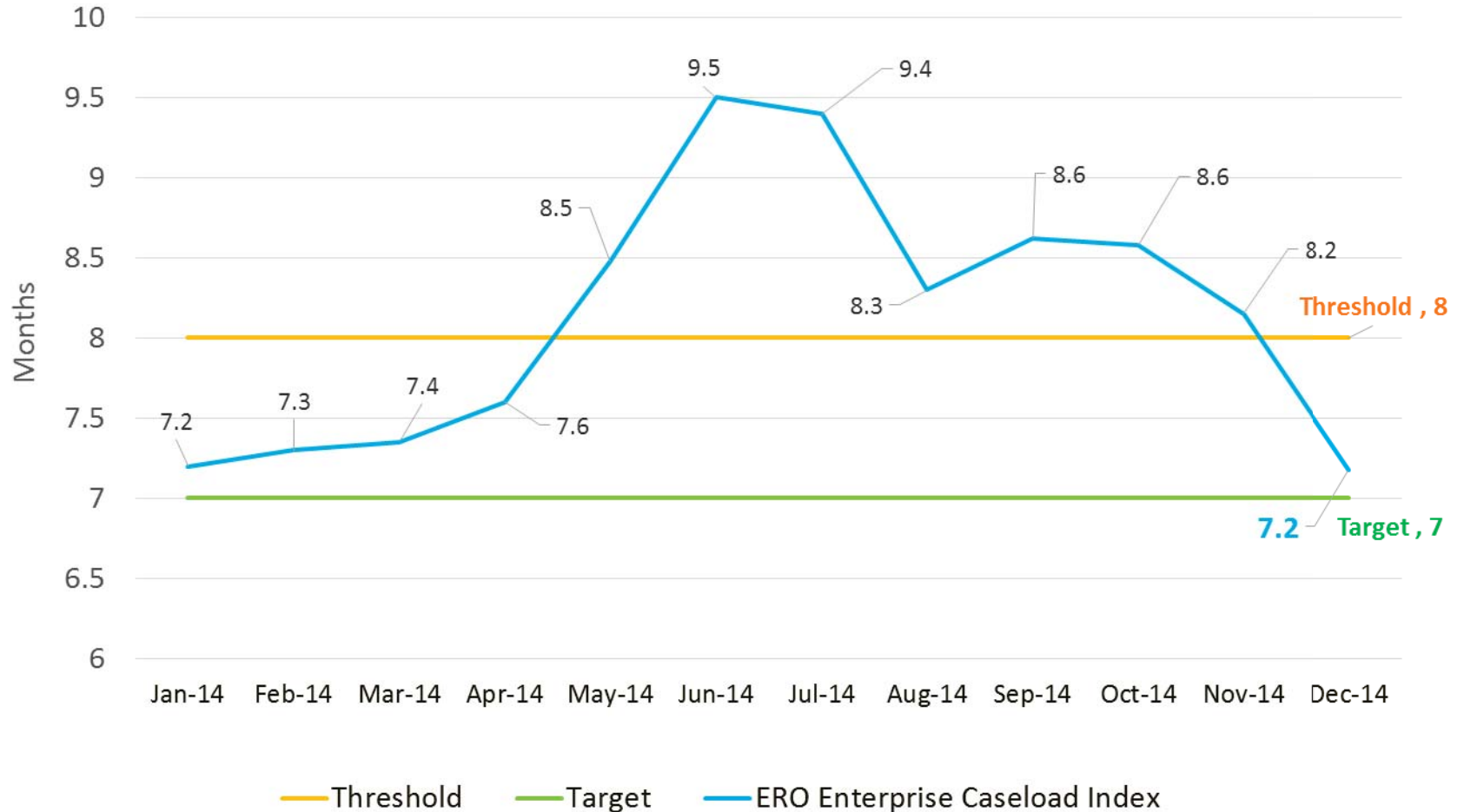
Self-identification of noncompliance

Timeliness of mitigation

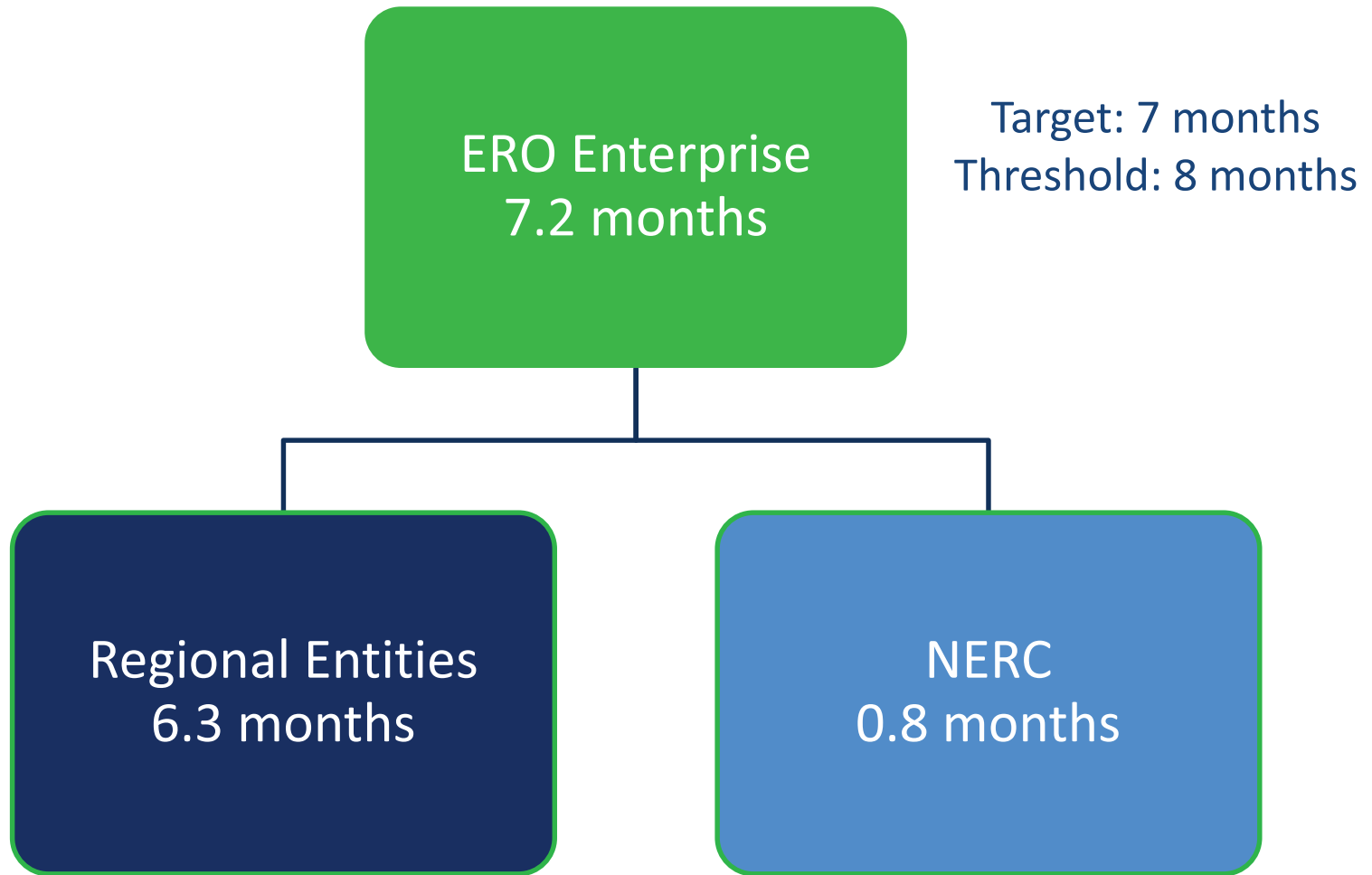
Risk-based enforcement processes

## ERO Enterprise Caseload Index

\* Excludes violations that are held by appeal, a regulator, or a court





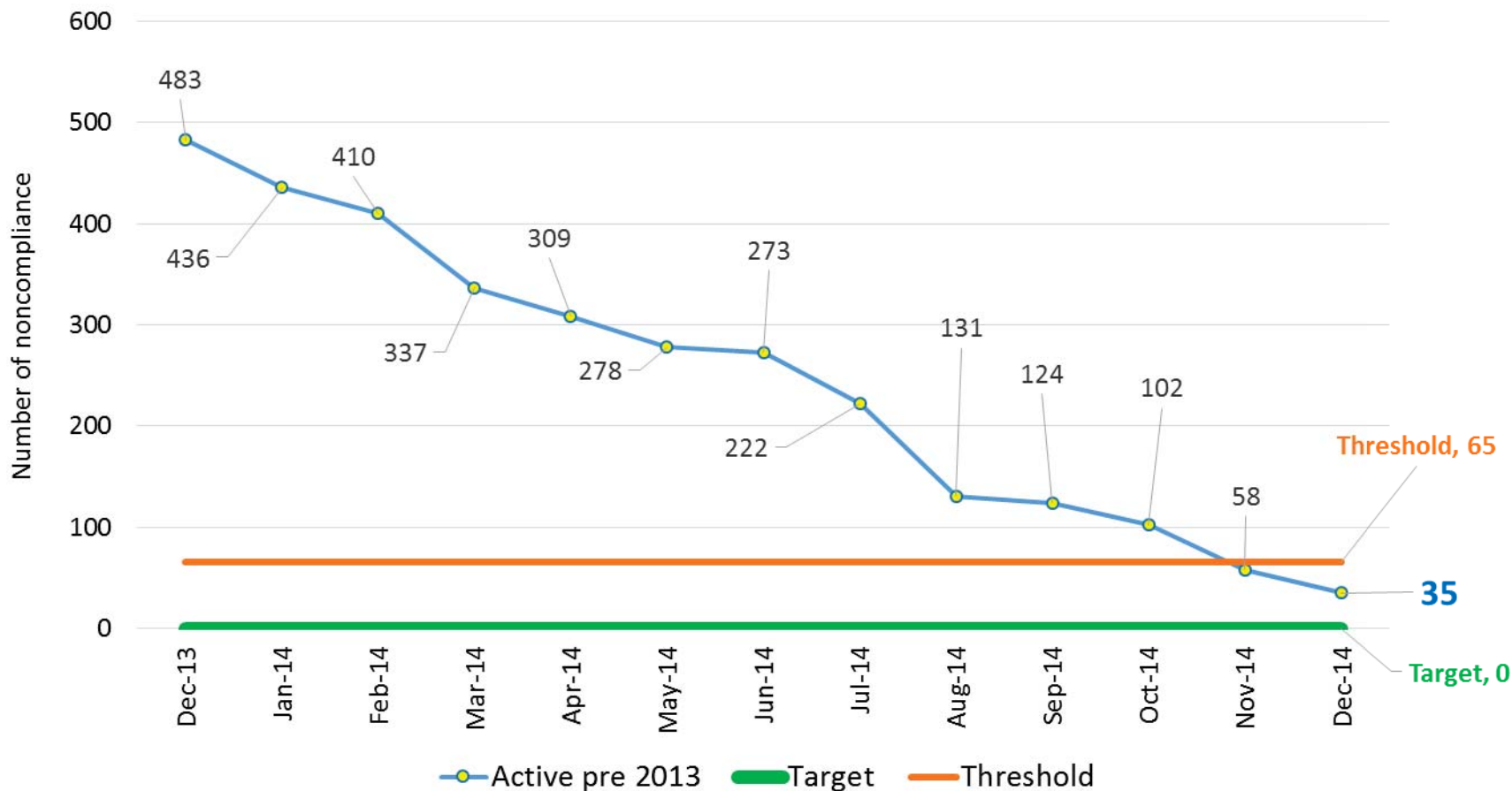


\* Excludes violations that are held by appeal, a regulator, or a court.

# Caseload Reduction (January 1, 2015)

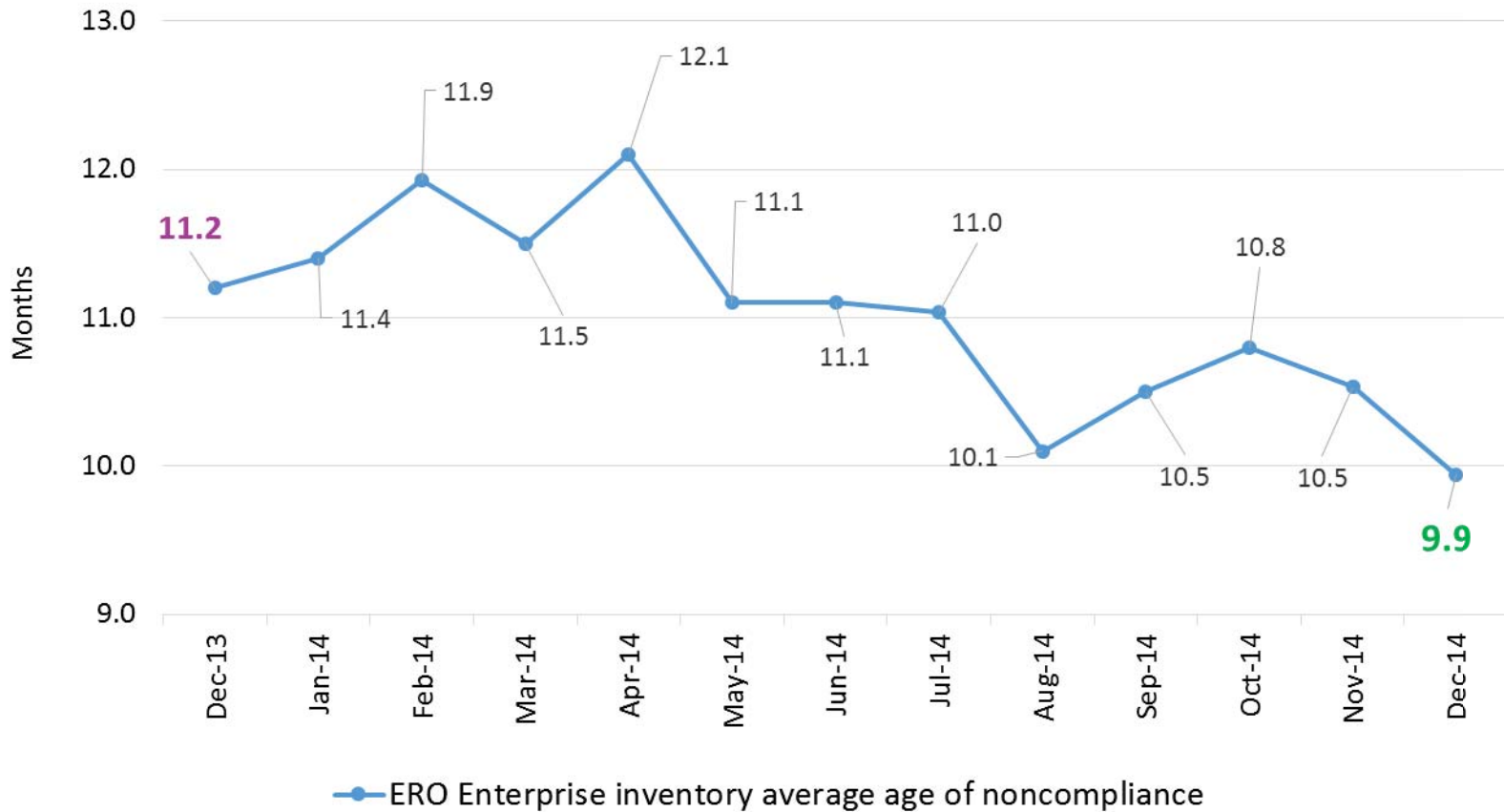
Progress in reducing older caseload as of December 31, 2014

*\* Excludes violations that are held by appeal, a regulator, or a court*



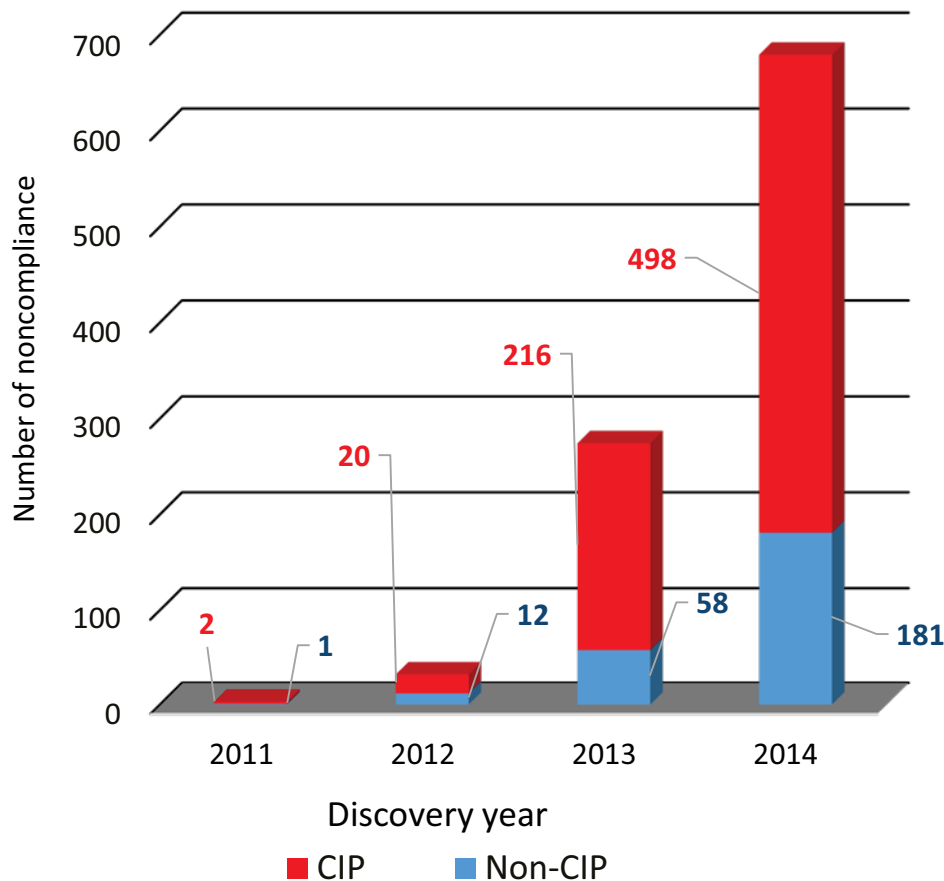
## Average age of noncompliance in ERO Enterprise inventory in 2014

*\* Excludes violations that are held by appeal, a regulator, or a court*



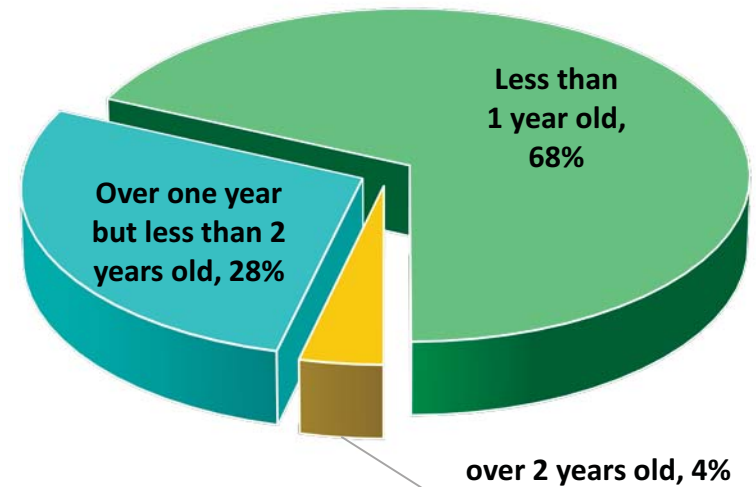
## Noncompliance in ERO Enterprise inventory by discovery year

*\* Excludes violations that are held by appeal, a regulator, or a court*

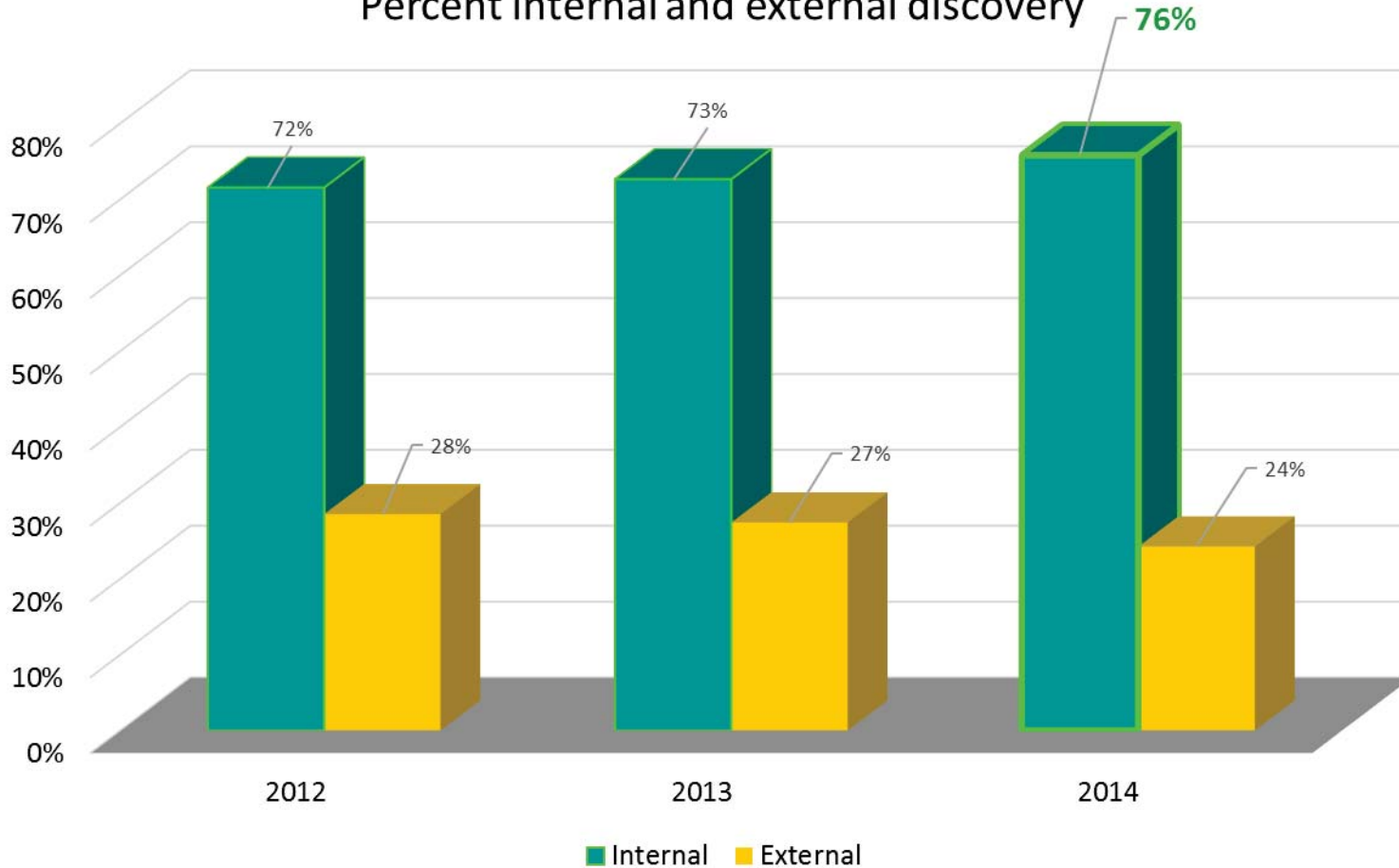


## Average age of noncompliance in the ERO Enterprise inventory

*\* Excludes violations that are held by appeal, a regulator, or a court*

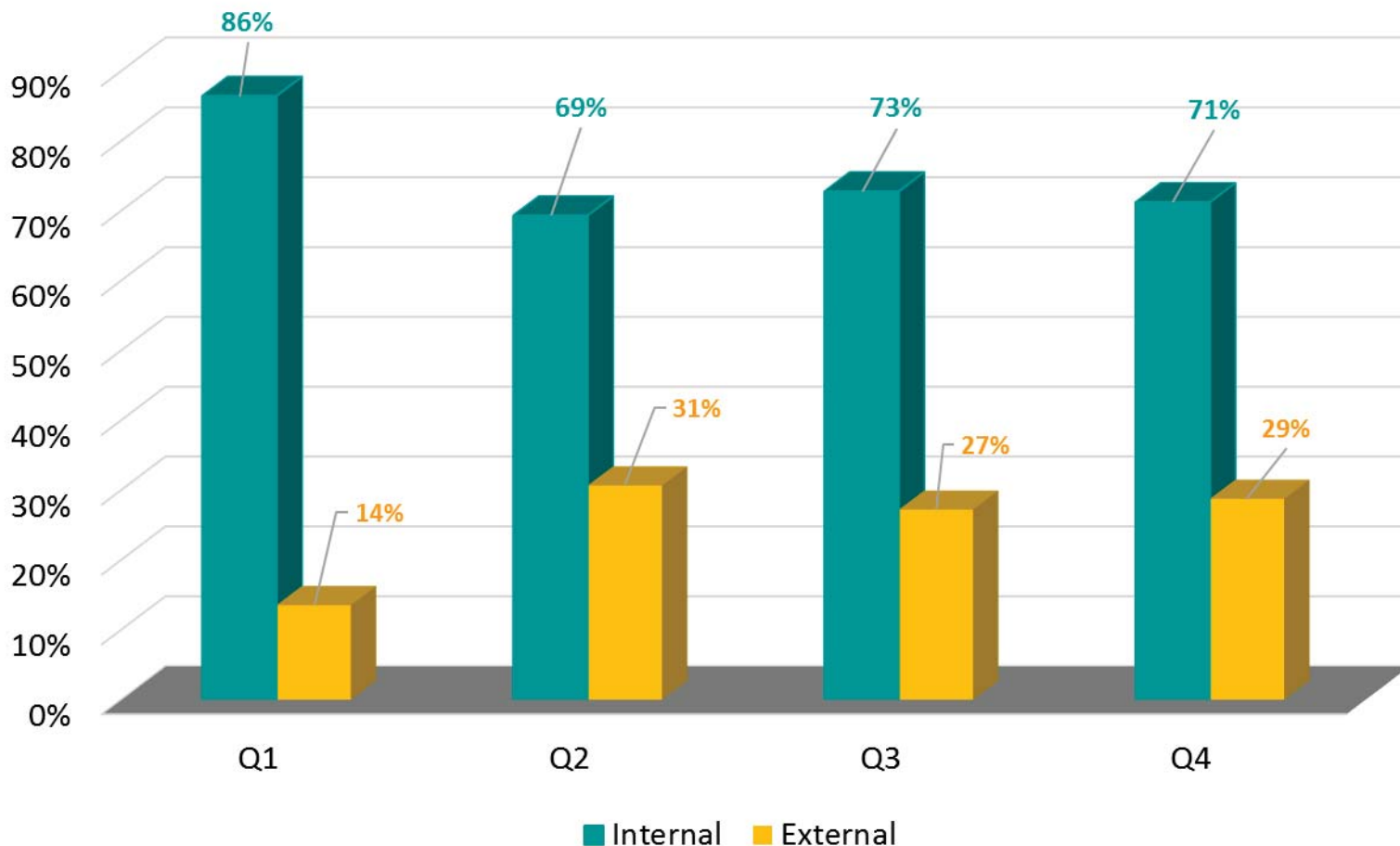


Percent internal and external discovery

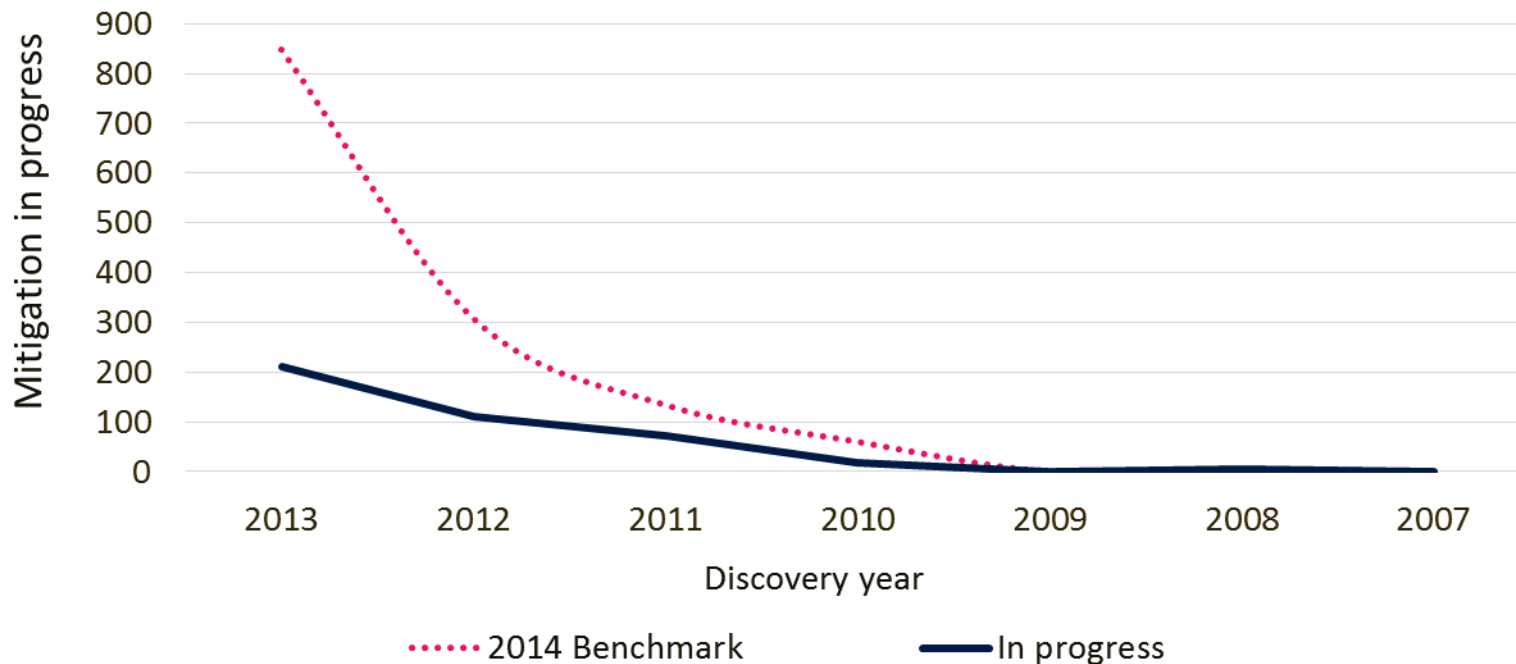


Target: 75%  
Threshold: 70%

Percent internal and external discovery in 2014 by quarter



Mitigation completion status for pre-2014 cases



Discovery year	Progress toward the goal	Threshold	Target
2013	82%	75%	80%
2012	93%	90%	95%
2011	96%	95%	98%
2010 and older	99%	98%	100%

\* Includes all violations including those that are held by appeal, a regulator, or a court.



## Triage

96% of 2014 submissions completed triage within 60 days.

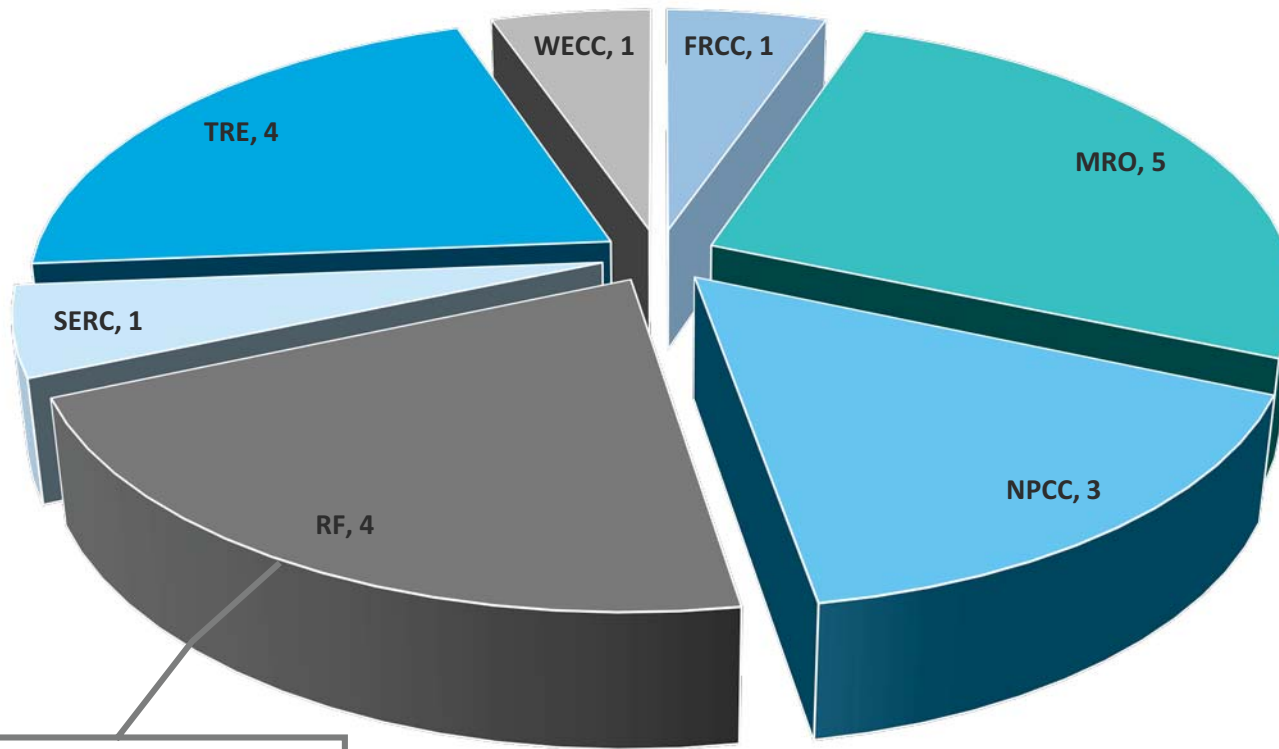


## Compliance exceptions

10% of 2014 final dispositions followed non-enforcement path.

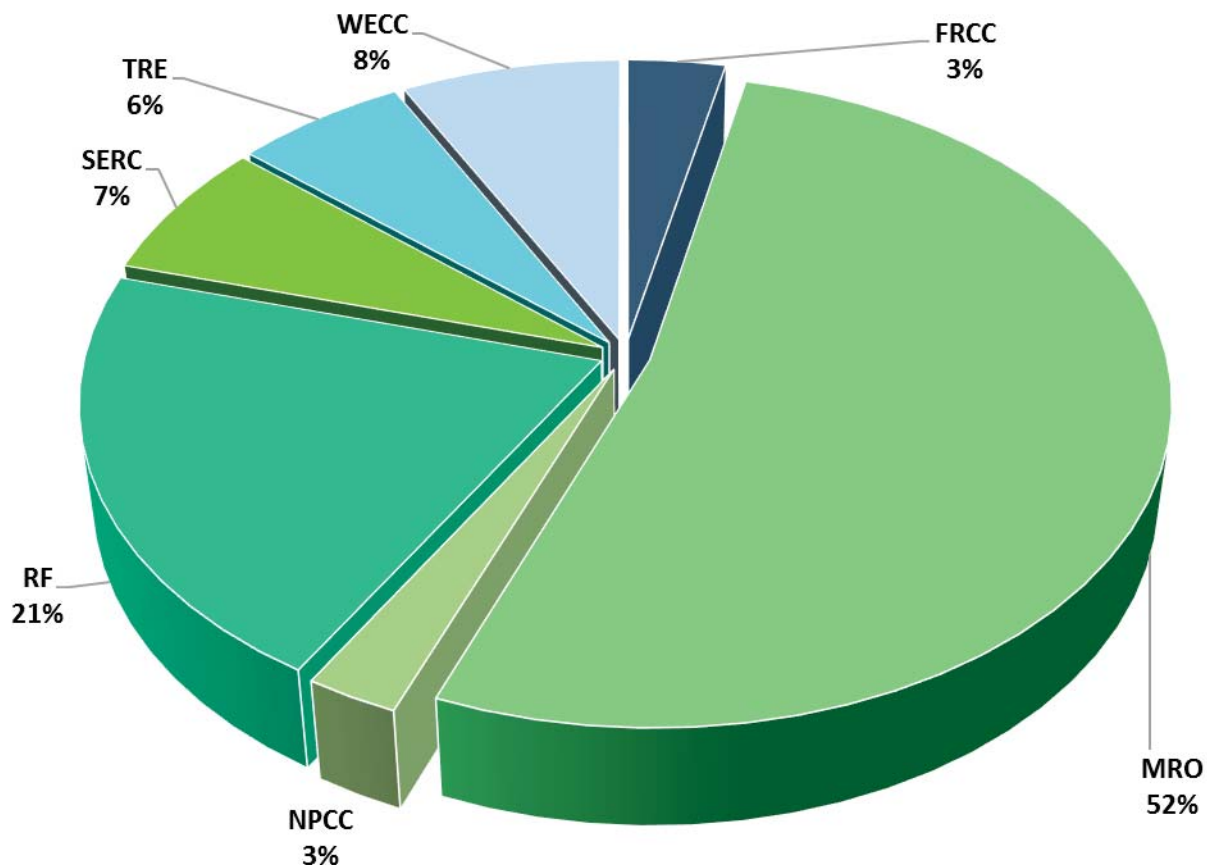


Number of registered entities admitted to the self-logging program

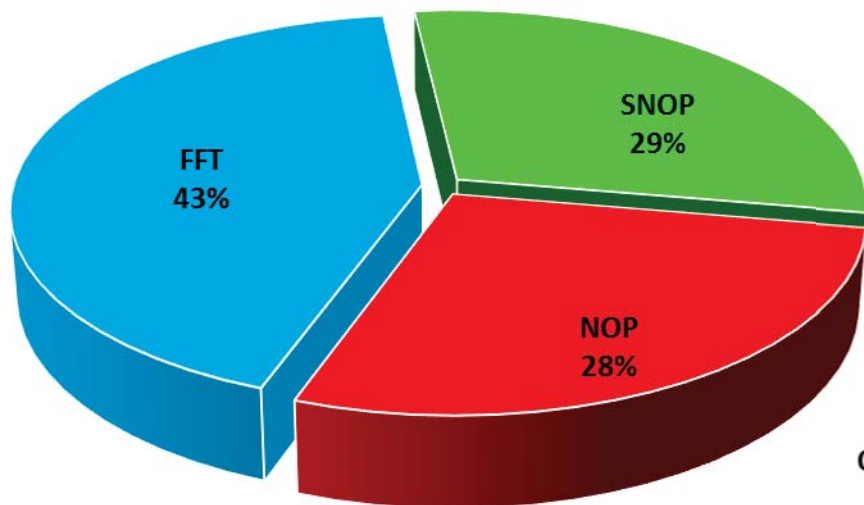


Includes multi-regional logs

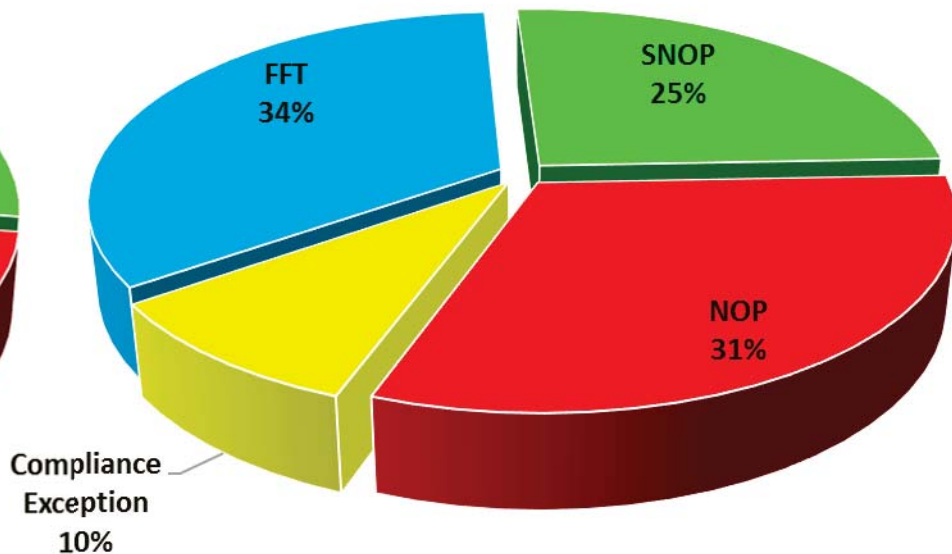
Percent compliance exception utilization by Regional Entity in 2014



ERO Enterprise dispositions in 2013

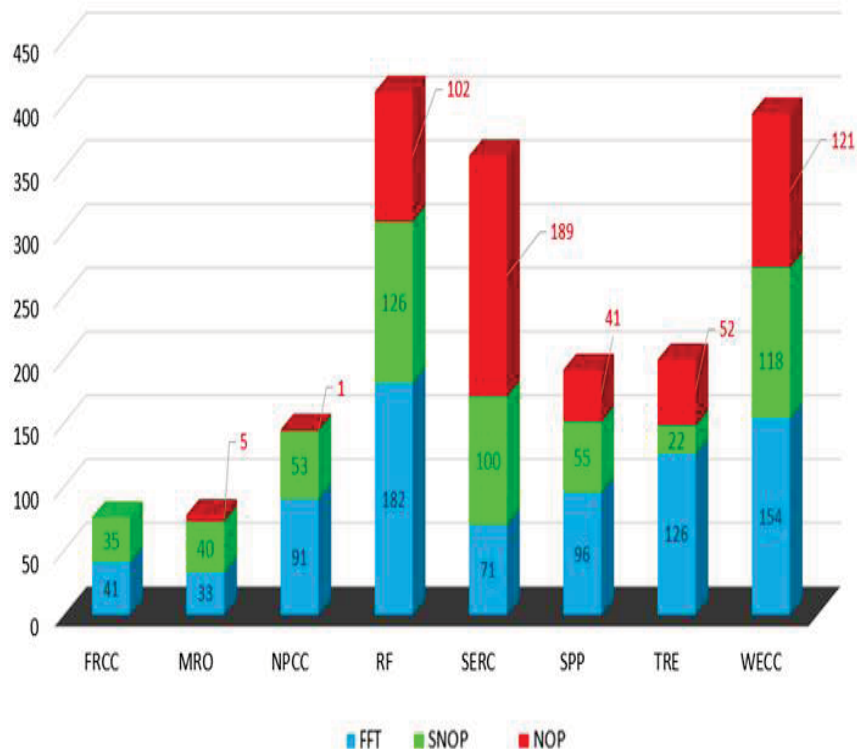


ERO Enterprise dispositions in 2014

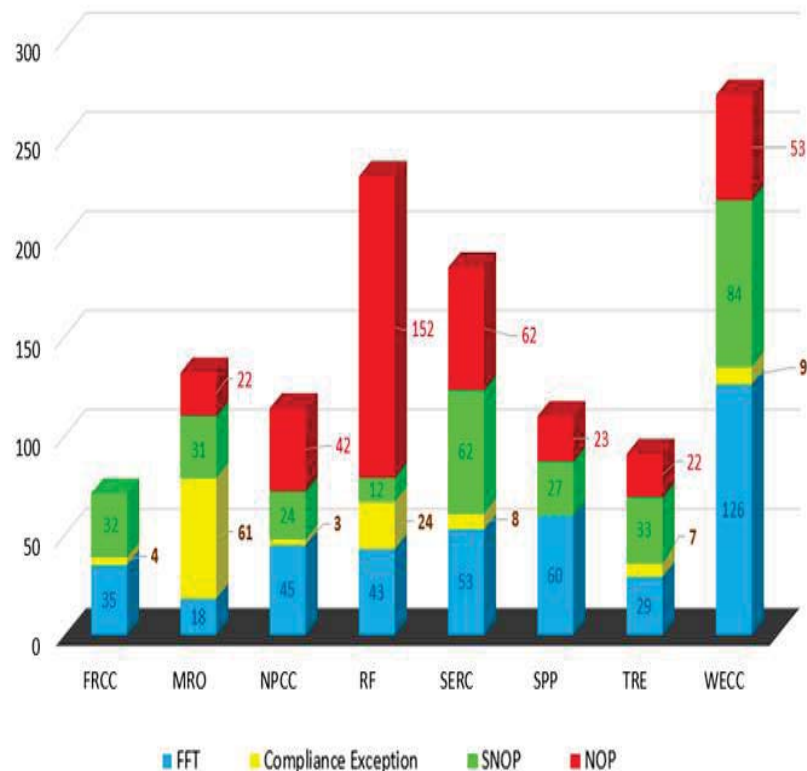


■ FFT    ■ Compliance Exception    ■ SNOP    ■ NOP

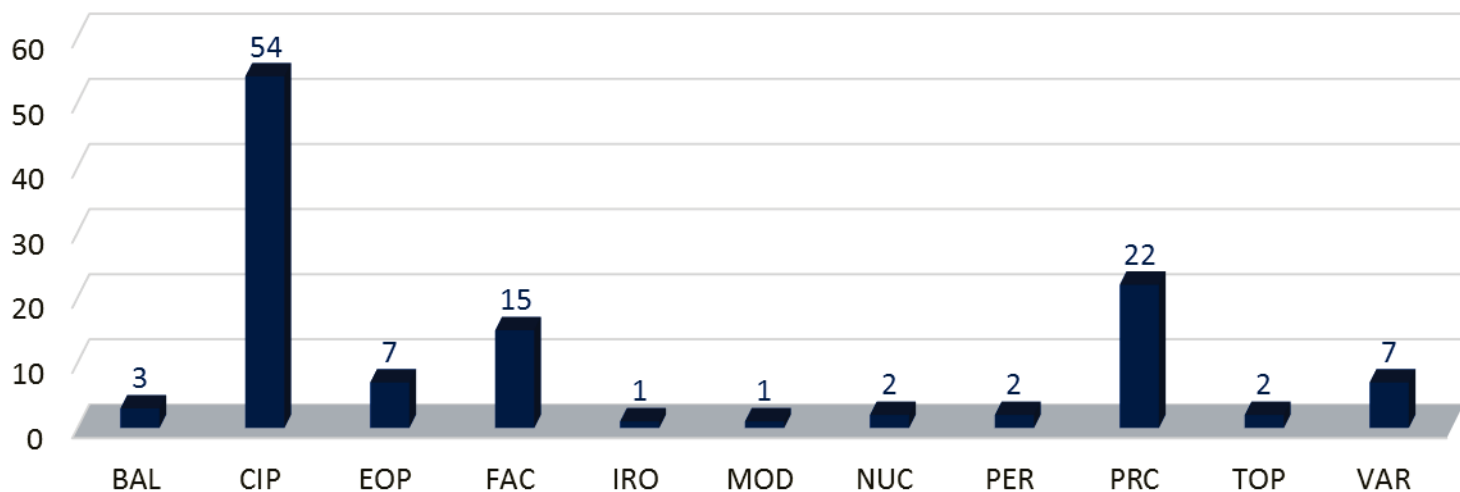
2013 dispositions by Regional Entity



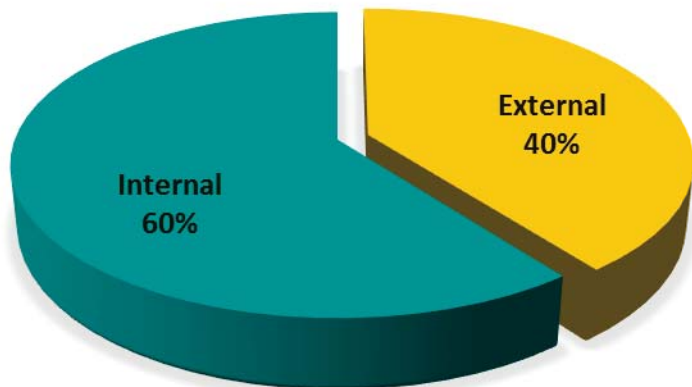
2014 dispositions by Regional Entity



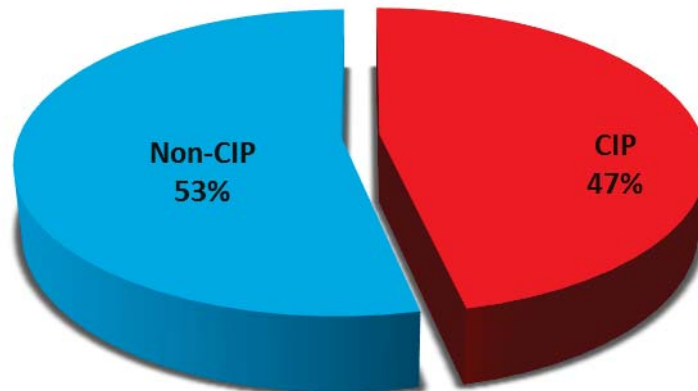
Compliance exception by Reliability Standard family



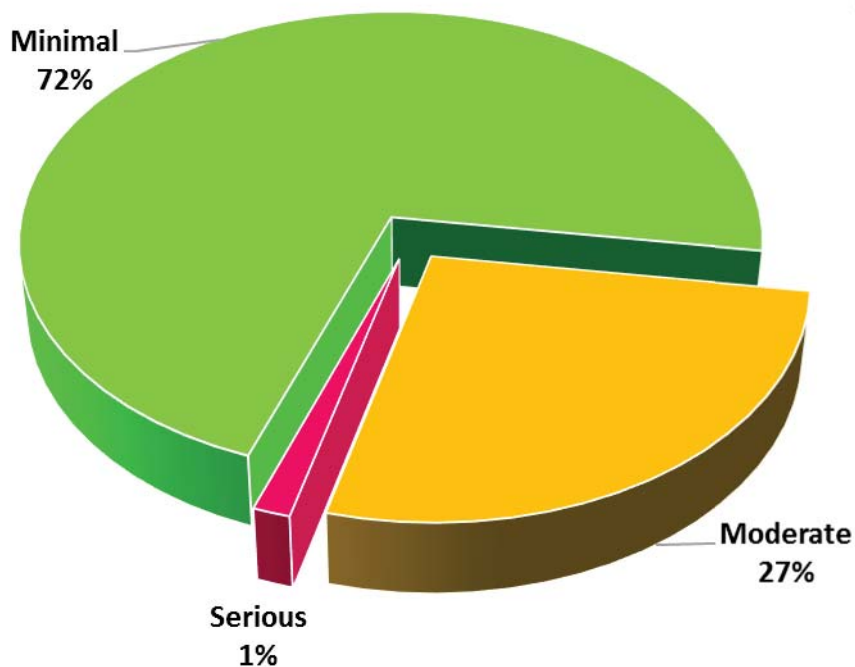
Compliance exception by discovery method



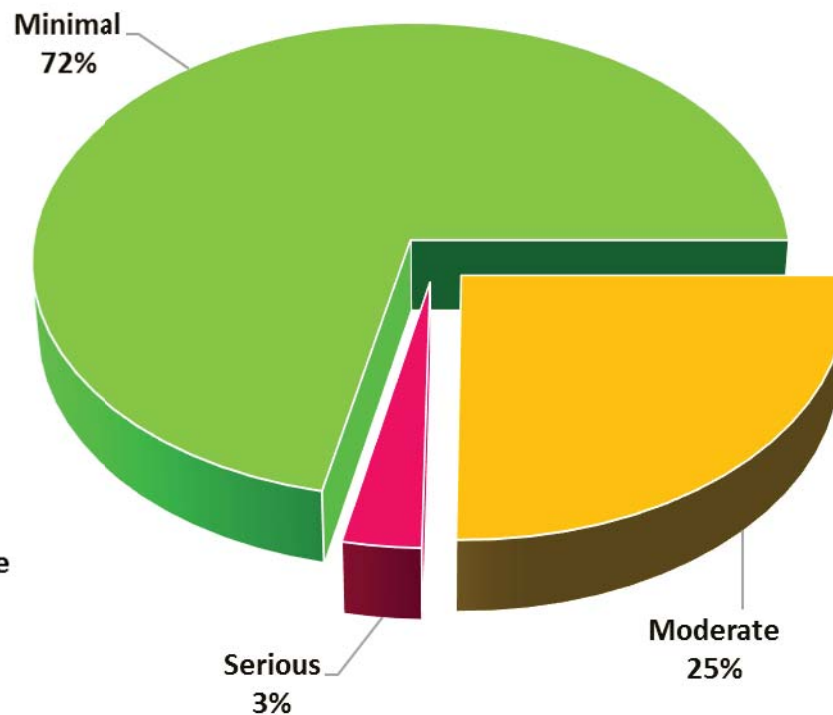
Compliance exception by CIP and non-CIP



2013

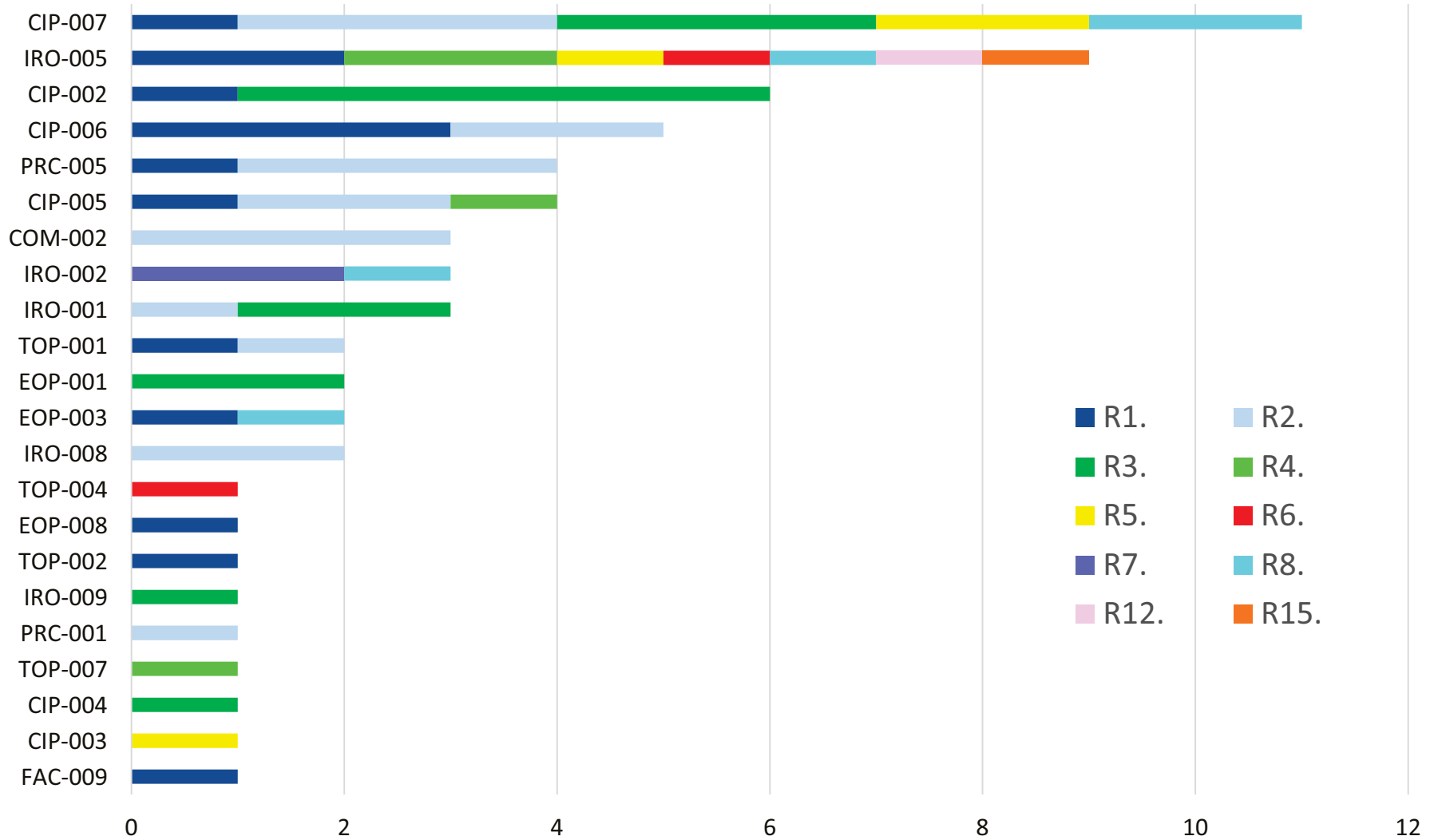


2014



■ Minimal ■ Moderate ■ Serious

Serious risk noncompliance processed in 2013 and 2014





# Questions and Answers



**ATTACHMENT 3**

**ATTACHMENT TO NERC'S  
2015 BUSINESS PLAN AND BUDGET FILING,  
"STATUS REPORT ON THE ACHIEVEMENT  
OF NERC'S 2014 GOALS"**

## ATTACHMENT

### **Status Report on the Achievement of NERC's 2014 Goals and Objectives**

This Attachment provides a summary of NERC's 2014 goals and objectives and a status report on their achievement as of June 30, 2014.

NERC and the Regional Entities continued to improve and refine the ERO business planning and budgeting process through the development and integration of a multi-year Strategic Plan, which goes through an open and transparent stakeholder review process and is posted publicly on NERC's website. In 2014 NERC and the Regional Entities introduced a common set of ERO Enterprise performance metrics. These metrics are intended as indicators of the overall effectiveness of the ERO Enterprise in achieving its mission and the goals and objectives outlined in the ERO Enterprise Strategic Plan, 2014-2017. There are four overarching metrics focused on overall effectiveness in addressing bulk power system risks and improving reliability. There are a number of supporting measures that assess the effectiveness of the key operational elements of the ERO Enterprise. Exhibit 1 to this Attachment sets forth the specific 2014 metrics which were approved by NERC's board in open session on May 2014.

Exhibit 2 to this Attachment is the summary of corporate performance measures as of June 30, 2014 which was presented before stakeholders and NERC's Board of Trustees at the August 13, 2014 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 year-end rolling year end projection.

# Electric Reliability Organization Enterprise Performance Metrics

In 2014, NERC and the Regional Entities introduced a common set of ERO Enterprise performance metrics. These metrics are intended as indicators of the overall effectiveness of the ERO Enterprise in achieving its mission and the goals and objectives outlined in the ERO Enterprise Strategic Plan, 2014-2017. There are four overarching metrics focused on overall effectiveness in addressing bulk power system risks and improving reliability. There are a number of supporting measures that assess the effectiveness of the key operational elements of the ERO Enterprise.

The intent is to report the results of these metrics on an ERO Enterprise-wide basis, and also as applicable distinguish results for NERC and individual regions. NERC and the Regional Entities are encouraged to further use relevant portions of these measures in their internal corporate performance management programs.

## Metric 1: Reliability Results

*Measure* – Determine the frequency of BPS events, excluding weather<sup>1</sup>, flood, or earthquake. The target is fewer, less severe events during 2014-2017; no Category 4 and 5 events and Category 3 events are trending down.

## Metric 2: Assurance Effectiveness

*Measure* – Assess all Category 3 and above events. The target is to reach zero gaps in Reliability Standards and compliance monitoring by 2017.

## Metric 3: Risk Mitigation Effectiveness

*Measure* – Review the BES risk profile each year to determine actual and potential risks. The target is to identify, select and mitigate the high priority risks (and issue specific metrics for each established project).

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<sup>1</sup> Terrestrial weather excluded from metric, however space weather (GMD) is included in metric.

1. **Changing Resource Mix** - As the generation and load on the power system changes, new vulnerabilities may be exposed that the system was not previously designed to address or respond to. Fundamental operating characteristics and behaviors are no longer a certainty and focused action is needed to address this risk.
2. **Extreme Physical Events** – Risk mitigation efforts (reducing the potential consequence) are underway, but additional focus is needed to address and minimize both the magnitude and duration of the consequences of an extreme physical event.
3. **Protection System Misoperations** – NERC’s 2012 and 2013 State of Reliability Reports identified protection system misoperations as a significant threat to BPS reliability. Additional activities are needed to ensure this risk is managed adequately.
4. **Cold Weather Preparedness** - Lack of generator preparedness for cold weather extremes may result in forced outages, de-ratings, and failures to start. Insufficient availability of intra-regional generation and limits on import transfer capability may result in insufficient generation to serve forecasted load, resulting in load shedding.
5. **Right of Way Clearances** - Transmission Owners and applicable Generation Owners may have established incorrect ratings based on design documents, rather than on the actual facilities built. Managing to stay within SOL and IROL limits that are based on incorrect ratings may be inadequate to prevent equipment damage and/or cascading, instability, or separation.
6. **345kV Breaker Failures** - NERC has identified a potential trend of 345 kV SF6 puffer type breakers failing. Circuit breaker failures, in conjunction with another fault, may lead to more BES Facilities removed from service than required to clear the original fault. This poses a risk to the reliability of the BES.

#### Metric 4: Program Execution Effectiveness

*Measure* – Sum of the weighted sub-metrics.

**Sub metric A (Primary NERC)** - Percent of all board-approved standards<sup>2</sup> meet quality criteria and results-based construct<sup>3</sup>.

The Standards Committee and NERC Staff will work together to develop a periodic review process for steady state Reliability Standards. The process will include a quality and content review and the use or adaptation of the 2013 Independent Expert Review Team’s quality and content scoring system will be considered during development. The review will be conducted by a cross-functional task force that will consist of Committee chairs, NERC management, NERC and stakeholder subject matter experts, and

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<sup>2</sup> Regional standards are not included, this applies to NERC only.

<sup>3</sup> Based on Independent Expert Review Team scoring method 3 out of 3 on content and at least 10 out of 12 on quality.

other parties as deemed necessary and appropriate. This review may also be incorporated into the current Standards Processes Manual periodic review process to avoid duplication of effort. So that the task force will be able to identify Reliability Standards for inclusion in the 2016-2018 Reliability Standards Development Plan, the task force will be operational no later than mid-2015 to allow ample time for the development of the annual task force review timeline.

**Sub metric B (Primary NERC)** - Quality, up-to-date Reliability Standard Audit Worksheets, or any successor guidance, developed for board-approved Reliability Standards.

2014 = Every standard that goes to ballot will have a posted RSAW alongside. Every standard that is reviewed as part of the 5 year review cycle will have a current up-to-date RSAW or successor.

2015 = All RSAWs are converted to the new format and are available to industry.

2016 – 2017 = Violations for new standards do not occur at rates higher than the average rate for standards (or for which they replace) and repeat violations for standards is trending down.

**Sub metric C (Joint ERO Enterprise)** – Implementation of risk-based registration criteria to achieve efficient and effective allocation of compliance obligations. Registration is commensurate with risk and RAI and in light of new BES definition implementation.

2014 = Assessment complete with recommended framework and registration criteria. Implementation plan following assessment, criteria and framework completed.

2015 = Business processes / tools

2016 = Implementation launch

2017 = Stable state

**Sub metric D (Joint ERO Enterprise)** – Timeliness and transparency of compliance results: 12 month rolling average of the ERO Enterprise caseload index trending favorably.<sup>4</sup> Maximum age of unclosed cases is less than 24 months and improving.

2014 = ERO Enterprise caseload index less than or equal to 7 months, with all Regional Entities above average trending downward. ERO Enterprise average violation aging less than or equal to 13.5 months.

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<sup>4</sup> ERO Enterprise Caseload Index is defined as Violations in ERO Inventory (defined as Active violations that have not been filed with FERC) divided by the total number of violations filed with FERC over previous 12-months (NOPs, SNOPs, FFTs and Dismissals) multiplied by 12.

2015 = ERO Enterprise caseload index of 8 months, with all Regional Entities above average trending downward. ERO Enterprise average violation aging less than or equal to 13 months.

2016 = ERO Enterprise caseload index of 8 months, with all Regional Entities above average trending downward. ERO Enterprise average violation aging less than or equal to 12.5 months.

2017 = ERO Enterprise caseload index of 8 months. ERO Enterprise average violation aging less than or equal to 12 months.

**Sub metric E (Joint ERO Enterprise)** - Percent of self-identified non-compliances (includes self-reports and self-certifications).

2014 = 70%

2015 = 74%

2016 = 78%

2017 = 80%

**Sub metric F (Joint ERO Enterprise)** - Mitigation aging curve improving<sup>5</sup>.

2014 = Percentage of the noncompliance items discovered in that year that are mitigated as of December 31, 2014)

- 2013: 80%
- 2012: 95%
- 2011: 98%
- 2010 (and older): 100%

2015 - 2017 = Mitigation aging curve trending favorably.

**Sub metric G (Joint ERO Enterprise)** - RAI reforms and percent of total findings (excluding dismissals) not going to enforcement or filed with FFT or spreadsheet.

2014 =

- ERO auditor handbook deployment;
- RAI compliance reform design complete and reflected in the CMEP implementation plan for 2015;

<sup>5</sup> Final metrics to be discussed and approved at the February 2014 BOTCC meeting.

- Enforcement pilots completed and FERC filings made, if required;
- Train at least two partnering entities to complete maturity model assessments and complete either directly or through trained partners 20 maturity model assessments;
- At least 75% of noncompliance posing a minimal or moderate risk to the BPS is processed through discretion (i.e.: does not trigger an enforcement action), FFT or SNOP;
- Average time from discovery to posting FFT is 6 months;
- Average time from discovery to decision to enforce or not (i.e.: the triage process) is 60 days.

2015 = Higher percentage of lower and moderate risk violations staying in compliance through exercise of discretion to initiate an enforcement action; audit scope based on common ERO methodology.

2016 = Compliance and enforcement end state designs implemented; continued increase in lower and moderate risk violations staying in compliance through exercise of discretion to initiate an enforcement action.

2017 = Achieve fewer, less severe violations. Positive trend in number of matters dispensed outside of enforcement.

**Sub metric H (Primary NERC)** - Participation in ES-ISAC increased (2013 statistics used as baseline)

2014 =

- 90% of all RCs and TO/TOPs;
- 10% increase in enrollment of all other registered entities;
- 20% increase in information share activity on portal (baseline 2013 uploads figures).
- Develop an ES-ISAC mission performance program, including Key Performance Indicators (KPIs) and benchmarks, by end of Q3.

2015 - 2017 = KPIs trending favorably.

**Sub metric I (Joint ERO Enterprise)** – Assessment of quality and availability of planning and engineering models and data.

2014 = Methodology to validate models developed and endorsed by appropriate technical committees.

2015 = Acquire data and capability for set up / start up.

2016 = Assessment of state and quality of modeling. Establish plan to implement assessment recommendations.

2017 = Implement plan.

**Sub metric J (Joint ERO Enterprise)** – Achieving transition laid out in oversight model regarding ERO Enterprise personnel and ERO Enterprise (NERC and Regional Entity) infrastructure and applications qualifications.

2014= Report quarterly progress and achieve 25% completion of action items.

2015= Report quarterly progress and achieve 50% completion of action items.

2016= Report quarterly progress and achieve 75% completion of action items.

2017= Report quarterly progress and achieve 100% completion of action items.

**Sub metric K (Joint ERO Enterprise)** –Stakeholder annual satisfaction/perception survey of the ERO’s effectiveness to manage risk, budget and stewardship.

2014 = Develop questionnaire with stakeholder input and vetting. Survey complete and benchmarks Established.

2015 – 2017 = Performance trending favorably.



# Corporate Governance and Human Resources Committee

August 14, 2014 | 7:30 a.m. – 8:30 a.m. Pacific

The Westin Bayshore  
1601 Bayshore Drive  
Vancouver, BC V6G 2V4

**RELIABILITY | ACCOUNTABILITY**



**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# 2014 NERC Performance Report

## Quarter 2 Status

Mark Lauby, Senior Vice President and Chief Reliability Officer  
Corporate Governance and Human Resources Committee Meeting  
August 13, 2014

**RELIABILITY | ACCOUNTABILITY**



## **Metric 1: Reliability Results**

- No Category 4 or 5 events

## **Metric 3: Risk Mitigation Effectiveness**

- Changing Resource Mix
- Extreme Physical Events
- Cold Weather Preparedness
- 345 kV Breaker Failures

## **Metric 4: Program Execution Effectiveness**

- Sub-metric B: Quality, up-to-date RSAWs
- Sub-metric C: Implementation of risk-based registration criteria
- Sub-metric E: Percent of self-identified non-compliances
- Sub-metric H: Participation in ES-ISAC
- Sub-metric I: Designating system events used in model validation

## Metric 2: Assurance Effectiveness

- Category 3 event occurred on May 25 and a gap analysis underway

## Metric 3: Risk Mitigation Effectiveness

- **Protection System Misoperations** – Progress continues towards approval/filing of PRC-004-3. Data gathering ongoing to identify trends.
- **Right-of-Way Clearances** – Site visits scheduled and best practice/assurance activities continue. Joint report under development

## Metric 4: Program Execution Effectiveness

- **Sub-metric A:** Standards prepared for approval
- **Sub-metric D:** Caseload index trending and active violations increased
- **Sub-metric F:** Mitigation aging curve slowing among recent years
- **Sub-metric G:** RAI reforms continue
- **Sub-metric J:** ERO oversight activities ongoing
- **Sub-metric K:** Stakeholder perception survey plan under development

## Metric 3: Risk Mitigation Effectiveness

- **Protection System Misoperations:** Report will be completed
- **Right-of-Way Clearances:** Site visits will be initiated

## Metric 4: Program Execution Effectiveness

- **Sub-metric A:** Standards will achieve industry approval
- **Sub-metric G:** RAI risk elements, CMEP implementation and maturity model assessments will progress
- **Sub-metric J:** ERO oversight model action item joint board
- **Sub-metric K:** Stakeholder perception survey with CCC and industry coordination will be launched



# Questions and Answers

**ATTACHMENT 4**

**ATTACHMENT TO NERC'S  
2015 BUSINESS PLAN AND BUDGET FILING,  
“METRICS COMPARING REGIONAL ENTITY OPERATIONS  
BASED ON THE 2015 BUDGETS”**

## ATTACHMENT

### **METRICS COMPARING REGIONAL ENTITY OPERATIONS BASED ON THE 2015 BUDGETS**

#### **Introduction**

This Attachment provides metrics on the Regional Entities' operations based on their 2015 Business Plans and Budgets, and analysis of the metrics. Consistent with the similar attachments provided in NERC's 2010, 2011, 2012, 2013, and 2014 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 2015 budget metrics values for each Regional Entity (page 4);
- a series of bar charts comparing the Regional Entities' Compliance Program 2015 budgeted costs (pages 5-7);
- a series of bar charts comparing the Regional Entities' projected costs for 2015 for "small," "medium" and "large" on-site and off-site operational compliance audits<sup>1</sup> and "small" and "large" on-site and off-site CIP compliance audits<sup>2</sup> (pages 8-10);

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<sup>1</sup> 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, 2013, and 2014 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, (RF), SPP RE, Texas RE and WECC are not planning any "small" on-site operational compliance audits in 2015; NPCC, SPP RE and WECC are not planning any "medium" on-site operational compliance audits in 2015; and MRO and RF are not planning any "large" on-site operational audits in 2015. Also, Texas RE is not planning any "small" off-site operational compliance audits in 2015; FRCC, RF, SERC, and SPP RE are not planning any "medium" off-site operational audits in 2015; and FRCC, MRO, RF, and SPP RE are not planning any "large" off-site audits.

<sup>2</sup> 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-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 entity with critical cyber assets and 5 requirements, auditing 43 requirements or 162 sub-requirements. These definitions are the same as used in the previous Attachment of the



- trend line plots of the Regional Entities' 2015 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 FTE<sup>3</sup> and numbers of registered functions per Compliance Program FTE based on their 2015 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 2014 and 2015 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 2015 budgets and possible reasons for the variations.

The table on page 4 shows the following quantitative data for each Regional Entity based on its 2015 Business Plan and Budget. This data is used to develop the bar charts and trend line graphs that follow based on the Regional Entities' 2015 budgets.

- Numbers of registered entities
- Numbers of registered functions
- Total NEL (GWh)
- NEL (GWh) per registered entity
- Total ERO funding
- ERO (statutory) funding<sup>4</sup> per registered entity
- ERO funding per registered function

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2012 and 2013 Business Plan and Budget filings, and this Attachment of the 2014 Business Plan and Budget filing. As can be seen from the table on page 4 and the bar charts on page 10, only SERC is planning any "small" on-site CIP audits in 2015 and all the Regional Entities are planning only "small" off-site CIP audits in 2015. 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.

<sup>3</sup>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.

<sup>4</sup> ERO funding is defined as the sum of assessments and penalty sanctions.

- Total statutory budget
- Total statutory budget<sup>5</sup> 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 2015
- Estimated costs for small, medium and large on-site operational audits in 2015
- Projected numbers of small, medium and large off-site operational audits in 2015
- Estimated costs for small, medium and large off-site operational audits in 2015
- Projected numbers of small and large on-site CIP audits in 2015
- Estimated costs for small and large on-site CIP audits in 2015
- Projected numbers of small and large off-site CIP audits in 2015
- Estimated costs of small and large off-site CIP audits in 2015
- 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

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<sup>5</sup> Total budget is defined as the sum of total expenses and the total increase in fixed assets.

**2015 Metrics for Budget Submissions**

Budget Metrics	FRCC	MRO <sup>6</sup>	NPCC <sup>6</sup>	RF	SERC	SPP RE	Texas RE	WECC
1 Number of registered entities	68	136	300	331	242	150	226	439
2 Number of registered functions	243	459	602	669	681	420	444	1182
3 Total NEL (GWh)	221,297	289,264	648,607	908,727	1,009,060	216,656	332,698	3,226
4 NEL (GWh) per registered entity	3,254	2,127	2,162	2,745	4,170	1,444	1,472	7
5 Total ERO Funding <sup>1</sup>	\$6,237,838	\$ 9,821,019	\$ 14,359,378	\$ 19,383,897	\$ 15,518,034	\$ 10,145,148	\$ 10,983,946	\$ 25,175,135
6 ERO Funding per registered entity	\$ 91,733	\$ 72,213	\$ 47,865	\$ 58,562	\$ 64,124	\$ 67,634	\$ 48,602	\$ 57,347
7 ERO Funding per registered function	\$ 25,670	\$ 21,397	\$ 23,853	\$ 28,974	\$ 22,787	\$ 24,155	\$ 24,739	\$ 21,299
8 Total Budget <sup>2</sup>	\$7,162,233	\$ 10,328,687	\$ 14,778,539	\$ 18,756,763	\$ 15,995,840	\$ 11,808,110	\$ 11,983,701	\$ 26,300,035
9 Total Budget per registered entity	\$ 105,327	\$ 75,946	\$ 49,262	\$ 56,667	\$ 66,099	\$ 78,721	\$ 53,025	\$ 59,909
10 Total Budget per registered function	\$ 29,474	\$ 22,503	\$ 24,549	\$ 28,037	\$ 23,489	\$ 28,115	\$ 26,990	\$ 22,250
11 Total Statutory FTE <sup>3</sup>	30.91	42.5	36.86	72.2	78.7	32.75	60	137.5
12 Registered entity per Statutory FTE	2.200	3.200	8.139	4.584	3.075	4.580	3.767	3.193
13 Registered function per Statutory FTE	7.862	10.800	16.332	9.266	8.653	12.824	7.400	8.596
14 Total Compliance Budget <sup>4</sup>	\$5,211,874	\$ 6,994,216	\$ 8,568,145	\$ 10,651,382	\$ 10,779,635	\$ 8,583,743	\$ 9,008,548	\$ 13,178,512
15 Compliance budget per registered entity	\$ 76,645	\$ 51,428	\$ 28,560	\$ 32,179	\$ 44,544	\$ 57,225	\$ 39,861	\$ 30,019
16 Compliance budget per registered function	\$ 21,448	\$ 15,238	\$ 14,233	\$ 15,921	\$ 15,829	\$ 20,437	\$ 20,290	\$ 11,149
17 Total Compliance FTE <sup>3</sup>	19.77	22.08	16	45.75	37.5	20.85	33.5	53.5
18 Registered entity per Compliance FTE	3.4	6.2	18.8	7.2	6.5	7.2	6.7	8.2
19 Registered function per Compliance FTE	12.3	20.8	37.6	14.6	18.2	20.1	13.3	22.1
20 Number of Small (non-CIP/693) Audits Onsite <sup>5</sup>	2	0	3	0	10	0	0	0
21 Estimated Cost per Small (non-CIP/693) Audit Onsite <sup>5</sup>	\$ 7,582	\$ -	\$ 13,320	\$ -	\$ 10,731	\$ -	\$ -	\$ -
22 Number of Medium (non-CIP/693) Audits Onsite <sup>5</sup>	1	7	0	10	15	0	4	0
23 Estimated Cost per Medium (non-CIP/693) Audit Onsite <sup>5</sup>	\$ 18,956	\$ 44,049	\$ -	\$ 39,857	\$ 18,492	\$ -	\$ 37,246	\$ -
24 Number of Large (non-CIP/693) Audits Onsite <sup>5</sup>	6	0	4	0	6	6	6	20
25 Estimated Cost per Large (non-CIP/693) Audit Onsite <sup>5</sup>	\$ 37,912	\$ -	\$ 44,815	\$ -	\$ 41,137	\$ 54,413	\$ 57,534	\$ 30,239
26 Number of Small (non-CIP/693) Audits Offsite <sup>5</sup>	2	11	10	35	15	14	0	22
27 Estimated Cost per Small (non-CIP/693) Audit Offsite <sup>5</sup>	\$ 2,771	\$ 11,404	\$ 12,740	\$ 10,102	\$ 9,635	\$ 10,457	\$ -	\$ 2,765
28 Number of Medium (non-CIP/693) Audits Offsite <sup>5</sup>	0	1	21	0	0	0	7	47
29 Estimated Cost per Medium (non-CIP/693) Audit Offsite <sup>5</sup>	\$ -	\$ 40,549	\$ 21,955	\$ -	\$ -	\$ -	\$ 30,011	\$ 7,960
30 Number of Large (non-CIP/693) Audits Offsite <sup>5</sup>	0	0	8	0	0	0	23	5
31 Estimated Cost per Large (non-CIP/693) Audit Offsite <sup>5</sup>	\$ -	\$ -	\$ 27,730	\$ -	\$ 30,485	\$ -	\$ 48,347	\$ 21,899
32 Number of Small (CIP/706B) Audits Onsite <sup>5</sup>	0	0	0	0	4	0	0	0
33 Estimated Cost per Small (CIP/706B) Audit Onsite <sup>5</sup>	\$ -	\$ -	\$ -	\$ -	\$ 11,235	\$ -	\$ -	\$ -
34 Number of Large (CIP/706B) Audits Onsite <sup>5</sup>	2	2	4	4	6	6	8	21
35 Estimated Cost per Large (CIP/706B) Audit Onsite <sup>5</sup>	\$ 75,824	\$ 57,520	\$ 44,800	\$ 75,366	\$ 48,447	\$ 96,238	\$ 58,093	\$ 32,629
36 Number of Small (CIP/706B) Audits Offsite <sup>5</sup>	9	9	24	50	9	9	24	51
37 Estimated Cost per Small (CIP/706B) Audit Offsite <sup>5</sup>	\$ 2,771	\$ 5,702	\$ 9,490	\$ 6,164	\$ 15,790	\$ 4,802	\$ 17,118	\$ 2,151
38 Number of Large (CIP/706B) Audits Offsite <sup>5</sup>	0	0	0	0	0	0	0	0
39 Estimated Cost per Large (CIP/706B) Audit Offsite <sup>5</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40 Avg. Number of Contractors Per Small Audits Onsite	0	0	0	0	0	1	0	0
41 Avg. Number of Contractors Per Medium Audits Onsite	0	0	0	0	1	0	0	0
42 Avg. Number of Contractors Per Large Audits Onsite	0	0	0	0	2	2	0	0
43 Avg. Number of Contractors Per Small Audits Offsite	0	0	0	0	0	0	0	0
44 Avg. Number of Contractors Per Medium Audits Offsite	0	0	0	0	0	0	0	0
45 Avg. Number of Contractors Per Large Audits Offsite	0	0	0	0	0	2	0	0

<sup>1</sup> ERO Funding is a sum of Assessments and Penalty Sanctions

<sup>2</sup> Total Budget is a sum of Total Expenses and Capital Expenditures

<sup>3</sup> 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.

<sup>4</sup> Total Compliance Budget is a sum of Direct Expenses, Indirect Expenses and Capital Expenditures

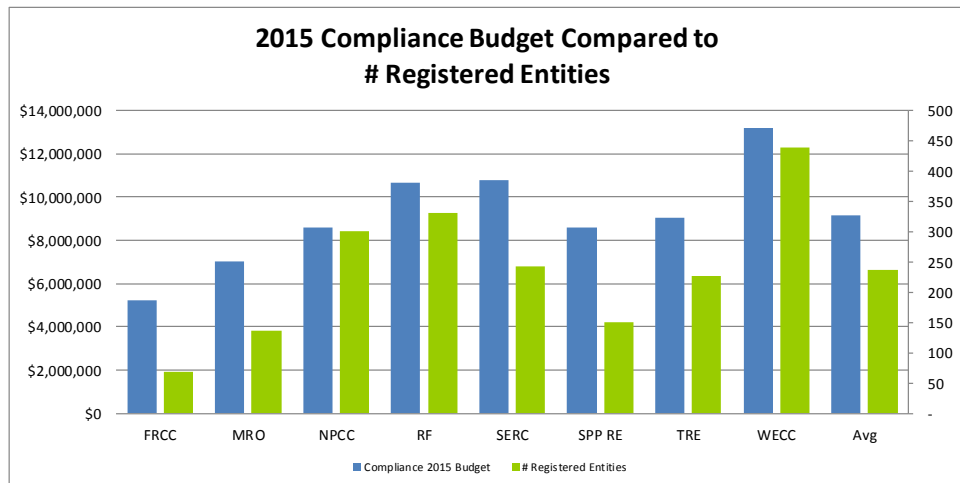
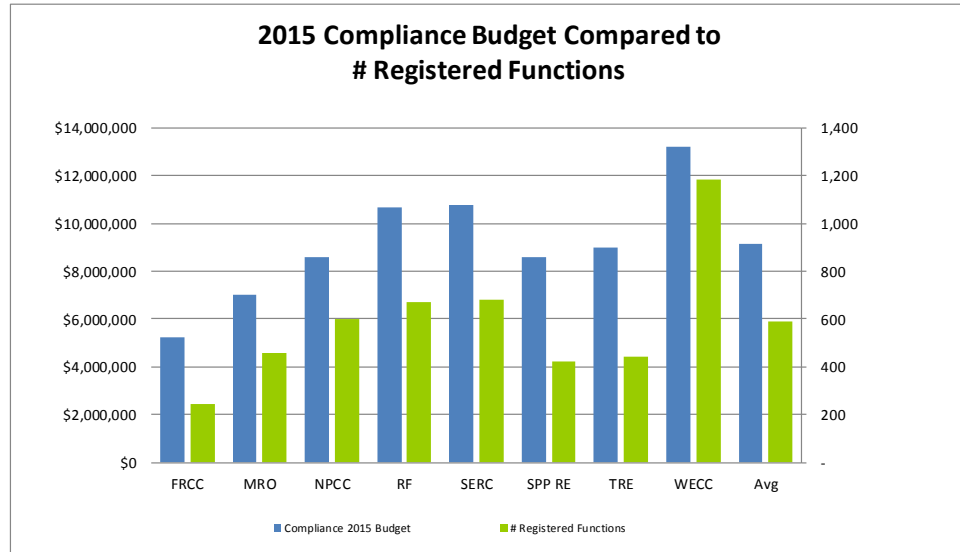
<sup>5</sup> Size of audits are defined by number of requirements:

Small	25 or less
Medium	26 to 75
Large	More than 75

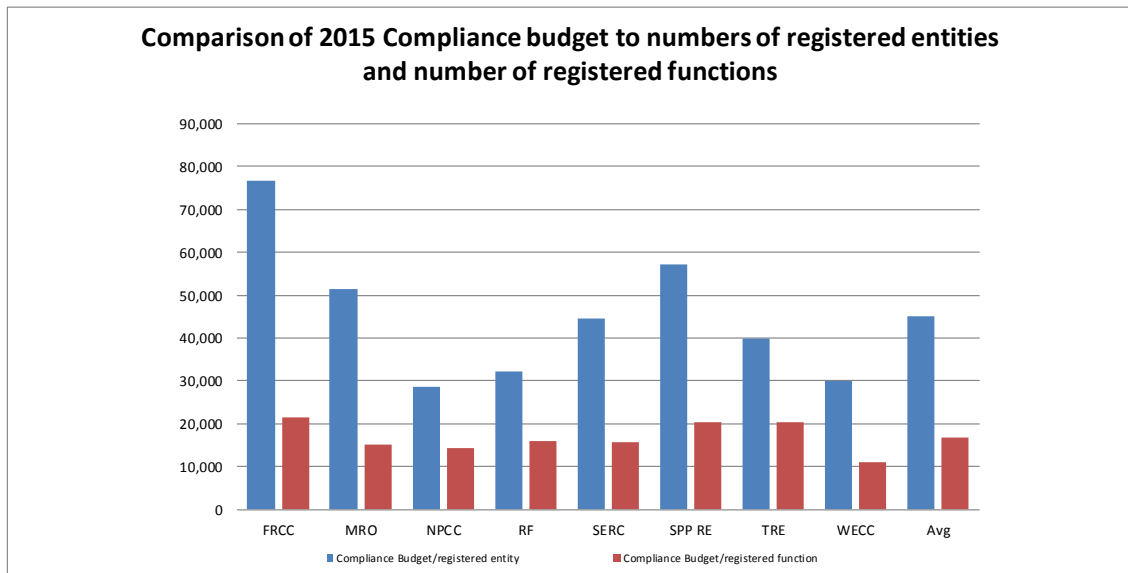
<sup>6</sup> Due to the specifics of the compliance program included in the individual provincial MOUs for cross-border regional entities, some of these metrics are not directly comparable.

Compliance 2015 Budget

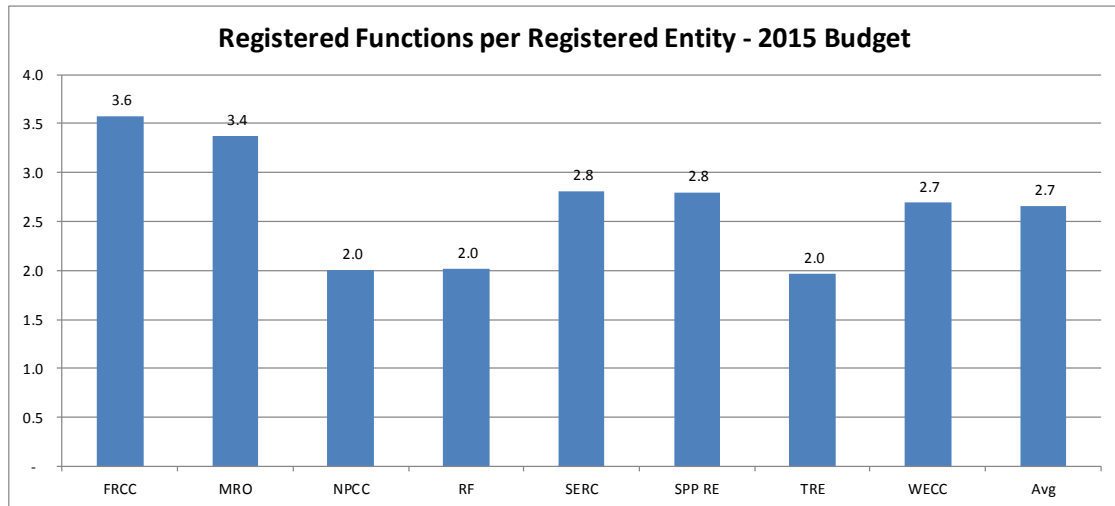
	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
Compliance 2015 Budget	5,211,874	6,994,216	8,568,145	10,651,382	10,779,635	8,583,743	9,008,548	13,178,512	9,122,007
# Registered Entities	68	136	300	331	242	150	226	439	237
# Registered Functions	243	459	602	669	681	420	444	1,182	588



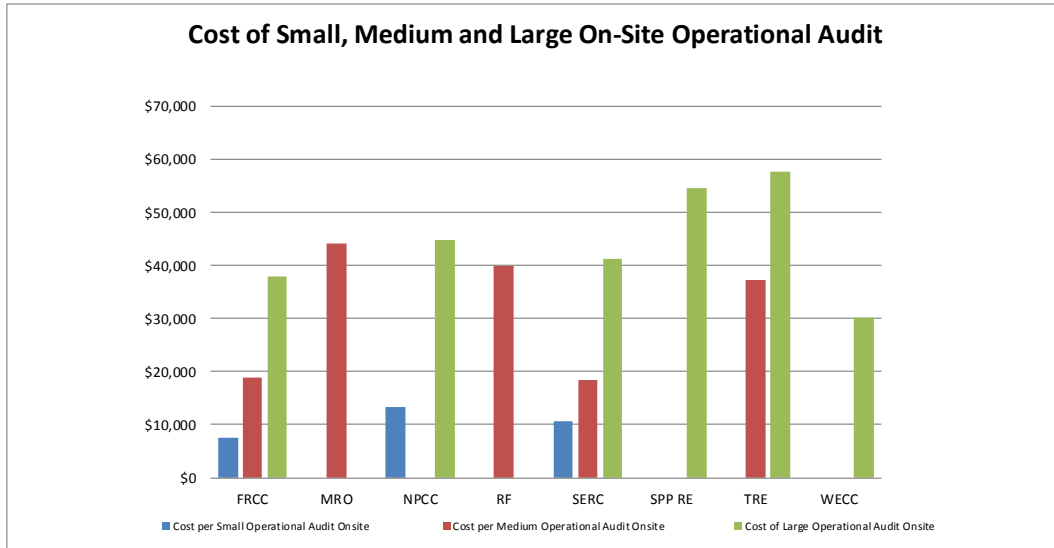
	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
Compliance Budget/registered entity	76,645	51,428	28,560	32,179	44,544	57,225	39,861	30,019	45,058
Compliance Budget/registered function	21,448	15,238	14,233	15,921	15,829	20,437	20,290	11,149	16,818



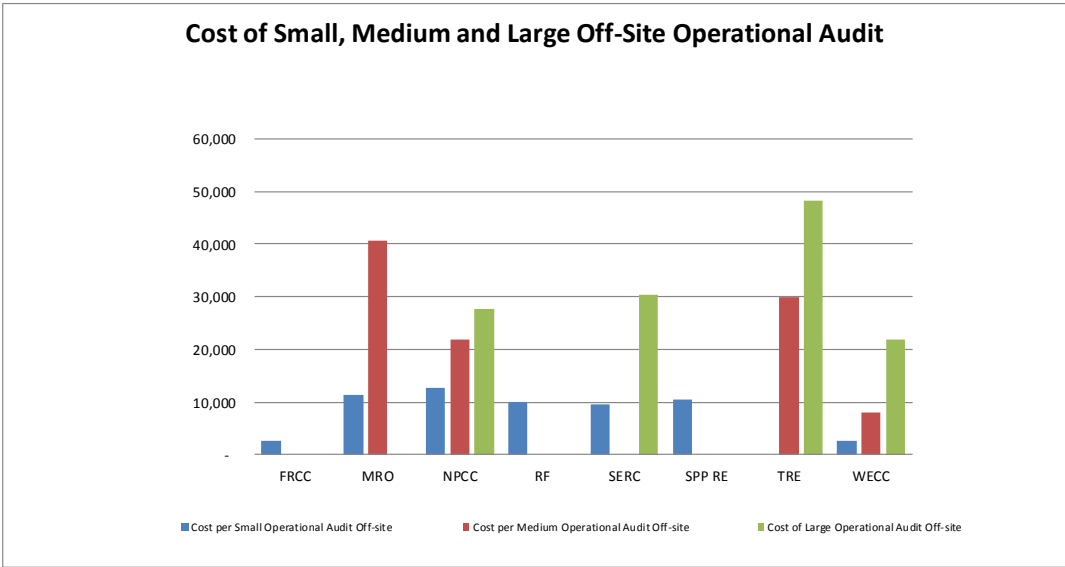
	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
Registered Functions per Registered Entity 2015 Budget	3.6	3.4	2.0	2.0	2.8	2.8	2.0	2.7	2.7



	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
Cost per Small Operational Audit Onsite	7,582	-	13,320	-	10,731	-	-	-	10,545
Cost per Medium Operational Audit Onsite	18,956	44,049	-	39,857	18,492	-	37,246	-	31,720
Cost of Large Operational Audit Onsite	37,912	-	44,815	-	41,137	54,413	57,534	30,239	44,342



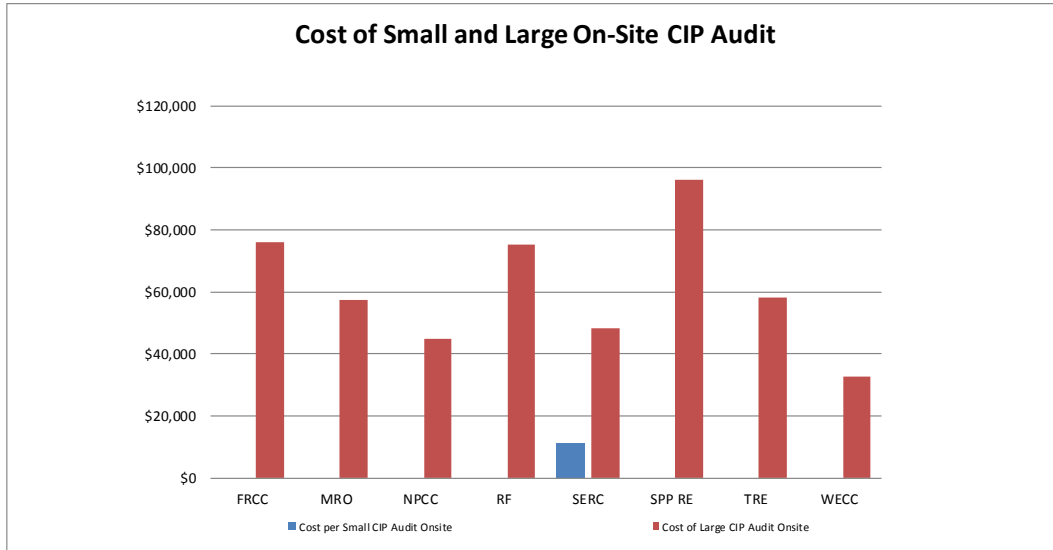
	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
Cost per Small Operational Audit Off-site	2,771	11,404	12,740	10,102	9,635	10,457	-	2,765	8,554
Cost per Medium Operational Audit Off-site	-	40,549	21,955	-	-	-	30,011	7,960	25,119
Cost of Large Operational Audit Off-site	-	-	27,730	-	30,485	-	48,347	21,899	32,115





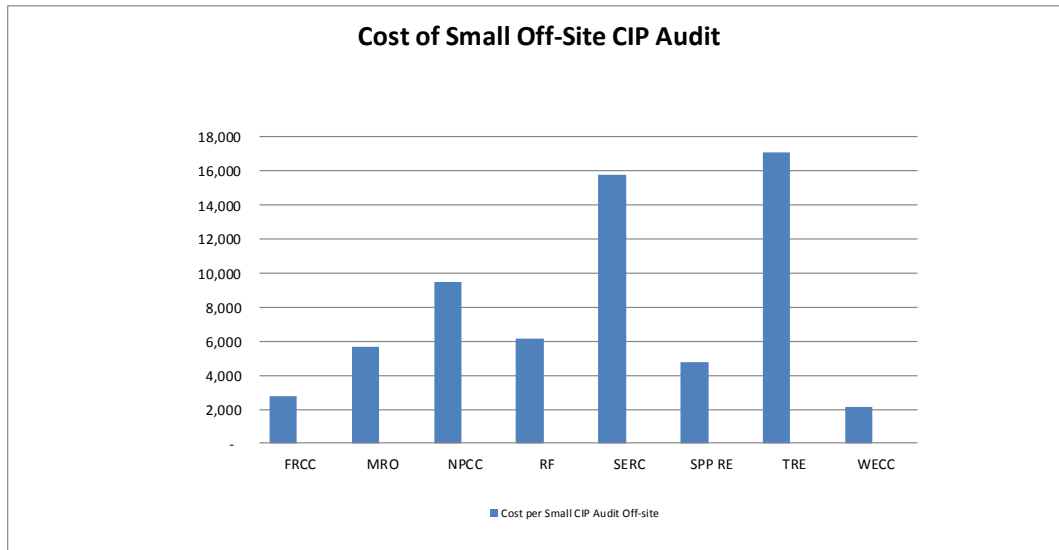
Cost per Small CIP Audit Onsite  
 Cost of Large CIP Audit Onsite

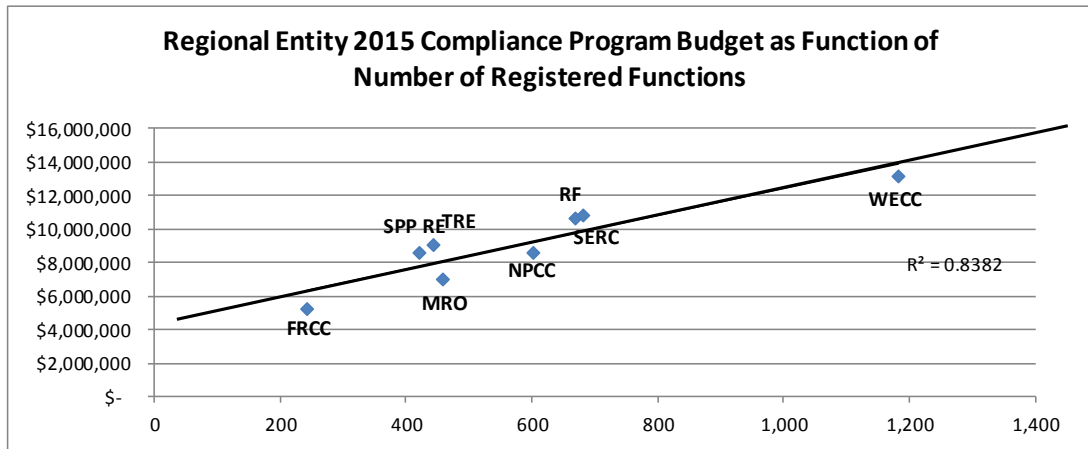
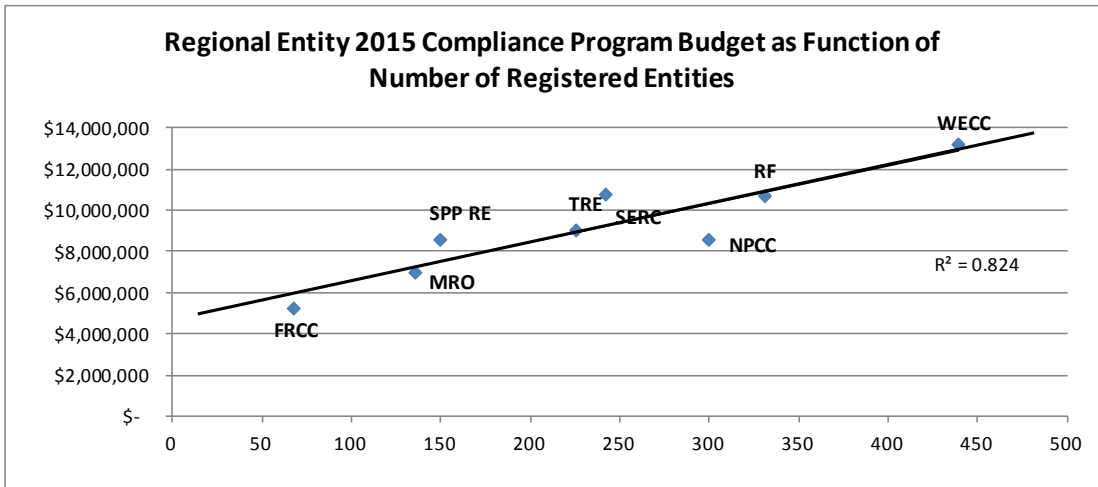
FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
-	-	-	-	11,235	-	-	-	11,235
75,824	57,520	44,800	75,366	48,447	96,238	58,093	32,629	69,845



Cost per Small CIP Audit Off-site  
 Cost of Large CIP Audit Off-site

FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
2,771	5,702	9,490	6,164	15,790	4,802	17,118	2,151	9,141
-	-	-	-	-	-	-	-	-





Compliance FTE

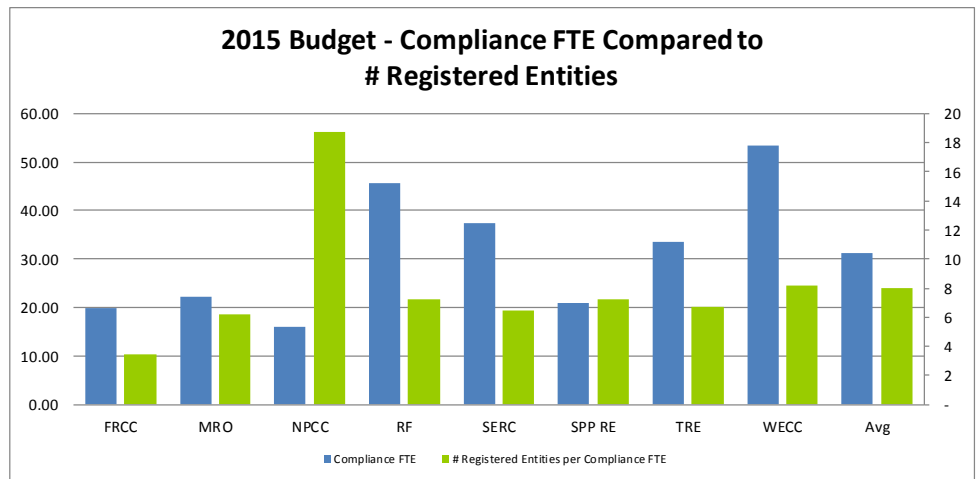
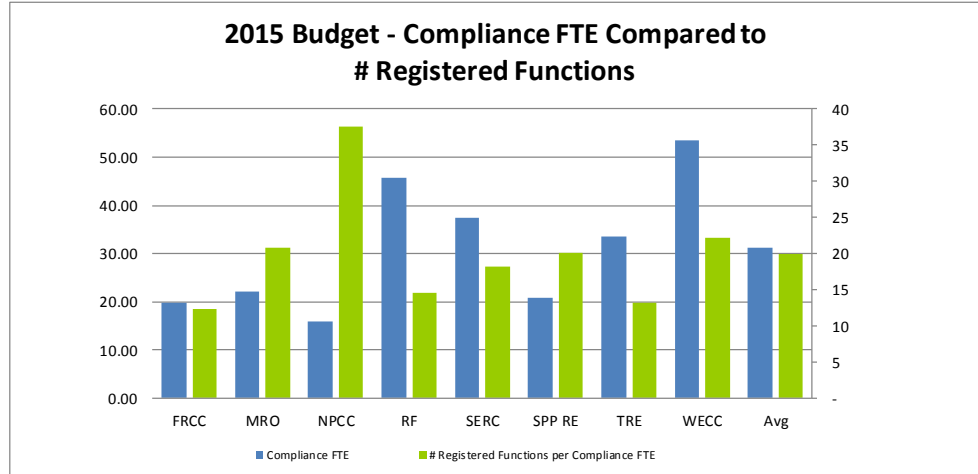
FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
19.77	22.08	16.00	45.75	37.50	20.85	33.50	53.50	31.12

# Registered Entities per Compliance FTE

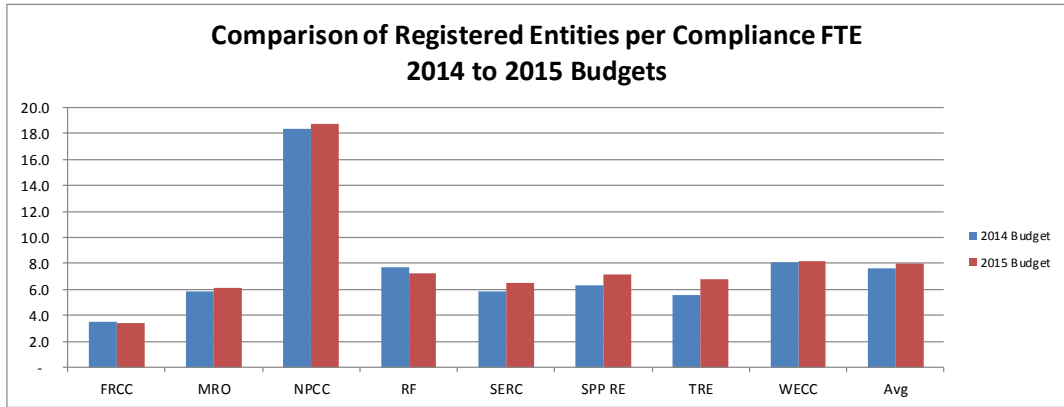
3.4	6.2	18.8	7.2	6.5	7.2	6.7	8.2	8.0
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# Registered Functions per Compliance FTE

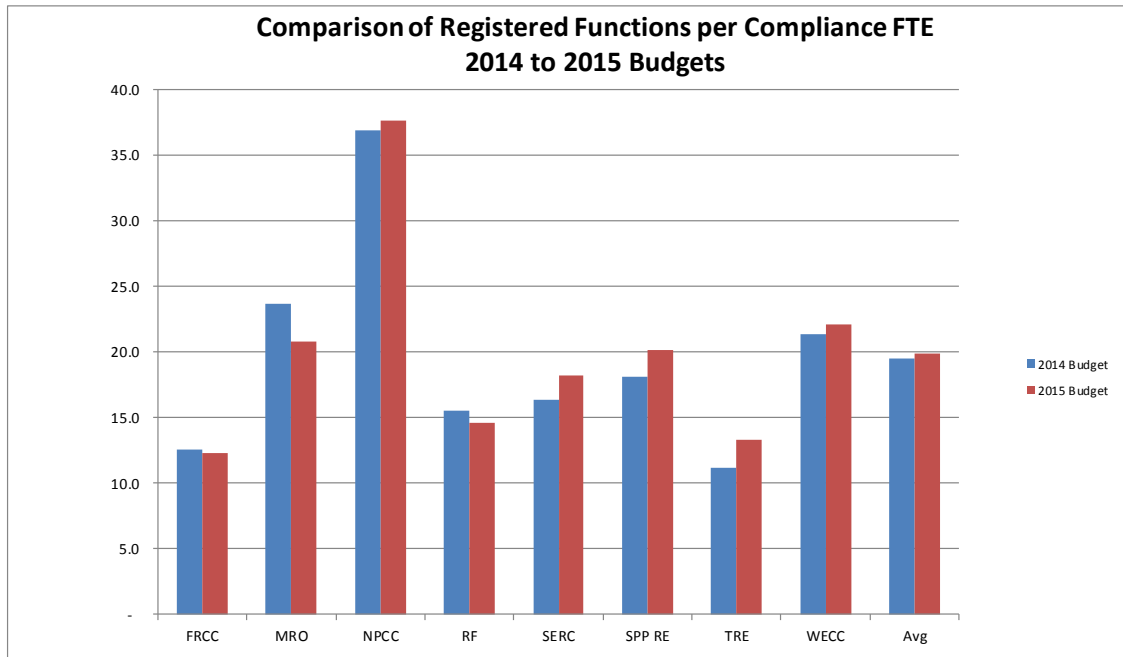
12.3	20.8	37.6	14.6	18.2	20.1	13.3	22.1	19.9
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	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
2014 Budget	3.5	5.9	18.3	7.7	5.8	6.3	5.6	8.1	7.7
2015 Budget	3.4	6.2	18.8	7.2	6.5	7.2	6.7	8.2	8.0



	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
2014 Budget	12.6	23.6	36.9	15.6	16.3	18.1	11.2	21.4	19.5
2015 Budget	12.3	20.8	37.6	14.6	18.2	20.1	13.3	22.1	19.9



## **Discussion and Analysis**

### **Metrics Based on 2015 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 2015 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' 2015 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 2015 and (ii) numbers of registered entities and registered functions.<sup>6</sup> 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 2015 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 \$16,818 (a decrease of \$431 from this average based on the 2014 Budgets); the three highest

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<sup>6</sup> The data on numbers of registered entities and registered functions in each Region used in the 2015 budget metrics are as of April, 2014 for the MRO, NPCC, RF, SERC, and SPP RE Regions, and June 2014 for the FRCC, Texas RE and WECC Regions.

values (FRCC - \$21,448, SPP RE - \$20,437 and Texas RE - \$20,290 and) are approximately 127%, 121% and 120% of the average, respectively, while the lowest value (WECC - \$11,149) is 66% of the average and the next lowest value (NPCC - \$14,233) is 85% of the average. With respect to Compliance Program budget per registered entity, the average for the Regional Entities is \$45,058 (a decrease of approximately \$1,675 from the average of the 2014 Budgets); the two highest values (FRCC - \$76,645 and SPP RE - \$57,225) are approximately 170% and 127% of the average, respectively; and the lowest value (NPCC - \$28,560) is 63% of the average.<sup>7</sup>

As noted, FRCC and SPP RE have the two highest values for Compliance Program budget per registered entity, and FRCC, SPP RE and Texas RE have the three 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' 2015 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 2015 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 (0.824) and the  $R^2$  value for the plot based on number of registered functions (0.8382) is similar to this analysis in the previous three years' Business Plan and Budget filings.<sup>8</sup> NERC continues to believe that

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<sup>7</sup> There is a variation among the Regional Entities in terms of registered functions per registered entity, ranging from a high value of 3.6 registered functions per registered entity for FRCC to a low value of 2.0 registered functions per registered entity for NPCC, RF and Texas RE. The overall average is 2.7 registered functions per registered entity. (See the data lines on page 7.) The values of this metric for each Regional Entity are generally consistent with the values based on the 2011, 2012, 2013, and 2014 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 1.68 to 1.78 times more registered functions per registered entity than do other Regional Entities (NPCC, Texas RE and RF), and in any event this is a metric that is outside the control of the Regional Entities.

<sup>8</sup> In the regression analysis that was provided in the previous Attachment 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 the previous Attachment of the 2013 Business Plan and Budget filing, the  $R^2$  value for the plot based on number of registered functions was 0.7758 while the  $R^2$  value for the plot based on number of registered entities was

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 RF 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 the previous Attachment of the 2013 Business Plan and Budget filing and this Attachment of the 2014 Business Plan and Budget filing). It can also be observed that on both of the regression graphs, the data points for each of the Regional Entities are either on or fairly close to the regression trend line; that is, there are no obvious "outliers" from the trend line among the Regional Entities, for either the regression based on Compliance Program budget as a function of number of registered entities or the regression based on Compliance Program budget as a function of the number of registered functions. 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 2015 budgets. The average for the eight Regional Entities for numbers of registered entities per Compliance Program FTE is 8.0, (compared to the average of 8.1 and 7.7 based on the 2013 and 2014 budgets, respectively); the lowest value (FRCC – 3.4) is 43% of the average and the highest value (NPCC – 18.8), is 234% of the average. This is about the same range of values around the average that was the case for the 2013 and 2014 Budgets (48% to 241%, and 46% to 239%, respectively). The average for numbers of registered functions per Compliance Program FTE is 19.9 (a 0.4% increase from the average based on the 2014 budgets); the lowest value (FRCC – 12.3) is 62% of the average and the highest value (NPCC – 37.6), is 189% of the average. This is also a comparable range of values around the average that was the case for the 2013 and 2014 Budgets (52% to 187% and 58% to 190%, respectively).

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 2015 budgets, to the values of these metrics based on the Regional Entities' 2014 budgets as provided in the 2014 Business Plan and Budget filing. The values of this metric have decreased from the 2014 Budget to the 2015 Budget for FRCC and RF (*i.e.*, these Regional Entities now have fewer registered entities per Compliance Program FTE than in their 2014 budgets), while the values for this metric have increased from the 2014 budgets for MRO, NPCC, SERC, SPP RE, Texas RE, and WECC (*i.e.*, these Regional Entities now have more registered entities per Compliance Program

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0.6704. In the regression analysis that was provided in this Attachment of the 2014 Business Plan and Budget filing, the  $R^2$  value for the plot based on number of registered functions was 0.7128 while the  $R^2$  value for the plot based on number of registered entities was 0.7908.

FTE than in their 2014 budgets). With respect to registered functions per Compliance Program FTE, the 2015 budget values of this metric are lower than the 2014 budget values for FRCC, MRO, and RF (*i.e.*, these Regional Entities each now has fewer registered functions per Compliance Program FTE than its 2014 budget), while the 2015 budget values of this metric are higher than the 2014 budget values for NPCC, SERC, SPP RE, Texas RE, and WECC (*i.e.*, these Regional Entities now have more registered functions per Compliance Program FTE than in their 2014 budgets). The change in the value of these metrics for FRCC, NPCC, and WECC from their 2014 budgets to their 2015 budgets is generally 5 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) eight 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 functions<sup>9</sup>), 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 2015 budgets as compared to their 2014 budgets. For MRO, RF, SERC, SPP RE and Texas RE, the change in the value of these metrics from their 2014 budgets to their 2015 budgets is 4.8, 6.3, 11.0, 13.6, and 21.6 percent, respectively for number of registered entities per Compliance Program FTE and is 12.0, 6.0, 11.2, 11.3, and 18.3 percent, respectively for the number of registered functions per Compliance Program FTE.<sup>10</sup>

The bar charts and accompanying data lines on pages 8 through 10 of this Attachment provide the Regional Entities' estimated costs for 2015 to perform each type (operational and CIP; on-site and off-site) and size category of compliance audit.<sup>11</sup> 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 (*i.e.*, the costs of enforcement activities, as contrasted with the costs of compliance monitoring activities) 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 2015. 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

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<sup>9</sup> It is possible that implementation the revised Bulk Electric System (BES) definition, which became effective on July 1, 2014, and the application of the BES Definition exception procedure (Appendix 5C to the NERC Rules of Procedure), will result in some changes in registrations, at least in some Regions.

<sup>10</sup> 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.

<sup>11</sup> 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 8 through 10 if no audits are planned.



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:

- 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.<sup>12</sup> For example, as shown on the table on page 4, SERC and SPP RE are planning on the use of contractors in compliance audits in 2015. (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. In this regard, NERC notes that one of its initiatives during 2014 and continuing into 2015, in conjunction with the Regional Entities, is the development of, training of auditors on, and implementation of, a common compliance audit manual and checklist and set of

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<sup>12</sup> 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.

compliance audit procedures, in order to increase the consistency of compliance audit processes across the Regional Entities. *See* the discussion in the Regional Entity Assurance and Oversight section of NERC's 2015 Business Plan and Budget, **Attachment 2** to this filing.

- With respect to CIP compliance audits, 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.

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 develop and refine appropriate metrics and to improve their analysis of the reported metrics values and the factors that may cause variations in values among the Regional Entities. In addition, NERC and the Regional Entities are evaluating 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.

**ATTACHMENT 5**

**ATTACHMENT TO NERC'S  
2015 BUSINESS PLAN AND BUDGET FILING,  
“METRICS ON NERC AND REGIONAL ENTITY  
BUDGETED ADMINISTRATIVE (INDIRECT) COSTS  
BASED ON THE 2014 AND 2015 BUDGETS”**

## ATTACHMENT

### **Analysis of NERC and Regional Entity Budgeted Indirect (Administrative Services) Costs 2015 Budgets versus 2014 Budgets**

In the preparation of the NERC and Regional Entity 2015 Business Plans and Budgets, indirect expenses have been defined as those expenses which cannot be directly attributed to one of the statutory program functions.<sup>1</sup>

The metrics presented in the tables on the last page of this Attachment are the same metrics presented in the previous Attachment to the 2010, 2011, 2012 and 2013 Business Plan and Budget filings and this Attachment to the 2014 Business Plan and Budget filing. These tables provide several metrics comparing indirect costs and FTEs<sup>2</sup> in relation to total statutory costs and FTEs and direct statutory costs and FTEs, for NERC and each of the Regional Entities, in their 2015 Business Plans and Budgets and their 2014 Business Plans and Budgets.

Overall, the tables show a decrease 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 2015 budgets as compared to the 2014 budgets. This result is reflective of consistent application of the definition of indirect costs, as described above, in the preparation of the 2015 budgets.

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 2015 budgets is 34.8%, versus 35.5% in the 2014 budgets. For 2015, FRCC, MRO, NPCC, RF, Texas RE and WECC show percentages below or only slightly above (less than 10% higher than) the overall average. SERC's 2015 value for this metric is only 13% higher than the overall average.

FRCC's percentages for this metric calculated from both its 2014 budget and its 2015 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.

For NERC, MRO, NPCC, RF, SPP RE and WECC the percentages of Statutory Indirect Budget to Total Statutory Budget decreased in their 2015 budgets from the percentages based on

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<sup>1</sup> NERC and Regional Entity provisions for Working Capital Reserve are not included in the budget data used to calculate these metrics.

<sup>2</sup> FTE = Full-time equivalent employee.

their 2014 budgets, ranging from a 0.2 percentage point decrease for NPCC to a 3 percentage point decrease for NERC. NERC's decrease for this metric is largely due to the increase in its budgeted statutory direct expenses in 2015 due to the commencement of NERC's participation in the Cyber Risk Information Sharing Program (CRISP), which in turn is being funded largely through Third-Party Funding payments from the electric utilities participating in the CRISP rather than through increased statutory assessments to all load-serving entities. For FRCC and SERC, the percentages increased by 1.7 percentage points and 2.2 percentage points, respectively. For Texas RE the percentages remained the same.

The overall average for the ratio of Statutory Direct Budget to Statutory Indirect Budget decreased from 2.57 based on the 2014 Business Plans and Budgets to 2.43 based in the 2015 Business Plans and Budgets. Overall, the changes in the average values of the two metrics shown in the top row of tables from the 2014 Budgets to the 2015 Budgets do not represent significant movement.

### **Budgeted Indirect FTEs as a Percent of Budgeted Total FTEs**

In the NERC and Regional Entity 2015 Business Plans and Budgets, on average the budgeted statutory indirect FTEs are 24.7% of total statutory FTEs, compared to an average of 22.3% for the 2014 budgets, an increase of 2.4 percentage points (second row of tables). In the 2014 budget compared to the 2013 budget, the average number of statutory direct FTEs per statutory indirect FTE increased by 0.09, from 4.32 to 4.41. On average, there are 3.53 statutory direct FTEs per statutory indirect FTE in the 2015 budgets, compared to 4.41 statutory direct FTEs per statutory indirect FTEs in the 2014 budgets, for an average decrease of 0.88 statutory direct FTEs per statutory indirect FTE.

NERC, FRCC, SERC, SPP RE and Texas RE have higher percentages of budgeted statutory indirect FTEs to total statutory FTEs reflected in their 2015 budgets than in their 2014 budgets. RF and WECC have lower percentages of budgeted statutory indirect FTEs to total statutory FTEs reflected in their 2015 budgets than in their 2014 budgets. MRO's and NPCC's percentage of budgeted statutory indirect FTEs to total statutory FTEs reflected in their 2015 budgets are the same as in their 2014 budgets. NERC, FRCC, SPP RE and Texas RE have the largest decreases in the ratio of direct statutory FTEs to indirect statutory FTEs from their 2014 Budgets to their 2015 Budgets. SPP RE continues to have a very low percentage 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. rather than through its own administrative staff as is the case for NERC and the other seven Regional Entities.

In considering this metric, it should be kept in mind that neither NERC nor any of the other Regional Entities are planning significant changes (increases or decreases) in overall staffing levels in their 2015 budgets from their 2014 budgets. Thus, the changes in the percentages of budgeted statutory indirect FTEs to total statutory FTEs and in the ratios of direct statutory FTEs to indirect statutory FTEs represent, primarily, reallocations of resources among direct and indirect program areas within each entity to support the goals and objectives of each entity.

## **Statutory Indirect Budget per Total FTE**

The Statutory Indirect Budget per Total FTEs has increased from an average of \$95,164 in the 2014 NERC and Regional Entity budgets to \$97,312 in the 2015 budgets, an increase of \$2,148, or 2.3% (bottom row of tables). In prior years, the increases in the statutory Indirect Budget per Total FTEs were generally reflective of an increased percentage of Statutory Indirect Budget to Total Statutory Budget (first row of tables). In 2015, this relationship is similar for FRCC and SERC. The statutory Indirect Budget per Total FTEs metric has decreased from the 2014 budget to the 2015 budget for MRO and WECC, and is reflective of their decreased percentages of Statutory Indirect Budget to Total Statutory Budget (first row of tables). The statutory Indirect Budget per Total FTEs metric has increased from the 2014 budget to the 2015 budget for NERC, NPCC, RF and SPP RE, while the percentage of Statutory Indirect Budget to Total Statutory Budget (first row of tables) decreased for these entities. The percentage differences in these two metrics from the 2014 Budgets to the 2015 Budgets for NPCC (2%), RF (4%) and SPP RE (2%) are not significant. For NERC, the statutory Indirect Budget per Total FTEs metric has increased 8.8% from the 2014 budget to the 2015 budget, while the percentage of Statutory Indirect Budget to Total Statutory Budget (first row of tables) decreased 3.0%. The increase in NERC's statutory Indirect Budget per Total FTEs (bottom row of tables) is reflective of the small increase in total FTEs, 189.53 FTEs in 2014 to 192.3 FTEs in 2015, or 1.5%, compared to the increase in NERC's statutory indirect budget, from \$25.2M in 2014 to \$27.8M in 2015, or 10.4%. While NERC's statutory indirect budget increased 10.4% in 2015 over 2014, NERC's statutory direct budget increased 24.5% in 2015 over 2014 (\$38.8M in 2015 compared to \$31.2M in 2014), due largely to the incorporation of the CRISP in the 2015 Budget, resulting in the decrease in NERC's percentage of Statutory Indirect Budget to Total Statutory Budget (first row of tables).

**Analysis of Indirect (Administrative Services) Costs  
2015 Budget versus 2014 Budget**

2014 BUDGET						2015 BUDGET				
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		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
\$ 56,390,096	\$ 31,154,625	\$ 25,235,471	44.8%	1.23	NERC	\$ 66,649,306	38,801,269	27,848,037	41.8%	1.39
6,794,932	6,172,992	621,940	9.2%	9.93	FRCC	7,162,233	6,379,570	782,663	10.9%	8.15
9,744,799	5,774,572	3,970,227	40.7%	1.45	MRO	10,328,687	6,430,254	3,898,433	37.7%	1.65
14,129,006	9,095,248	5,033,758	35.6%	1.81	NPCC	14,778,540	9,544,174	5,234,366	35.4%	1.82
18,063,201	12,869,165	5,194,036	28.8%	2.48	RF	18,756,764	13,442,121	5,314,643	28.3%	2.53
16,877,288	10,610,814	6,266,474	37.1%	1.69	SERC	15,995,840	9,704,308	6,291,532	39.3%	1.54
11,823,629	5,736,162	6,087,467	51.5%	0.94	SPP RE	11,808,109	5,803,102	6,005,007	50.9%	0.97
11,771,248	7,653,236	4,118,012	35.0%	1.86	Texas RE	11,983,701	7,788,932	4,194,769	35.0%	1.86
25,638,084	16,296,214	9,341,870	36.4%	1.74	WECC	26,300,034	17,346,688	8,953,346	34.0%	1.94
			35.5%	2.57	AVERAGE				34.8%	2.43

2014 BUDGETED FTEs						2015 BUDGETED FTEs				
Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs		Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
189.53	130.39	59.14	31.2%	2.20	NERC	192.30	124.76	67.54	35.1%	1.85
30.40	27.04	3.36	11.1%	8.05	FRCC	30.91	26.87	4.04	13.1%	6.65
40.75	29.79	10.96	26.9%	2.72	MRO	42.50	31.08	11.42	26.9%	2.72
36.86	27.86	9.00	24.4%	3.10	NPCC	36.86	27.86	9.00	24.4%	3.10
72.00	57.20	14.80	20.6%	3.86	RF	72.20	57.60	14.60	20.2%	3.95
79.20	59.37	19.83	25.0%	2.99	SERC	78.70	54.57	24.13	30.7%	2.26
33.86	30.86	3.00	8.9%	10.29	SPP RE	32.75	28.25	4.50	13.7%	6.28
60.00	49.25	10.75	17.9%	4.58	Texas RE	60.00	44.50	15.50	25.8%	2.87
135.00	88.10	46.90	34.7%	1.88	WECC	137.50	92.60	44.90	32.7%	2.06
			22.3%	4.41	AVERAGE				24.7%	3.53

2014 BUDGET per FTE				2015 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
\$ 297,526	\$ 238,934	\$ 426,707	\$ 133,148	NERC	\$ 346,590	\$ 311,007	\$ 412,319
223,518	228,291	185,101	20,459	FRCC	231,712	237,424	193,728
239,136	193,843	362,247	97,429	MRO	243,028	206,894	341,369
383,315	326,463	559,306	136,564	NPCC	400,937	342,576	581,596
250,878	224,985	350,948	72,139	RF	259,789	233,370	364,017
213,097	178,723	316,010	79,122	SERC	203,251	177,832	260,735
349,192	185,877	2,029,156	179,783	SPP RE	360,553	205,420	1,334,446
196,187	155,396	383,071	68,634	Texas RE	199,728	175,032	270,630
189,912	184,974	199,187	69,199	WECC	191,273	187,329	199,406
			\$ 95,164	AVERAGE			\$ 97,312

**ATTACHMENT 6**

**TEMPLATE FOR REVISED FIRST PAGE  
OF THE ADMINISTRATIVE SERVICES SECTION OF THE  
NERC AND REGIONAL ENTITY BUSINESS PLANS AND BUDGETS**



## Administrative Services

Administrative Services						
	Direct Expenses and Fixed Assets			FTEs		
	2014 Budget	2015 Budget	Inc (Dec)	2014 Budget	2015 Budget	Inc (Dec)
General and Administrative	\$ 7,752,337	\$ 8,629,889	\$ 877,552	10.56	13.13	2.57
Legal and Regulatory	\$ 4,298,813	\$ 4,448,015	\$ 149,202	15.15	15.01	(0.14)
Information Technology	\$ 9,462,202	\$ 10,514,943	\$ 1,052,741	18.07	19.70	1.63
Human Resources	\$ 1,104,974	\$ 1,158,034	\$ 53,060	2.88	2.81	(0.07)
Finance and Accounting	\$ 2,617,147	\$ 3,096,886	\$ 479,739	12.48	16.89	4.41
Total Administrative Services	\$ 25,235,473	\$ 27,847,767	\$ 2,612,294	59.14	67.54	8.40

### 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 (CEO), chief reliability officer (CRO) and support staff, communications, external affairs and governmental relations, and office rent; (3) Legal and Regulatory; (4) Information Technology; (5) Human Resources; (6) Finance and Accounting; and (7) other 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 resource requirements and comparative budget information for each of these functions is described further below.

### Methodology for Allocation of Administrative Services Expenses to Statutory Programs

NERC's Administrative Services expenses and fixed asset expenditures, referred to as indirect expenses, are allocated to the statutory programs based on their respective number of FTEs.

For the Administrative Services functions included in the above table, the following sections will provide a discussion of current staffing and budgeted staffing for the function, an explanation of any change in budgeted staffing from the previous year's budget, a description of the functions and major activities of the function for the budget year, and an explanation of significant budget increases and decreases from the previous year's budget by major line item (e.g., Personnel Expenses, Consultants & Contracts Expense, Professional Services Expense).

**ATTACHMENT 7**

**PAGES 10-19 OF NERC'S 2013 TRUE-UP REPORT  
AND  
ATTACHMENT 10 TO NERC'S 2013 TRUE-UP REPORT,  
"METRICS CONCERNING ADMINISTRATIVE COSTS  
IN 2013 NERC AND REGIONAL ENTITY BUDGETS  
AND ACTUAL COSTS"**



completed in 2012 or were delayed or deferred into 2013, resulting in unbudgeted expenditures in 2013.

- Some entities budgeted certain expenditures as expenses (*e.g.*, as Office Costs), but then determined that the expenditure(s) needed to be capitalized (*i.e.*, recorded as Fixed Asset additions, such as Computer & Software Capital Expenditures or Equipment Capital Expenditures) based on the entity's capitalization policy. The determination to capitalize rather than expense these expenditures also resulted in additional Depreciation expense.
- Some entities experienced higher or lower Funding from Workshop attendance fees, or other programs conducted for industry participants, due to higher or lower attendance at workshops or other programs than projected in the budget, holding more or fewer Workshops than assumed in the budget, making a determination not to charge fees (or charging lower fees) for some programs for which fees had been budgeted, or a combination of these factors.

In addition to the above-described causes of actual-to-budget variances that were experienced by more than one entity, NERC and the Regional Entities experienced other above- or below-budget variances in actual Funding, Expenses and Fixed Asset Additions in individual line items due to particular events and circumstances impacting the particular entity. These variances are identified in the individual actual cost-to-budget comparisons presented in **Attachments 1 through 9**.

NERC and the Regional Entities are taking the actual cost-to-budget comparisons for 2013, as well as year-to-date actual cost-to-budget comparisons for 2014, into account in developing their business plans and budgets for 2015, which are to be submitted to the NERC Board for approval, and then filed with the Commission for approval, in August 2014. In addition, the Regional Entities' working capital and operating reserve policies are being reviewed as part of the 2015 business plan and budget review process.

#### **IV. METRICS CONCERNING ADMINISTRATIVE COSTS IN 2014 NERC AND REGIONAL ENTITY BUDGETS AND ACTUAL COSTS**

In the *June 19, 2008 Budget Compliance Order*, the Commission directed NERC to develop additional metrics analyzing its administrative expenses and those of the Regional

Entities, and to present these metrics in future annual actual cost-to-budget filings and Business Plan and Budget filings:

39. Our analysis of the Regional Entities' true-up statements indicates that many Regional Entities spent a significant percentage of their 2007 budgets on various administrative functions to support their statutory functions.<sup>13</sup> The amounts spent on administrative functions vary widely among the Regional Entities. . . . We recognize that 2007 is the first year that these Regional Entities have prepared a budget for statutory functions and that there are some startup costs that will be unique to 2007. The Commission anticipates, however, that such effects will diminish as NERC and the Regional Entities gain experience preparing their budgets. To promote better transparency, the Commission directs NERC to develop additional metrics to identify, in a uniform manner, information detailing its total expenses for administrative functions as well as the expenses for administrative functions for each Regional Entity. For example, one of the matrices should be the percentage spent by the Regional Entity on administrative functions as a portion of its total approved budgeted funding similar to the information provided in the table attached to this order. These new metrics should be designed to enhance the Commission's ability to compare information provided by the Regional Entities on administrative costs and to understand the reasons for any significant differences in amounts budgeted by different Regional Entities for the same function. The Commission therefore directs NERC to develop these additional metrics for use in the true-up filings for NERC's 2008 and 2009 budgets and for use in NERC's subsequent business plans and budgets beginning with NERC's 2010 Business Plan and Budget.

<sup>13</sup> The Commission considered the amount each Regional Entity spent on administrative functions as a percentage of its total budgeted funding. The administrative functions included in staff's analysis are: Committees and Member Forums, General and Administration, Legal and Regulatory, Information Technology, Human Resources, and Accounting and Finance. A table of administrative expenses spent by each Regional Entity as a percentage of its budgeted funding is included as Attachment A to this order.

The administrative functions cited in footnote 13 of the *June 19, 2008 Budget Compliance Order* (Committees and Member Forums, General and Administration, Legal and Regulatory, Information Technology, Human Resources and Accounting and Finance) are the functions that NERC and the Regional Entities refer to as "indirect costs" in their business plans and budgets and reports of actual expenses. It is appropriate to analyze these indirect costs in the aggregate (as the Commission did in P 39 and footnote 13 of the *June 19, 2008 Budget Compliance Order*),

rather than by individual function, due to certain necessary inconsistencies among the Regional Entities in budgeting and recording these costs. For example, as noted earlier, some of the Regional Entities budget and record all Salary expense for Legal and Regulatory, Human Resources and/or Accounting and Finance under General and Administrative, because they have only one or two employees in each of these functions, and therefore reporting the budgeted and actual Salary expense for these individual functional categories could reveal salary information of individual employees.<sup>14</sup> As stated earlier, the actual cost-to-budget comparisons for 2013, as well as year-to-date actual cost-to-budget comparisons for 2014, are being taken into account in developing the NERC and Regional Entity business plans and budgets for 2015.

**Attachment 10** provides the following three sets of metrics comparisons for NERC and the Regional Entities for their 2013 budgets and 2013 actual costs. In addition, **Attachment 10** provides a comparison of these metrics values for 2011, 2012 and 2013 actual results.

- Statutory indirect expenditures as a percent of total statutory expenditures,<sup>15</sup> and statutory direct expenditures per dollar of statutory indirect expenditures (top row of tables on **Attachment 10**).<sup>16</sup>
- Statutory indirect full-time equivalent employees (“FTE”) as a percent of total statutory FTE, and ratio of statutory direct FTE to statutory indirect FTE (middle row of tables on **Attachment 10**).
- Total statutory expenditures per total FTE, statutory direct expenditures per direct FTE, statutory indirect expenditures per indirect FTE, and statutory indirect expenditures per total FTE (bottom row of tables on **Attachment 10**).

These are the same metrics that NERC provided in its previous annual filings comparing

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<sup>14</sup> In addition, in some instances NERC or a Regional Entity has budgeted all of its projected costs for indirect functions such as General and Administrative, Legal and Regulatory or Information Technology in the indirect program, but has recorded some or all of the actual costs incurred for the function in the statutory program in which work was performed (*e.g.*, recording Professional Services expenses budgeted in Legal and Regulatory in the direct program for which outside legal services were performed).

<sup>15</sup> This is the metric shown in Attachment A to the *June 19, 2008 Budget Compliance Order*.

<sup>16</sup> The term “expenditures” is used in this discussion to mean expenses plus capital expenditures (fixed asset additions net of depreciation).

actual-to-budget costs for NERC and the Regional Entities for 2008, 2009, 2010, 2011 and 2012.<sup>17</sup> In the *June 29, 2009 Budget Compliance Order*, the Commission indicated that these metrics were acceptable.<sup>18</sup>

In reviewing indirect expenditures, it is important to take into consideration that NERC's indirect expenses support more than NERC's internal operations. NERC's indirect expenditures also include support of software applications that interface with Regional Entities. Costs for outside audit resources in connection with Regional Entity oversight, as well as Compliance and Certification Committee oversight of NERC's compliance with its Rules of Procedure, are also included in indirect expenses. In addition, expenses incurred in NERC's legal and executive (General and Administrative) operations, as well as those of the Regional Entities, directly support the activities of the standards, compliance and enforcement, and other statutory program areas. NERC's legal department, as well as those of the Regional Entities, devotes considerable resources to supporting standards development, compliance enforcement and registration matters.

The following subsections provide discussion and analysis of the metrics provided in

#### **Attachment 10.**

#### **Statutory indirect expenditures as a percent of total statutory expenditures, and statutory direct expenditures per dollar of statutory indirect expenditures**

The data and metrics in the top row of tables on **Attachment 10** measure the portions of

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<sup>17</sup> *Additional Compliance Filing of the North American Electric Reliability Corporation in Response to October 18, 2007 Order – Comparisons of Budgeted to Actual Costs for 2008 for NERC and the Regional Entities*, filed April 1, 2009 in Docket No. RR07-16-005; *North American Electric Reliability Corporation's Report of Comparisons of Budgeted to Actual Costs for 2009 for NERC and the Regional Entities*, filed June 1, 2010 in Docket No. RR08-6-000; *North American Electric Reliability Corporation's Report of Comparisons of Budgeted to Actual Costs for 2010 for NERC and the Regional Entities*, filed May 31, 2011 in Docket No. RR11-4-000; *2011 True-Up Filing*; *2012 True-Up Filing*.

<sup>18</sup> *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Filing*, 127 FERC ¶ 61,307 (2009) ("*June 29, 2009 Budget Compliance Order*"), at PP 13-14.

the total statutory expenditures of NERC and each Regional Entity, and the Electric Reliability Organization (“ERO”) in the aggregate, that are being expended on statutory direct functions and on statutory indirect functions. Based on 2013 actual data, statutory indirect expenditures averaged 33.61% of total statutory expenditures for NERC and the Regional Entities, and the average statutory direct expenditure per dollar of statutory indirect expenditure was \$1.98.<sup>19</sup> The actual average statutory indirect expenditure percentage was almost equal, and the actual average statutory direct expenditure per dollar of indirect expenditure was equal, to the averages based on the NERC and Regional Entity budgets (33.51% and 1.98, respectively). Further, the 2011 and 2012 actual results are not significantly different from the 2013 actual results for these metrics. The 2013 actual average statutory indirect expenditure percentage was 33.61% while the 2011 and 2012 actual average statutory indirect expenditure percentages were 31.06% and 30.35%, respectively. The three-year average for this metric for 2011, 2012 and 2013 combined was 31.72%. The 2013 actual average statutory direct expenditure per dollar of indirect expenditure was \$1.98 while the 2011 and 2012 statutory direct expenditure per dollar of statutory indirect expenditure was \$2.22 and \$2.29, respectively. The three-year average for 2011, 2012 and 2013 combined for this metric was \$2.15.

Looking at the 2013 values of these metrics for the individual entities compared to the 2013 averages, the percentages of actual statutory indirect expenditures to total statutory expenditures for NERC and SPP RE were noticeably higher than the overall weighted and

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<sup>19</sup> These figures are essentially weighted averages, *i.e.*, they are calculated using the sums of the total statutory expenditures, total statutory direct expenditures, and total statutory indirect expenditures, for NERC and the eight Regional Entities. Since NERC’s and WECC’s expenditures are substantially larger than those of the other Regional Entities, the NERC and WECC results significantly influence the weighted averages. (The significance of the WECC data to the averages is further magnified due to the amount of U.S. Department of Energy grant funds and related expenditures included in WECC’s 2013 budget and actual results.) The arithmetic averages for these two metrics are 34.53% for statutory indirect expenditures as a percent of total statutory expenditures, and \$2.57 for statutory direct expenditures per dollar of statutory indirect expenditures.



arithmetic averages, and their 2013 ratios of actual statutory direct expenditures to statutory indirect expenditures were noticeably lower than the overall weighted and arithmetic averages.

For NERC, its total actual direct statutory expenditures were approximately \$337,600 less than budgeted while its total statutory indirect expenditures exceeded budget by approximately \$766,300, resulting in its percentage of statutory indirect expenditures to total statutory expenditures rising from 43.06% in its budget to 44.13% actual. NERC's lower-than budgeted direct statutory expenditures was primarily due to: (1) lower than budgeted Personnel Expenses, which were collectively under budget \$581,200, due to unfilled positions in the Compliance Enforcement, Situation Awareness and Training, Education, and Operator Certification departments; (2) lower than budgeted Meetings, Travel and Conferencing expenses, which were collectively \$620,600 under budget, due primarily to management initiatives to lower these expenses; and (3) higher than budgeted Fixed Asset expenditures due to the capitalization (rather than expensing) of the Enterprise Bulk Electric System Exceptions application and the standards balloting software application.

SPP RE's actual 2013 indirect expense amount was in fact lower than budgeted (by approximately \$337,500, or about 6%), but SPP RE's 2012 statutory direct expenditures were also lower than budgeted (by approximately \$1,500,000, or about 25%), with the result that SPP RE's percentage of statutory indirect expenditures to total statutory expenditures increased from 47.33% as budgeted to 52.81% actual, and its ratio of statutory direct expenditures to statutory indirect expenditures fell from \$1.11 as budgeted to \$0.89 actual. In other words, the principal reason for SPP RE's actual percentage of statutory indirect expenditures to total statutory expenditures being higher than budgeted for 2013 was that SPP RE's actual direct statutory

expenditures were much lower than budgeted, not that its actual indirect expenses were higher than budgeted.

As shown by the data provided on the second page of **Attachment 10**, comparisons of the actual 2013 results for this first set of metrics to the actual results for 2012 and 2011 for these metrics show that, over this three-year period, NERC and the Regional Entities, in the aggregate, spent about the same portion of their total statutory expenditures on statutory indirect costs. Further, with only limited exceptions, each entity's annual values for these metrics were fairly consistent over the three-year period. This three-year view indicates that as their organizations and programs mature, with seven years of ERO and delegated function activities, each entity is reaching a steady state in terms of the portions of its total resources that are expended on statutory direct program costs and statutory indirect costs.

**Statutory indirect FTE as a percent of total statutory FTE, and ratio of statutory direct FTE to statutory indirect FTE**

On average for NERC and the Regional Entities, 2013 actual statutory indirect FTEs were 24.28% of total statutory FTEs, and on average NERC and the Regional Entities had 3.12 statutory direct FTEs per statutory indirect FTE in 2013. The 2013 actual value for statutory indirect FTEs as a percent of total statutory FTEs was slightly lower than the 2012 value for this metric of 24.65% and slightly higher than the 2011 value for this metric of 23.42%; while the 2013 actual value for the number of statutory direct FTEs per statutory indirect FTE was slightly higher than the 2012 value for this metric of 3.06, and lower than the 2011 value for this metric of 3.27. Overall, however, the annual averages for this metric were fairly consistent across the three-year period 2011-2013.

In 2013, the actual percentage of statutory indirect FTEs to statutory total FTEs was less than 25% for each entity in the ERO except NERC (for which the percentage was 30.84%) and

SERC (26.94%); and NERC and each Regional Entity had at least 2.24 statutory direct FTE per statutory indirect FTE. Among the Regional Entities, FRCC, MRO, Texas RE and WECC each had a lower actual percentage of statutory indirect FTEs to statutory total FTEs in 2013 than in 2012 and 2011. NPCC and SERC each experienced higher actual percentages of statutory indirect FTEs to statutory total FTEs in 2013 than in 2012 and 2011. NERC's actual percentage of statutory indirect FTEs to statutory total FTEs in 2013 was approximately equal to its value for this metric in 2012 and was somewhat higher than its value for this metric in 2011. ReliabilityFirst's actual percentage of statutory indirect FTEs to statutory total FTEs in 2013 was lower than its value for this metric in 2012 and higher than its value for this metric in 2011.

Similarly, FRCC, MRO, Texas RE and WECC each had a higher actual ratio of statutory direct FTEs per statutory indirect FTE in 2013 than in 2012 and 2011, while NPCC and SERC each had lower actual ratios of statutory direct FTEs per statutory indirect FTE in 2013 than in 2012 and 2011. NERC's actual ratio of statutory direct FTEs per statutory indirect FTE in 2013 was equal to its 2012 value, and lower than its 2011 value, for this metric. ReliabilityFirst's actual ratio of statutory direct FTEs per statutory indirect FTE in 2013 was higher than its value for this metric in 2012 and lower than its value for this metric in 2011.

The three-year average percentage of actual statutory indirect FTEs to total statutory FTEs was 24.14%. The three-year average actual ratio of statutory direct FTEs per statutory indirect FTE was 3.14. As noted above in the discussion of the first set of metrics, comparisons of the actual 2013 results for this second set of metrics to the actual results for 2012 and 2011 for these metrics show that, over this three-year period, NERC and the Regional Entities, in the aggregate, had about the same percentage of indirect FTEs to total statutory FTEs and about the same ratio of statutory direct FTEs per statutory indirect FTEs for each of the three years (*i.e.*,

the highest annual average value for each metric was within 7% or less of the lowest annual average value for the metric).

**Total statutory expenditures per total FTE,  
statutory direct expenditures per direct FTE,  
statutory indirect expenditures per indirect FTE,  
and statutory indirect expenditures per total FTE**

The bottom row of metrics in the tables in **Attachment 10** shows the (i) total statutory expenditures per total FTE (total statutory expenditures divided by total number of statutory FTE), (ii) statutory direct expenditures per direct FTE, (iii) statutory indirect expenditures per indirect FTE, and (iv) statutory indirect expenditures per total FTE (statutory indirect expenditures divided by total number of FTE), for NERC and each Regional Entity. For NERC and the eight Regional Entities, in the aggregate:

- The actual average total statutory expenditures per statutory FTE were approximately 7.6% higher than budgeted (\$273,210 actual versus \$253,971 budgeted).
- The actual average statutory direct expenditures per statutory direct FTE were also approximately 7.6% higher than budgeted (\$239,565 actual versus \$222,630 budgeted).
- The actual average statutory indirect expenditures per statutory indirect FTE were 7.3% higher than budgeted (\$378,131 actual versus \$352,402 budgeted).
- The actual average statutory indirect expenditures per total statutory FTE were higher than budgeted by 7.9% (\$91,815 actual versus \$85,109).

Overall, for NERC and the Regional Entities in the aggregate, the actual 2013 value for each of the first three metrics was lower than the actual values for 2012 and 2011, with only one exception:

- The actual average total statutory expenditures per statutory FTE were \$273,210 in 2013, as compared to \$278,306 in 2012 and as compared to \$291,503 in 2011. The three-year average value for this metric was \$281,007.
- The actual average statutory direct expenditures per statutory direct FTE were \$239,565 in 2013 as compared to \$257,242 in 2012 and as compared to \$262,409 in 2011. The three-year average value for this metric was \$253,072.

- The actual average statutory indirect expenditures per statutory indirect FTE were \$378,131 in 2013 as compared to \$342,707 in 2012 and as compared to \$386,650 in 2011. The three-year average value for this metric was \$369,163.

This latter comparison shows that from 2011 to 2013, the ERO's FTE staffing (both direct function and indirect function personnel) grew faster than statutory expenditures grew, indicating an increase in the efficiency of use of the ERO's personnel.

A final, overall observation on the entire set of metrics data presented in **Attachment 10** (similar to the observation stated earlier based on the first set of metrics), is that, after seven years of ERO operations, as their organizations and programs mature, with only limited exceptions, each of the nine entities appears to be reaching a steady state in terms of the portions of its total statutory expenditures and personnel resources that are being devoted to statutory direct program activities and to statutory indirect activities. While some differences remain in the individual metrics values among the entities, these differences (*i.e.* each entity's metrics values) can be seen as becoming ingrained in their organizational and program structures.

## **V. CONCLUSION**

The North American Electric Reliability Corporation respectfully requests that the Commission accept this filing and Attachments as compliant with the Commission's requirements for annual presentation of comparisons of actual-to-budgeted funding and costs for NERC and the Regional Entities for the year ended December 31, 2013.

**ATTACHMENT 10**

**METRICS CONCERNING ADMINISTRATIVE COSTS IN  
2013 NERC AND REGIONAL ENTITY  
BUDGETS AND ACTUAL COSTS**

Analysis of Administrative (Indirect) Costs  
2013 Actual and Budget

2013 ACTUAL SPEND					
	Total Statutory Expenses & Capital Expenditures	Total Statutory Direct Expenses & Capital Expenditures	Total Statutory Indirect Expenses & Capital Expenditures	% Statutory Indirect to Total Statutory	Statutory Direct Spend per Spend on Indirect
NERC	\$ 54,714,887	\$ 30,571,766	\$ 24,143,121	44.13%	\$ 1.27
FRCC	5,864,298	5,249,163	615,135	10.49%	8.53
MRO	8,574,820	5,185,929	3,388,891	39.52%	1.53
NPCC	11,275,494	7,240,821	4,034,673	35.78%	1.79
RFC	17,545,584	11,493,152	6,052,432	34.50%	1.90
SERC	15,880,967	9,677,541	6,203,426	39.06%	1.56
SPP RE	9,681,482	4,568,970	5,112,512	52.81%	0.89
Texas RE	9,536,748	6,400,635	3,136,113	32.88%	2.04
WECC	66,511,396	52,124,780	14,386,616	21.63%	3.62
TOTAL/Average	\$ 199,585,676	\$ 132,512,757	\$ 67,072,919	33.61%	\$ 1.98

2013 BUDGET SPEND					
	Total Statutory Expenses & Capital Expenditures	Total Statutory Direct Expenses & Capital Expenditures	Total Statutory Indirect Expenses & Capital Expenditures	% Statutory Indirect to Total Statutory	Statutory Direct Spend per Spend on Indirect
NERC	\$ 54,286,255	\$ 30,909,400	\$ 23,376,855	43.06%	\$ 1.32
FRCC	\$ 6,531,782	\$ 5,861,218	\$ 670,564	10.27%	8.74
MRO	\$ 9,283,539	\$ 5,558,189	\$ 3,725,350	40.13%	1.49
NPCC	\$ 13,879,226	\$ 8,969,958	\$ 4,909,268	35.37%	1.83
RFC	\$ 17,426,838	\$ 12,443,206	\$ 4,983,632	28.60%	2.50
SERC	\$ 15,907,603	\$ 10,433,393	\$ 5,474,210	34.41%	1.91
SPP RE	\$ 11,514,817	\$ 6,064,830	\$ 5,449,987	47.33%	1.11
Texas RE	\$ 10,935,780	\$ 7,916,802	\$ 3,018,978	27.61%	2.62
WECC	\$ 51,025,093	\$ 38,697,715	\$ 12,327,378	24.16%	3.14
TOTAL/Average	\$ 190,790,933	\$ 126,854,711	\$ 63,936,222	33.51%	\$ 1.98

2013 ACTUAL FTEs					
	Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
NERC	174.75	120.86	53.89	30.84%	2.24
FRCC	28.99	25.92	3.07	10.59%	8.44
MRO	37.91	28.51	9.40	24.80%	3.03
NPCC	35.22	26.22	9.00	25.55%	2.91
RFC	69.80	53.70	16.10	23.07%	3.34
SERC	69.89	51.06	18.83	26.94%	2.71
SPP RE	30.00	25.80	4.20	14.00%	6.14
Texas RE	56.15	43.50	12.65	22.53%	3.44
WECC	227.81	177.57	50.24	22.05%	3.53
TOTAL/Average	730.52	553.14	177.38	24.28%	3.12

2013 BUDGET FTEs					
	Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
NERC	186.25	133.50	52.75	28.32%	2.53
FRCC	30.12	26.37	3.75	12.45%	7.03
MRO	37.75	27.75	10.00	26.49%	2.78
NPCC	35.86	26.86	9.00	25.10%	2.98
RFC	73.00	57.20	15.80	21.64%	3.62
SERC	77.45	57.52	19.93	25.73%	2.89
SPP RE	34.50	31.25	3.25	9.42%	9.62
Texas RE	60.00	49.25	10.75	17.92%	4.58
WECC	216.30	160.10	56.20	25.98%	2.85
TOTAL/Average	751.23	569.80	181.43	24.15%	3.14

2013 ACTUAL SPEND per FTE				
	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Spend per Total FTE
NERC	\$ 313,104	\$ 252,952	\$ 448,007	\$ 138,158
FRCC	202,287	202,514	200,370	21,219
MRO	226,189	181,899	360,520	89,393
NPCC	320,145	276,156	448,297	114,556
RFC	251,369	214,025	375,927	86,711
SERC	227,228	189,533	329,444	88,760
SPP RE	322,716	177,092	1,217,265	170,417
Texas RE	169,844	147,141	247,914	55,852
WECC	291,960	293,545	286,358	63,152
TOTAL/Average	\$ 273,210	\$ 239,565	\$ 378,131	\$ 91,815

2013 BUDGETED SPEND per FTE				
	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Spend per Total FTE
NERC	\$ 291,470	\$ 231,531	\$ 443,163	\$ 125,513
FRCC	216,859	222,268	178,817	22,263
MRO	245,922	200,295	372,535	98,685
NPCC	387,039	333,952	545,474	136,901
RFC	238,724	217,539	315,420	68,269
SERC	205,392	181,387	274,672	70,681
SPP RE	333,763	194,075	1,676,919	157,971
Texas RE	182,263	160,747	280,835	50,316
WECC	235,900	241,710	219,348	56,992
TOTAL/Average	\$ 253,971	\$ 222,630	\$ 352,402	\$ 85,109

The accompanying narrative in this filing is essential to understanding the financial information on this schedule

Analysis of Administrative (Indirect) Costs  
2011, 2012 and 2013 Actual

	2011 ACTUAL SPEND					2012 ACTUAL SPEND					2013 ACTUAL SPEND				
	Total Statutory Expenses & Capital Expenditures	Total Statutory Direct Expenses & Capital Expenditures	Total Statutory Indirect Expenses & Capital Expenditures	% Statutory Indirect to Total Statutory	Statutory Direct Spend per Spend on Indirect	Total Statutory Expenses & Capital Expenditures	Total Statutory Direct Expenses & Capital Expenditures	Total Statutory Indirect Expenses & Capital Expenditures	% Statutory Indirect to Total Statutory	Statutory Direct Spend per Spend on Indirect	Total Statutory Expenses & Capital Expenditures	Total Statutory Direct Expenses & Capital Expenditures	Total Statutory Indirect Expenses & Capital Expenditures	% Statutory Indirect to Total Statutory	Statutory Direct Spend per Spend on Indirect
NERC	\$ 51,331,461	\$ 29,699,184	\$ 21,632,277	42.14%	\$ 1.37	\$ 51,200,212	\$ 30,071,355	\$ 21,128,857	41.27%	\$ 1.42	\$ 54,714,887	\$ 30,571,766	\$ 24,143,121	44.13%	\$ 1.27
FRCC	5,177,020	4,476,298	700,722	13.54%	6.39	5,519,156	4,918,683	600,473	10.88%	8.19	5,864,298	5,249,163	615,135	10.49%	8.53
MRO	7,385,721	4,593,792	2,791,929	37.80%	1.65	8,819,027	4,607,445	4,211,582	47.76%	1.09	8,574,820	5,185,929	3,388,891	39.52%	1.53
NPCC	11,754,576	9,256,662	2,497,914	21.25%	3.71	12,916,639	10,619,055	2,297,584	17.79%	4.62	11,275,494	7,240,821	4,034,673	35.78%	1.79
RFC	15,158,286	10,361,567	4,796,719	31.64%	2.16	16,014,703	10,712,245	5,302,458	33.11%	2.02	17,545,584	11,493,152	6,052,432	34.50%	1.90
SERC	11,438,066	7,155,166	4,282,900	37.44%	1.67	13,271,927	8,658,435	4,613,492	34.76%	1.88	15,880,967	9,677,541	6,203,426	39.06%	1.56
SPP RE	8,397,845	4,116,846	4,280,999	50.98%	0.96	9,552,118	4,400,658	5,151,460	53.93%	0.85	9,681,482	4,568,970	5,112,512	52.81%	0.89
Texas RE	8,179,402	5,289,369	2,890,033	35.33%	1.83	9,031,959	5,991,084	3,040,875	33.67%	1.97	9,536,748	6,400,635	3,136,113	32.88%	2.04
WECC	57,554,596	46,643,617	10,910,979	18.96%	4.27	62,137,704	51,286,671	10,851,033	17.46%	4.73	66,511,396	52,124,780	14,386,616	21.63%	3.62
TOTAL/Average	\$ 176,376,973	\$ 121,592,501	\$ 54,784,472	31.06%	\$ 2.22	\$ 188,463,445	\$ 131,265,631	\$ 57,197,814	30.35%	\$ 2.29	\$ 199,585,676	\$ 132,512,757	\$ 67,072,919	33.61%	\$ 1.98
3-Year Average														31.72%	\$ 2.15

	2011 ACTUAL FTEs					2012 ACTUAL FTEs					2013 ACTUAL FTEs				
	Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs	Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs	Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
NERC	140.25	101.04	39.21	27.96%	2.58	167.83	116.03	51.80	30.86%	2.24	174.75	120.86	53.89	30.84%	2.24
FRCC	25.48	21.15	4.33	16.99%	4.88	25.42	21.22	4.20	16.52%	5.05	28.99	25.92	3.07	10.59%	8.44
MRO	32.97	24.47	8.50	25.78%	2.88	35.44	25.14	10.30	29.06%	2.44	37.91	28.51	9.40	24.80%	3.03
NPCC	29.83	23.08	6.75	22.63%	3.42	33.34	25.42	7.92	23.76%	3.21	35.22	26.22	9.00	25.55%	2.91
RFC	62.05	48.77	13.28	21.40%	3.67	65.46	49.58	15.88	24.26%	3.12	69.80	53.70	16.10	23.07%	3.34
SERC	56.70	43.95	12.75	22.49%	3.45	68.70	52.95	15.75	22.93%	3.36	69.89	51.06	18.83	26.94%	2.71
SPP RE	26.38	22.51	3.87	14.67%	5.82	29.77	26.27	3.50	11.76%	7.51	30.00	25.80	4.20	14.00%	6.14
Texas RE	42.70	31.60	11.10	26.00%	2.85	51.29	38.79	12.50	24.37%	3.10	56.15	43.50	12.65	22.53%	3.44
WECC	188.70	146.80	41.90	22.20%	3.50	199.93	154.88	45.05	22.53%	3.44	227.81	177.57	50.24	22.05%	3.53
TOTAL/Average	605.06	463.37	141.69	23.42%	3.27	677.18	510.28	166.90	24.65%	3.06	730.52	553.14	177.38	24.28%	3.12
3-Year Average														24.14%	3.14

	2011 ACTUAL SPEND per FTE				2012 ACTUAL SPEND per FTE				2013 ACTUAL SPEND per FTE			
	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Spend per Total FTE	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Spend per Total FTE	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Spend per Total FTE
NERC	\$ 366,000	\$ 293,935	\$ 551,703	\$ 154,241	\$ 305,072	\$ 259,169	\$ 407,893	\$ 125,894	\$ 313,104	\$ 252,952	\$ 448,007	\$ 138,158
FRCC	203,180	211,645	161,830	27,501	217,119	231,795	142,970	23,622	202,287	202,514	200,370	21,219
MRO	224,013	187,732	328,462	84,681	248,844	183,271	408,891	118,837	226,189	181,899	360,520	89,393
NPCC	394,052	401,069	370,061	83,738	387,422	417,744	290,099	68,914	320,145	276,156	448,297	114,556
RFC	244,291	212,458	361,199	77,304	244,649	216,060	333,908	81,003	251,369	214,025	375,927	86,711
SERC	201,730	162,802	335,914	75,536	193,187	163,521	292,920	67,154	227,228	189,533	329,444	88,760
SPP RE	318,341	182,890	1,106,201	162,282	320,864	167,516	1,471,846	173,042	322,716	177,092	1,217,265	170,417
Texas RE	191,555	167,385	260,363	67,682	176,096	154,449	243,270	59,288	169,844	147,141	247,914	55,852
WECC	305,006	317,736	260,405	57,822	310,797	331,138	240,866	54,274	291,960	293,545	286,358	63,152
TOTAL/Average	\$ 291,503	\$ 262,409	\$ 386,650	\$ 90,544	\$ 278,306	\$ 257,242	\$ 342,707	\$ 84,465	\$ 273,210	\$ 239,565	\$ 378,131	\$ 91,815
3-Year Average									\$ 281,007	\$ 253,072	\$ 369,163	\$ 88,941

The accompanying narrative in this filing is essential to understanding the financial information on this schedule