

August 23, 2013

**VIA ELECTRONIC FILING**

Ms. Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: North American Electric Reliability Corporation  
Docket No. RR13-\_\_\_\_-000  
Request for Acceptance of 2014 Business Plans and Budgets of NERC and  
Regional Entities and for Approval of Proposed Assessments to Fund Budgets**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits this filing in accordance with 18 C.F.R. §39.4, requesting acceptance of the 2014 Business Plans and Budgets of NERC, the eight Regional Entities and the Western Interconnection Regional Advisory Body, and approval of the proposed assessments to fund the 2014 budgets. With this filing NERC is also submitting the proposed 2014 Business Plan and Budget of the Reliability Coordination Company.

NERC's filing consists of: (1) this transmittal letter, (2) the narrative text of this filing which follows this transmittal letter, and (3) Attachments 1 through 17, all of which are being transmitted in a single pdf file. Pages ii and iii in the Table of Contents to the narrative text list the 17 attachments.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Owen E. MacBride  
Owen E. MacBride

Attorney for North American Electric  
Reliability Corporation

---

**UNITED STATES OF AMERICA**  
**Before the**  
**FEDERAL ENERGY REGULATORY COMMISSION**

**NORTH AMERICAN ELECTRIC                     )**  
**RELIABILITY CORPORATION                 )**           **Docket No. RR13-\_\_-000**  
**)**

**REQUEST OF THE**  
**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**  
**FOR ACCEPTANCE OF ITS 2014 BUSINESS PLAN AND BUDGET AND**  
**THE 2014 BUSINESS PLANS AND BUDGETS OF REGIONAL ENTITIES**  
**AND FOR APPROVAL OF PROPOSED ASSESSMENTS TO FUND BUDGETS**

Gerald W. Cauley  
President and Chief Executive Officer  
Michael Walker  
Senior Vice President and Chief  
Financial and Administrative Officer  
North American Electric Reliability  
Corporation  
3353 Peachtree Road  
Suite 600, North Tower  
Atlanta, GA 30326  
(404) 446-2560  
(609) 467-0474 – facsimile

Charles A. Berardesco  
Senior Vice President and General Counsel  
Rebecca J. Michael  
Associate General Counsel for Corporate  
and Regulatory Matters  
North American Electric Reliability Corporation  
1325 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 400-3000  
(202) 644-8099 – facsimile  
[charles.berardesco@nerc.net](mailto:charles.berardesco@nerc.net)  
[rebecca.michael@nerc.net](mailto:rebecca.michael@nerc.net)

Owen E. MacBride  
Schiff Hardin LLP  
233 South Wacker Drive, Suite 6600  
Chicago, IL 60606  
(312) 258-5680  
(312) 258-5700 – facsimile  
[omacbride@schiffhardin.com](mailto:omacbride@schiffhardin.com)

August 23, 2013

---

I.	INTRODUCTION .....	1
II.	NOTICES AND COMMUNICATIONS.....	3
III.	OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS.....	4
A.	NERC’s Proposed Business Plan, Budget and Funding Requirement.....	4
1.	Organization of NERC’s 2014 Business Plan and Budget.....	4
2.	Development of the 2014 Business Plans and Budgets.....	16
3.	Summary of NERC’s Proposed 2014 Budget and Funding Requirement.....	19
B.	Regional Entity Proposed 2014 Business Plans and Budgets.....	24
C.	Western Interconnection Regional Advisory Board Funding Request...	31
D.	Allocation of Statutory Assessments by Country, Regional Footprint and LSE.....	32
E.	Provision for Working Capital Reserve.....	37
F.	Budget Projections for 2015 and 2016.....	39
IV.	DISCUSSION OF NERC BUSINESS PLAN AND BUDGET.....	40
A.	2014 Business Plans and Budgets by Program.....	40
1.	Reliability Standards Program.....	40
2.	Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	43
a.	Compliance Operations.....	43
b.	Compliance Enforcement.....	45
3.	Reliability Assessment and Performance Analysis Program.....	47
4.	Reliability Risk Management.....	50
a.	Situation Awareness.....	50
b.	Event Analysis.....	52
5.	Critical Infrastructure Protection.....	53
6.	Training, Education, and Operator Certification Program.....	56
7.	Administrative Services.....	58
B.	Working Capital and Operating Reserves.....	65
C.	Plan to Finance Certain Capital Expenditures.....	67
V.	REGIONAL ENTITY BUSINESS PLANS AND BUDGETS.....	68
A.	Consistency Among Regional Entity Budgets.....	68

B.	Discussion of Individual Regional Entity Business Plans and Budgets...	74
1.	FRCC .....	74
2.	MRO .....	76
3.	NPCC .....	78
4.	Reliability <i>First</i> .....	81
5.	SERC.....	83
6.	SPP RE.....	86
7.	Texas RE.....	89
8.	WECC and RCCo .....	91
a.	WECC – RCCo Separation.....	91
b.	WECC 2014 Business Plan and Budget.....	93
c.	RCCo 2014 Business Plan and Budget.....	97
d.	Assessment Collection and Distribution.....	100
e.	Possible Action by the AESO.....	101
C.	Metrics Related to Regional Entity Budgets.....	101
VI.	STATUS REPORT ON PROGRESS IN PROCESSING ALLEGED VIOLATIONS OF RELIABILITY STANDARDS.....	102
VII.	CONCLUSION.....	104

**ATTACHMENTS**

**Attachment 1:** Summary tables showing NERC’s proposed 2014 budget; the proposed 2014 budget for statutory activities of each Regional Entity; and the 2014 U.S. ERO statutory assessments of NERC and the Regional Entities.

**Attachment 2:** NERC’s Proposed 2014 Business Plan and Budget

**Attachment 3:** Florida Reliability Coordinating Council Proposed 2014 Business Plan and Budget

**Attachment 4:** Midwest Reliability Organization Proposed 2014 Business Plan and Budget

**Attachment 5:** Northeast Power Coordinating Council, Inc. Proposed 2014 Business Plan and Budget

**Attachment 6:** Reliability*First* Corporation Proposed 2014 Business Plan and Budget

**Attachment 7:** SERC Reliability Corporation Proposed 2014 Business Plan and Budget

**Attachment 8:** Southwest Power Pool Regional Entity Proposed 2014 Business Plan and Budget

**Attachment 9:** Texas Reliability Entity Proposed 2014 Business Plan and Budget

**Attachment 10:** Western Electricity Coordinating Council Proposed 2014 Business Plan and Budget

**Attachment 11:** RCCo Proposed 2014 Business Plan and Budget

**Attachment 12:** Western Interconnection Regional Advisory Body Proposed 2014 Business Plan and Budget

**Attachment 13:** Discussion of Comments Received During Development of NERC's 2014 Business Plan and Budget.

**Attachment 14:** Calculation of Adjustments to the AESO 2014 NERC Assessment, the IESO 2014 NERC Assessment, the New Brunswick 2014 Assessment and the Québec 2014 NERC Assessment.

**Attachment 15:** Status Report on the Achievement of NERC's 2013 Goals

**Attachment 16:** Metrics Comparing Regional Entity Operations Based on the 2014 Budgets

**Attachment 17:** Metrics on NERC and Regional Entity Administrative (Indirect) Costs Based on the 2013 and 2014 Budgets

## I. INTRODUCTION

In accordance with 18 C.F.R. §39.4, the North American Electric Reliability Corporation (NERC) submits for the Commission's acceptance and approval:

- (1) NERC's proposed Business Plan and Budget as the electric reliability organization (ERO), for the year ending December 31, 2014;
- (2) the proposed Business Plans and Budgets for the year ending December 31, 2014, for the eight Regional Entities: (i) Florida Reliability Coordinating Council (FRCC), (ii) Midwest Reliability Organization (MRO), (iii) Northeast Power Coordinating Council, Inc. (NPCC), (iv) ReliabilityFirst Corporation (ReliabilityFirst), (v) SERC Reliability Corporation (SERC), (vi) Southwest Power Pool Regional Entity (SPP RE), (vii) Texas Reliability Entity (Texas RE), and (viii) Western Electricity Coordinating Council (WECC);
- (3) the proposed budget of the Western Interconnection Regional Advisory Body (WIRAB) for activities under Section 215(j) of the Federal Power Act (FPA) for the year ending December 31, 2014;
- (4) the proposed Business Plan and Budget for the year ending December 31, 2014, for the Reliability Coordination Company ("RCCo"), which is proposed to take over the Reliability Coordinator and Interchange Authority reliability functions in the Western Interconnection from WECC effective January 1, 2014;<sup>1</sup> and
- (5) NERC's proposed allocation of the proposed ERO statutory assessment of NERC, the Regional Entities, RCCo and WIRAB by country and among the Regional footprints, and the proposed assessments to the load-serving entities (LSE) within each Region to collect the allocated statutory funding requirements.

This filing includes the following attachments:

**Attachment 1** is a set of summary tables showing (i) NERC's proposed 2014 budget by program, (ii) the proposed 2014 budget for statutory activities of each Regional Entity, and (iii) the aggregate ERO statutory assessment of NERC and the Regional Entities allocated to the U.S., for which approval is requested.

**Attachment 2** contains NERC's detailed 2014 Business Plan and Budget and the allocation of assessments by Region and LSE to recover the resulting statutory funding requirements for 2014 (as well as the assessments to recover the statutory funding requirements of the Regional Entities, WIRAB and RCCo).

**Attachments 3 through 12** contain the detailed 2014 Business Plans and Budgets of,

---

<sup>1</sup> See *Western Electricity Coordinating Council, Order on Petition for Declaratory Order*, 143 FERC ¶ 61,239 (2013), and §V.B.8 below.

respectively, FRCC, MRO, NPCC, ReliabilityFirst, SERC, SPP RE, Texas RE, WECC, RCCo and WIRAB.

**Attachment 13** contains a discussion of how comments submitted by interested entities on posted drafts of NERC's 2014 Business Plan and Budget during the budgeting process were addressed in developing the final 2014 Business Plan and Budget.

**Attachment 14** contains the calculation of the adjustment to the Alberta Electric System Operator (AESO) 2014 NERC assessment, the adjustment to the Ontario Independent Electric System Operator (IESO) 2014 NERC assessment, the adjustment to the New Brunswick 2014 NERC assessment, and the adjustment to the Québec 2014 NERC assessment, for credits for certain NERC Compliance Program and Event Analysis and Situation Awareness Program costs.<sup>2</sup>

**Attachment 15** is a status report on progress in achieving NERC's 2013 goals.

**Attachment 16** provides metrics, based on the 2014 budgets, comparing Regional Entity operations.

**Attachment 17** contains metrics, based on the 2013 and 2014 budgets, on NERC and Regional Entity administrative (indirect) costs.

The Commission's regulations require the ERO to file its proposed entire annual budget for statutory and non-statutory activities with the Commission 130 days before the beginning of the ERO's fiscal year. NERC's 2014 fiscal year will begin January 1, 2014. The filing must also contain the entire annual budget of each Regional Entity for statutory and non-statutory activities and include supporting materials, including the ERO's and each Regional Entity's complete business plan and organization chart, and explanation of the proposed collection of all dues, fees and charges and the proposed expenditure of funds collected. 18 C.F.R. §39.4(b). The information required by 18 C.F.R. §39.4(b) is included in this filing. In accordance with 18 C.F.R. §39.4(c), NERC requests issuance of an order by November 2, 2013, accepting the proposed Business Plans and Budgets, and approving the proposed assessments, submitted in this

---

<sup>2</sup> NERC has been informed that the New Brunswick System Operator (NBSO) will cease operations on or about October 1, 2013, and that NBSO's functions will be taken over by the New Brunswick Energy and Utilities Board and New Brunswick Power Corporation (NBPC).

filing.<sup>3</sup> Entry of the Commission's order by November 2, 2013 will enable billings to be issued to the LSEs or their designees for assessments with initial payment dates commencing on or about January 1, 2014, to support the activities of NERC, the Regional Entities, WIRAB and RCCo.

## II. NOTICES AND COMMUNICATIONS

Notices and communications concerning this filing may be addressed to:

Gerald W. Cauley  
President and Chief Executive Officer  
Michael Walker  
Senior Vice President and Chief  
Financial and Administrative Officer  
North American Electric Reliability  
Corporation  
3353 Peachtree Road  
Suite 600, North Tower  
Atlanta, GA 30326  
(404) 446-2560  
(609) 467-0474 – facsimile

Charles A. Berardesco\*  
Senior Vice President and General Counsel  
Rebecca J. Michael\*  
Associate General Counsel for Corporate  
and Regulatory Matters  
North American Electric Reliability Corporation  
1325 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 400-3000  
(202) 644-8099 – facsimile  
[charles.berardesco@nerc.net](mailto:charles.berardesco@nerc.net)  
[rebecca.michael@nerc.net](mailto:rebecca.michael@nerc.net)

Owen E. MacBride\*  
Schiff Hardin LLP  
233 South Wacker Drive, Suite 6600  
Chicago, IL 60606  
(312) 258-5680  
(312) 258-5700 – facsimile  
[omacbride@schiffhardin.com](mailto:omacbride@schiffhardin.com)

\* Persons to be included on the Commission's official service list. NERC requests waiver of the limitation to two persons on the service list in order to include a third person.

---

<sup>3</sup>18 C.F.R. §39.4(c) states: "The Commission, after public notice and opportunity for hearing, shall issue an order either accepting, rejecting, remanding or modifying the proposed Electric Reliability Organization budget and business plan no later than sixty (60) days in advance of the beginning of the Electric Reliability Organization's fiscal year." For reference, NERC notes that the Commission conditionally approved NERC's budget and funding requirement and the budgets and funding requirements of the Regional Entities and WIRAB for 2007 through 2013 in the following orders: (i) 2007: *North American Electric Reliability Corp.*, 117 FERC ¶ 61,091 (2006), *order on reh'g and establishing technical conference*, 118 FERC ¶ 61,111, *order on reh'g*, 119 FERC ¶ 61,059 (2007); (ii) 2008: *North American Electric Reliability Corp.*, 121 FERC ¶ 61,057 (2007) (*2008 Budget Order*); (iii) 2009: *North American Electric Reliability Corp.*, 125 FERC ¶ 61,056 (2008) (*2009 Budget Order*) and *North American Electric Reliability Corp.*, 128 FERC ¶ 61,025 (2009) (*July 16, 2009 Budget Compliance Order*); (iv) 2010: *North American Electric Reliability Corp.*, 129 FERC ¶ 61,040 (2009); (v) 2011: *North American Electric Reliability Corp.*, 133 FERC ¶ 61,062 (2010) (*2011 Budget Order*); (vi) 2012: *North American Electric Reliability Corp.*, 137 FERC ¶ 61,071 (2011) (*2012 Budget Order*); 2013: *North American Electric Reliability Corp.*, 141 FERC ¶ 61,086 (2012) (*2013 Budget Order*).



### **III. OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS**

#### **A. NERC's Proposed Business Plan, Budget and Funding Requirement**

##### **1. Organization of NERC's 2014 Business Plan and Budget**

In this filing NERC seeks acceptance of its 2014 Business Plan and Budget. NERC's 2014 Business Plan and Budget is organized based on its statutory program areas:

- Reliability Standards
- Compliance Monitoring and Enforcement and Organization Registration and Certification; this program is comprised of two departments:
  - Compliance Operations Department
  - Compliance Enforcement Department
- Reliability Assessment and Performance Analysis
- Reliability Risk Management; this program is comprised of two departments:
  - Situation Awareness Department
  - Event Analysis Department
- Critical Infrastructure Protection, which is comprised of:
  - Critical Infrastructure Department
  - Electricity Sector Information Sharing and Analysis Center (ES-ISAC)
- Training, Education, and Operator Certification

Each of these program areas carries out or supports implementation of one or more of the statutory activities of the ERO as specified in §215 of the FPA and the Commission's regulations and orders. In accordance with the *2013 Budget Order* and the Commission's Order issued April 18, 2013 on NERC's proposed FPA §215 criteria,<sup>4</sup> Exhibit B to the 2014 Business Plan and Budget (**Attachment 2**) describes how the major activities in the 2014 Business Plan and Budget

---

<sup>4</sup> *2013 Budget Order* at PP 30-31; *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013) at PP 14-16, 30-31.

meet the Commission-approved criteria for determining whether a reliability activity is eligible to be funded under FPA §215. More detailed explanations of the functions and activities performed by each of these programs is provided at pages 10-13 of **Attachment 2** as well as in the individual subsections of Section A of **Attachment 2** where the detailed plans, objectives and activities for each program in 2014, and its 2014 budget, are discussed.

NERC's statutory, or "direct," programs are supported by its Administrative Services, or "indirect," programs: Technical Committees and Member Forums,<sup>5</sup> General and Administrative, Legal and Regulatory, Information Technology (IT), Human Resources (HR), and Finance and Accounting. The functions and activities of each Administrative Services program are described in the individual sections on each indirect program, and in Exhibit B, to **Attachment 2**.

In its 2014 Business Plan and Budget, NERC has continued to provide increased granularity in the presentation of its planned activities and budgeted expenditures.

- NERC has previously presented individual budgets and related descriptions of functions, goals and objectives, resource requirements, and sources of variances from the previous year's budget, for five statutory programs. In the 2013 Business Plan and Budget, NERC disaggregated its presentation to provide individual budgets and the related supporting information for a total of eight statutory programs or departments, as listed above. NERC is continuing this more granular presentation in its 2014 Business Plan and Budget with additional, separate business plan and budget information provided for the ES-ISAC.
- As was done in the 2013 Business Plan and Budget, in Section A of its 2014 Business Plan and Budget (**Attachment 2**), NERC has provided a more detailed discussion of each program's or department's 2014 goals and deliverables (objectives), as well as additional detail concerning the Consultants & Contracts expenses budgeted for the program or department. Several major initiatives driven by regulatory directives that will require contractor or consultant resources in 2014 are described at pages 18-19 of **Attachment 2**.
- Also as was done in the 2013 Business Plan and Budget, in Exhibit C of the 2014 Business Plan and Budget (**Attachment 2**), NERC has provided detailed information

---

<sup>5</sup> No activities are planned and no budget is requested for Technical Committees and Member Forums in 2014.

on the activities and projects within each of the statutory programs and functions and Administrative Services departments for which Consultants & Contracts expense is budgeted.

- The 2014 Business Plan and Budget provides detailed discussions of proposed software application development projects and other infrastructure projects planned for 2014. These projects are described at pages 21-22 of **Attachment 2**; in the sections on the Compliance Operations Department, the Reliability Assessment and Performance Analysis program, the Event Analysis Department, and the ES-ISAC (pages 38, 58-59, 68, and 75-76, respectively); and in the section on the IT department's 2014 budget (pages 96-99 of **Attachment 2**).
- In Exhibit D of the 2014 Business Plan and Budget (**Attachment 2**), NERC has provided detailed information on its capital financing program through which NERC would finance the development cost of certain software applications and hardware and amortize the recovery of the principal and interest payments through its budgets and assessments over several years, rather than including the entire cost of the projects in the current year assessments.
- In Exhibit E of the 2014 Business Plan and Budget, NERC provides a discussion of its working capital and operating reserves requirements, in accordance with its Working Capital and Operating Reserve Policy that was adopted in 2012.
- In its General and Administrative budget, NERC has separately identified the amounts budgeted for Board of Trustees expenses (costs of quarterly Board, Board committee and Member Representatives Committee (MRC) meetings, Trustee Travel expenses, Trustee fees, and Trustee search fees. *See* page 87 of **Attachment 2**.<sup>6</sup>
- In its Information Technology budget, NERC has provided detailed descriptions of both the Operating Expenses (budgeted as Office Costs), such as Telephone, Internet, Computer Supplies, Computer hardware and software maintenance costs and service agreements, and, as noted earlier, the software development costs included in its planned capital financing program. This more detailed presentation is responsive to stakeholder comments that greater budget granularity should be provided with respect to IT projects included in NERC's budget.
- At page 87 and in Table B-9 of its 2014 Business Plan and Budget (**Attachment 2**), NERC has provided budgeted 2014 amounts for miscellaneous expenses, employee rewards and recognition expenses, community responsibility and employee engagement expenses, and year-end holiday expenses.<sup>7</sup>

---

<sup>6</sup> This presentation addresses agreed Recommendations 4 (with Board of Trustees meetings defined as a "major activity") and 30 in the Settlement Agreement for the Commission's 2011 financial performance audit of NERC.

<sup>7</sup> This presentation addresses agreed Recommendations 22 from the Commission's 2011 financial performance audit of NERC.

The information required by 18 C.F.R. §39.4(b) is contained in NERC's 2013 Business Plan and Budget, **Attachment 2** to this filing. The initial section of the document, About NERC, provides an overview of NERC's organization, membership and governance, scope of responsibilities, delegated authorities to Regional Entities, and statutory and regulatory background and funding.

The Introduction and Executive Summary summarizes NERC's total resource requirements for 2014 including total full-time equivalent employees (FTEs) in statutory programs and administrative functions, statutory expenses, and required ERO funding assessments. It shows the distribution of the total net energy for load (NEL) among the U.S., Canada and Mexico to be used for allocating the ERO funding requirement among the three countries. It also highlights NERC's strategic goals and objectives for 2014, major ongoing activities, and 2014 key business planning assumptions.<sup>8</sup> Finally, it provides an overview of NERC's funding and resource requirements for 2014, analyzed based on the budgeted costs of ongoing operations and the budgeted costs for new or incremental initiatives and activities.

NERC's 2014 strategic goals and objectives to carry out its statutory mission, as identified in the Introduction and Executive Summary of the 2014 Business Plan and Budget, include:<sup>9</sup>

- Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner.
- Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

---

<sup>8</sup> A detailed statement of the 2014-2016 Shared Business Plan and Budget Assumptions developed and used by NERC and the Regional Entities in developing their 2014 Business Plans and Budgets and 2015 and 2016 budget projections is provided in Exhibit A to **Attachment 2**.

<sup>9</sup> A complete statement of the 2014 strategic goals and objectives is found at pages 7-10 of **Attachment 2**.

- Promote a culture of compliance which is driven by a culture of reliability excellence addressing reliability risks across the industry, through working with industry to identify standards, procedures, practices and controls to address reliability risks.
- Identify the most significant risks to reliability – identify and prioritize reliability risks, facilitate effective solutions, and monitor results.
- Be accountable for mitigating reliability risks, through working with industry stakeholders and experts to ensure the mitigation of known risks to reliability.
- Promote a culture of reliability excellence, by facilitating a learning environment throughout the industry through event causal analysis, communication of lessons learned, tracking of recommendations, and implementation of best practices.
- Improve transparency, quality and consistency of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness.

The 2014 strategic goals and objectives were developed through NERC's business planning process involving NERC and Regional Entity senior management, the NERC Finance and Audit Committee and full Board, and stakeholder comments and input.

The Introduction and Executive Summary of the 2014 Business Plan and Budget also identifies the ongoing and new major activities planned for 2014 in each of NERC's principal strategic areas, including standards; compliance, registration and certification; and risks to reliability (*see* pages 10-13 of **Attachment 2**).

The Introduction and Executive Summary provides an overview of the resource requirements and other factors driving NERC's proposed 2014 Budget. NERC is proposing an overall 2014 increase of \$2,103,842 (3.9%) over the 2013 Budget. The proposed increases in NERC's budget for 2014 for incremental 2014 activities and initiatives, representing a \$2,904,440, or 5.4%, increase from the 2013 budget, is offset by decreases in the costs to maintain current operations, representing a \$800,600, or 1.2%, decrease from the 2013 budget. The Introduction and Executive Summary summarizes the principal additional activities and

initiatives planned for 2014 and the associated resource needs and incremental funding requirements.

NERC's 2014 resource and funding requirements reflect a variety of steps that have been taken to control costs and increase the efficiency of NERC's operations, including but not limited to:

- Establishing a formal Working Capital and Operating Reserves Policy and controls.
- Implementing policies and controls regarding expenditures of funds approved for specific purposes on unbudgeted activities.
- Increasing the detail and granularity of variance reporting, both monthly for operational purposes and quarterly for review with the NERC Finance and Audit Committee (FAC), as well as in quarterly public postings and quarterly and annual Commission filings.
- Retaining a consulting firm to conduct a comprehensive review of employee compensation and benefits and implementing revised policies governing compensation and benefits.
- Retaining a consulting firm to review Board compensation.
- Implementing an ongoing, top to bottom review of the entire organization to determine the particular skills and competencies required to perform the tasks of each position.
- Significantly reducing the employer-cost component of employee benefits.<sup>10</sup>
- Implementing average salary increases below per group averages.<sup>11</sup>
- Implementing a workforce management system to track employee time by major activity.
- Developing additional policies and controls governing employee travel expenses.

---

<sup>10</sup> NERC has reduced the employer-cost component of health and medical benefits through such actions as increasing the employee share of premiums and increasing deductibles and co-pay. Nevertheless, overall health and medical Benefits Expense is increasing significantly based on increases in the overall premiums charged by third-party insurers in the run-up to implementation of the new health care legislation. NERC believes that many employers are seeing similar increases in premiums for 2014.

<sup>11</sup> Based on information from NERC's compensation consultants, the percentage salary increases built into the 2014 Business Plan and Budget are below average for industry peer group companies; however, overall, budgeted Salaries Expense for 2014 is higher than in the 2013 Budget, due in significant part to the addition of personnel, the addition of more senior staff during 2013 and the need to pay higher compensation to attract new employees to fill vacant positions.

- Strengthening NERC's resource capabilities for Regional Entity oversight.
- Establishing a risk management and internal controls framework and hiring experienced personnel to implement it.
- Eliminating funding of non-core activities.
- Improving coordination and decision-making with the Regional Entities.

The Introduction and Executive Summary provides tables showing (1) the 2013 Budget, 2013 Projection,<sup>12</sup> 2014 Budget, and variance from the 2013 Budget to the 2014 Budget, for each of the statutory programs and in total; and (2) the FTEs per the 2013 Budget, 2013 Projection and 2014 Budget, for each of the statutory programs and Administrative Services programs. The Introduction and Executive Summary presents NERC's overall Statement of Activities, Fixed Asset Expenditures and Changes in Working Capital (Statement of Activities), with information from the approved 2013 Budget, the 2013 Projection, and proposed 2014 Budget, reflecting the proposed overall increase of \$2,103,842, or 3.9%, over the 2013 Budget.

NERC's proposed statutory assessment to LSEs is \$51,401,382, which is \$3,797,226, or 8.0%, higher than the 2013 statutory assessments, and which takes into account (1) NERC's budgeted non-assessment Funding sources in 2013 and 2014 (which in the 2014 Budget consist of \$290,000 of Penalty payments, \$50,000 of revenues from Services & Software, \$1,620,000 of Testing Fees, \$354,000 in attendance fees for Workshops, and \$20,000 in Interest, and in the aggregate are \$2,314,500 lower than in the 2013 Budget), and (2) the proceeds from capital financing activities which, net of debt amortization, is \$993,990. The variability of NERC's non-assessment funding, particularly Penalty payments, from year to year continues to be a

---

<sup>12</sup> The 2013 Projections are NERC's (and the Regional Entities') June 2013 projections of 2013 financial results.

significant factor in the variability of NERC's annual statutory assessment amounts.<sup>13</sup> For example, although the proposed 2014 statutory assessment is 8.0% higher than the 2013 assessment, it is only \$740,110, or 1.5%, higher than the assessment approved in the 2012 Budget.

Finally, the Introduction and Executive Summary presents NERC's budget projections for 2015 and 2016 (*see* §III.F below for further discussion of the 2015-2016 budget projections).

Section A of **Attachment 2** is NERC's detailed 2014 Business Plan and Budget. It is designed to address the requirements of 18 C.F.R. §39.4(b), the Commission's Order certifying NERC as the ERO,<sup>14</sup> and applicable directives in subsequent Commission orders. Section A provides detailed program scope and functional descriptions, 2014 goals and deliverables, and explanations of increases in 2014 resource requirements by major component (*e.g.*, Personnel Expense, Consultants & Contracts Expense), for each of NERC's statutory programs (and departments for those statutory programs that are comprised of more than one department<sup>15</sup>) and Administrative Services functions. Section A includes a table at the start of the subsection on each statutory program or department and Administrative Services function showing total FTEs, total direct expenses, total indirect expenses,<sup>16</sup> other non-operating expenses, increase or decrease in Fixed Assets, and total budget for the statutory program (department) or

---

<sup>13</sup> The Penalty collections offset was \$2,512,500 in the 2013 Budget, but, as noted, is only \$290,000 in the 2014 Budget.

<sup>14</sup> *Order Certifying North American Electric Reliability Corporation as the Electric Reliability Corporation and Ordering Compliance Filing*, 116 FERC ¶ 61,062 (2006) (*ERO Certification Order*), at P 202.

<sup>15</sup> As noted earlier, the Compliance Monitoring and Enforcement and Organization Registration and Certification program is comprised of the Compliance Operations Department and the Compliance Enforcement Department, and the Reliability Risk Management program is comprised of the Situation Awareness Department and the Event Analysis and Investigation Department.

<sup>16</sup> Indirect expenses are the amount of Administrative Services expenditures that have been allocated to each of the statutory programs, on the basis of relative numbers of FTEs in each statutory program.



Administrative Services function for the 2014 Budget, with the comparable data from NERC's 2013 Budget and the increase or decrease from the 2013 Budget. A detailed Statement of Activities is also provided for each statutory program or department and administrative department. The Statements of Activities show funding and expense information from the 2013 Budget, the 2013 Projection and the 2014 Budget, as well as variances from the 2013 Budget to the 2013 Projection and from the 2013 Budget to the 2014 Budget.

In the Statements of Activities for each program or department, Funding is shown from the ERO Assessments and from other anticipated sources (Penalty Sanctions, Testing Fees, fees from Services & Software, fees from Workshop attendance, and Interest income).<sup>17</sup> Expenses are shown by the major categories (and sub-categories) of Personnel Expenses (Salaries, Payroll Taxes, Benefits, Retirement Costs), Meeting Expenses (Meetings, Travel, Conference Calls), Operating Expenses (Consultants & Contracts, Office Rent, Office Costs, Professional Services, Miscellaneous, Depreciation), and Other Non-Operating Expenses.<sup>18</sup> Finally, the Statements of Activities show Fixed Assets activity, comprised of Depreciation (an equal and offsetting amount to the Depreciation included in Operating Expenses<sup>19</sup>), Computer & Software Capital Expenditures (CapEx), Furniture & Fixtures CapEx, Equipment CapEx, and Leasehold Improvements.

---

<sup>17</sup> Some of these other sources of Funding are anticipated only for certain of the statutory programs. For example, income from Testing Fees is budgeted only for the Training, Education, and Operator Certification Program. Additionally, the template for the Statements of Activities includes line items for funding from Membership Dues and Miscellaneous sources. NERC has no funding budgeted from either of these sources, but some of the Regional Entities have funding budgeted from these sources.

<sup>18</sup> In NERC's 2014 Budget, Other Non-Operating Expenses are budgeted only in General and Administrative, to cover (i) property tax obligations in Atlanta, Georgia on the value of property and equipment in NERC's Atlanta office and data center, and (ii) anticipated interest expense that will be incurred in 2014 based on NERC's plan to finance the development costs of certain software applications and other infrastructure improvements. See Table B-10 in **Attachment 2** and §IV.C below.

<sup>19</sup> As a result of this offset, the Funding amounts do not include funding for Depreciation.

Section B of **Attachment 2** provides Supplemental Financial Information comprised of tables detailing the components of certain Funding and Expense categories and explanations of variances from the 2013 Budget, including analysis of the Working Capital and Operating Reserve balance<sup>20</sup> (Table B-1), Penalty Sanctions (Table B-2), Supplemental Funding (Table B-3), Personnel Expenses (Table B-4), Office Rent (Table B-6), Office Costs (Table B-7), Professional Services (Table B-8), Miscellaneous Expenses (Table B-9), and Other Non-Operating Expenses (Table B-10). As was the case in NERC's 2013 Business Plan and Budget, Table B-5, Consultants & Contracts Expenses, which was provided the business plans and budgets for years prior to 2013, has been replaced with a more detailed analysis of Consultants & Contracts Expense in Exhibit C to **Attachment 2**.

Section C, Non-Statutory Activity, of **Attachment 2** is reserved for presentation of business plan and budget information on non-statutory activities. This section is empty for NERC, because NERC does not engage in non-statutory activities, but in the business plans and budgets of those Regional Entities that have non-statutory activities, it includes business plan and budget information on their non-statutory activities.

Section D, Supplemental Financial Statements, of **Attachment 2** provides NERC's actual and projected Statements of Financial Position at December 31, 2012, 2013, 2014, 2015 and 2016. The data at December 31, 2012 is actual data per the independent financial audit of 2012 results;<sup>21</sup> the data at December 31, 2013 is based on NERC's 2013 year-end Projection (as of

---

<sup>20</sup> The format of Table B-1 provides more detailed information as was originally presented in the 2013 Business Plan and Budget based on NERC's Working Capital and Operating Reserve Policy adopted in 2012. See the discussion of the Working Capital and Operating Reserve in §IV.B below and in Exhibit E of **Attachment 2**.

<sup>21</sup> The audited financial statements of NERC and each Regional Entity for 2012 were filed with the Commission on May 30, 2013, in NERC's Report of Comparisons of Budgeted to Actual Costs for 2012 in Docket No. RR13-6-000 ("2012 Budget True-Up Report").

June 30, 2013); the data at December 31, 2014 is based on the detailed 2014 Budget; and the data at December 31, 2015 and 2016 is based on the 2015 and 2016 budget projections included in **Attachment 2**. In addition, Section D provides NERC's 2014 Consolidated Statement of Activities, showing its 2014 budgeted line-item Funding sources, Expenses, and Fixed Asset activity, in total and by statutory program and Administrative Services function, as well as the direct expenses and indirect expenses for each statutory program.

Exhibit A to **Attachment 2** contains the 2014-2016 Shared Business Planning and Budget Assumptions developed and used by NERC and the Regional Entities in preparing their 2014 Business Plans and Budgets.

Exhibit B to **Attachment 2** describes how the major activities included in the 2014 Business Plan and Budget for each of NERC's direct function programs and administrative services functions meet the NERC written criteria for eligibility for FPA §215 funding as approved by the Commission in its Order issued April 18, 2013 in Docket No. FA11-21-000.<sup>22</sup>

Exhibit C to **Attachment 2** contains a detailed list of NERC's budgeted 2014 Consultants & Contracts expenses, by program area and by major activity or project, including the changes from the 2013 Budget.

Exhibit D to **Attachment 2** describes NERC's plan to finance certain enterprise software projects. Exhibit D includes a projected annual principal and interest repayment schedule for the borrowings required to finance these projects, based on projected interest rates and loan structure terms.

Exhibit E to **Attachment 2** provides the budgeted 2014 amounts in each of the categories of working capital and operating reserves pursuant to NERC's Working Capital and Operating

---

<sup>22</sup> *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013).

Reserve Policy adopted in 2012. The policy provides for the separate budgeting and tracking of working capital and operating reserves.<sup>23</sup> Section IV.B below provides further discussion of the 2014 budgeted amounts for working capital and each category of operating reserves.

Appendix 1 to **Attachment 2** contains NERC's organization chart, as required by 18 C.F.R. §39.4(b).

Appendix 2 to **Attachment 2** contains the calculation of the NEL-based allocation factors for each LSE and designee and the allocation of the NERC, Regional Entity, RCCo and WIRAB statutory assessments, by allocation method, to each LSE and designee, for 2014.<sup>24</sup> Development of the assessments presented in the Appendices is discussed in more detail in §III.A.3 and III.D below.

The detailed information in the Introduction and Executive Summary and in Sections A and B and Exhibits A, B, C, D and E of **Attachment 2** demonstrates that the programs included in NERC's 2014 Business Plan and Budget are necessary and appropriate to carry out NERC's responsibilities as the ERO and that the specific resource requirements budgeted meet the Commission's objectives for affordability, sustainability and efficiency and effectiveness of the ERO's expenditures.<sup>25</sup> The discussion in the text and exhibits of **Attachment 2**, as well as in this narrative, demonstrates how the activities and expenditures included in NERC's 2014 Business Plan and Budget lend themselves to accomplishment of NERC's statutory

---

<sup>23</sup> The Working Capital and Operating Reserve Policy also sets forth guidelines and authorities regarding access to Working Capital and Operating Reserve funds and approvals for personnel additions in excess of budgeted staffing.

<sup>24</sup> The NEL-based allocation factors are calculated using NEL data for 2012, which is the most current actual NEL data available as of August 2013. As has been the case in allocating the NERC and Regional Entity statutory assessments by country and by Regional footprint and calculating the assessments to LSEs or their designees for prior years' budgets, the allocation and calculation of assessments for the 2014 Budget is based on actual NEL data for the second preceding calendar year, 2012.

<sup>25</sup> *ERO Certification Order*, P 202 (budget principle (5)).

responsibilities and objectives as the ERO.<sup>26</sup>

## 2. Development of the 2014 Business Plans and Budgets

NERC prepared its 2014 Business Plan and Budget (and worked with the Regional Entities in the development of their business plans and budgets) through a rigorous process that provided ample opportunity for review and input by the NERC Board FAC as well as by stakeholders. During the development process, successive versions of the 2014 Business Plans and Budgets were discussed in meetings and conference calls of the FAC and of the full NERC Board, in each case with opportunities for stakeholders to make comments.<sup>27</sup> The following list highlights important steps in the preparation of the NERC and Regional Entity 2014 Business Plans and Budgets:

- During the August 2012 MRC meeting, NERC's Chief Financial and Administrative Officer made a presentation providing a recap of the 2012 business plan and budget process and the proposed schedule for development of the 2013 business plans and budgets. At this same meeting, the MRC created an informal working group comprised of representative of the MRC to provide input during the development of the 2013 business plans and budgets.
- During February and March 2013, the NERC program areas initially provided input to the NERC Finance and Accounting department on their business plans and budget requirements for 2014; and in April 2013 input was obtained from the Regional Entities' staffs on their 2014 business plan and budget requirements.
- During the fourth quarter of 2012 and early first quarter of 2013, the ERO Executive Management Group (ERO EMG), comprised of NERC and Regional Entity senior management, met to review strategic goals and objectives for 2014.
- On February 1, 2013, a conference call of the FAC was held, which included a review of the schedule for preparing the 2014 Business Plans and Budgets.

---

<sup>26</sup> *ERO Certification Order*, P 202 (budget principle (2)).

<sup>27</sup> During the process of developing NERC's Business Plans and Budget, comments were received from stakeholders on posted drafts of the Business Plan and Budget. **Attachment 13** discusses how concerns stated in stakeholder comments were addressed in NERC's final 2014 Business Plan and Budget.

- On February 13, 2013, a draft of the ERO Enterprise 2013-2016 Strategic Plan was posted on the NERC website for a 28-day stakeholder comment period. Comments were received from a total of nine U.S. and Canadian entities or associations.
- Early in the first quarter of 2013, drafts of common business planning and budget assumptions for the 2014 Business Plans and Budgets were circulated for comment internally at NERC and among the Regional Entities.
- During February, March and April 2013, NERC and Regional Entity managements worked on developing the underlying assumptions and inputs into, and first drafts of, their 2014 Business Plans and Budgets.
- On April 11, 2013, NERC met with representatives of trade associations and the MRC Budget Input Group to provide a preliminary overview of its 2014 Business Plan and Budget.
- On April 12, 2013, a meeting of the FAC was held with NERC management to review personnel (staffing), contracts and consultants, and other inputs for the 2014 Business Plan and Budget.
- In mid-April 2013, the Regional Entities submitted preliminary drafts of their 2013 Business Plans and Budgets to NERC for review and feedback by the NERC program managers. These drafts were prepared using a common template that was essentially the same as the common template used for the 2011, 2012 and 2013 NERC and Regional Entity Business Plans and Budgets. NERC program managers reviewed the sections of the draft Regional Entity business plans and budgets relevant to the program manager's program area and, where necessary, provided feedback to their Regional Entity counterparts.
- On May 3, 2013, Draft #1 of the NERC 2013 Business Plan and Budget was posted on the NERC Website for stakeholder review and comment, and sent to the FAC. Notification of the posting (and of all subsequent postings) was sent by e-mail to a broad distribution list of interested persons and entities. One set of written stakeholder comments was received during this comment period.
- On May 3, 2013, a conference call and webinar providing an overview of the NERC 2014 Business Plan and Budget was conducted.
- Also on May 3, 2013, Draft #1 of each Regional Entity's 2014 Business Plan and Budget was posted on the NERC website for stakeholder comment.
- Each Regional Entity's draft 2014 Business Plan and Budget was also separately posted and available for comment on the Regional Entity's website as part of each Regional Entity's independent budget preparation, review and approval process. (*See §III.B below for further discussion of the stakeholder review opportunities provided by each Regional Entity for its 2014 Business Plan and Budget.*)

- On May 8, 2013, a meeting of the NERC FAC was held which included an update on the preparation of NERC's 2014 Business Plan and Budget as well as a review of the year-end 2012 audited financial statements for NERC and the Regional Entities.
- Also on May 8, 2013, a meeting of the NERC MRC was held, at which a presentation was made on the draft NERC 2014 Business Plan and Budget and discussion ensued.
- On May 15, 2013, representatives of NERC and of each of the Regional Entities met with Commission budget staff to provide an overview of Draft #1 of their respective 2014 Business Plans and Budgets.
- On May 20, 2013, a FAC conference call and Webinar was held to review the Regional Entities' draft 2014 Business Plans and Budgets. In this session, the Regional Entities made presentations concerning their 2014 Business Plans and Budgets to the NERC FAC.
- On June 4, 2013, NERC met with trade association representatives and the MRC Budget Input Group to discuss the draft 2014 Business Plan and Budget.
- Also on June 4, 2013, a conference call of the NERC FAC was held to enable the FAC to provide input to management on Draft #2 of NERC's 2014 Business Plan and Budget.
- On June 17, 2013, Draft #2 of NERC's 2014 Business Plan and Budget was posted on the NERC website for stakeholder comments, with comments requested by July 15, 2013. Five sets of written stakeholder comments were received during this comment period, two from U.S. organizations, one from a Canadian organization and two from individual commenters.
- At various dates from mid-June to mid-July 2013, the Boards or other governing bodies of the Regional Entities met to review and approve their respective proposed 2014 Business Plans and Budgets, and the approved Regional Entity Business Plans and Budgets were transmitted to NERC. The approved Regional Entity Business Plans and Budgets were posted on the NERC Website.
- On July 8, 2013, an additional meeting was held with trade associations to obtain comments on Draft #2 of NERC's 2014 Business Plan and Budget.
- On July 19, 2013, a FAC Webinar was held to discuss Draft #2 of the NERC 2014 Business Plan and Budget and the final Regional Entity 2014 Business Plans and Budgets that had been approved by their respective boards and submitted to NERC, including presentations to the FAC by the Regional Entities concerning their final 2014 Business Plans and Budgets.

- On August 7, 2013, the Final Draft of the NERC 2014 Business Plan and Budget, including the proposed assessments, was posted on the NERC Website and sent to the NERC MRC, FAC and Board of Trustees.
- At its August 12, 2013 meeting, the NERC FAC recommended NERC Board approval of the 2014 Business Plans and Budgets and associated statutory assessments for NERC, the Regional Entities and WIRAB. No review or action was taken regarding the RCCo Business Plan and Budget. The chair of the FAC explained that it is NERC's position that review of a Registered Entity business plan and budget would not be appropriate given NERC's role as the ERO and that NERC would simply pass the RCCo Business Plan and Budget to the Commission for its review.
- The final 2014 Business Plans and Budgets of NERC and the Regional Entities were presented to the NERC MRC at its August 14, 2013 meeting.
- At its August 15, 2013 meeting, the NERC Board approved the 2014 Business Plans and Budgets and the proposed 2014 statutory assessments for NERC, the Regional Entities and WIRAB.

In summary, the processes followed by NERC and the Regional Entities to develop the proposed 2014 Business Plans and Budgets were thorough and comprehensive, involved significant input from NERC and Regional Entity management and financial and program area staffs, as well as iterative review and comment by the NERC FAC, and provided numerous opportunities for stakeholder input and comment. NERC and the Regional Entities developed and used a set of shared business planning and budget assumptions (provided in Exhibit A to **Attachment 2**) and a common business plan and budget format. The process was open and inclusive at all steps.

### **3. Summary of NERC's Proposed 2014 Budget and Funding Requirement**

NERC's proposed 2014 total Funding requirement is \$53,735,382. This total encompasses U.S., Canadian and Mexican activities. The proposed 2014 Funding requirement represents an increase of \$1,482,726 (2.8%) as compared to the 2013 total Funding requirement of \$52,252,656. The 2014 Budget is comprised of \$55,605,313 of Expenses (including



Depreciation) and a \$784,784 increase in Fixed Assets (Capital Expenditures of \$3,117,790 less Depreciation of \$2,333,006<sup>28</sup>). The 2014 Funding requirement reflects a negative provision for Working Capital and Operating Reserve funding of (\$1,660,724), whereas the 2013 Funding requirement included a negative provision for Working Capital and Operating Reserve Funding of (\$2,033,600); as well as (due to the capital financing plan) proceeds from financing activities of \$1,415,990 and amortization of debt principal of \$422,000.<sup>29</sup>

As in past years, a portion of NERC's 2014 Budget will be funded through Testing Fees charged to participants in certain NERC programs, including the Operator Certification Program and the Continuing Education Program (budgeted at \$1,620,000, a \$60,000 (3.6%) decrease from the 2013 Budget); by attendance fees for Workshops (budgeted at \$354,000, an \$82,000 (18.8%) decrease from the 2013 Budget<sup>30</sup>); and by Interest earned on bank balances and short-term investments (budgeted at \$20,000, the same amount as in the 2013 Budget). NERC did not budget any revenue from Services & Software in its 2013 Budget, but is budgeting \$50,000 from this source in in 2014 Budget. Finally, the Funding sources in the 2014 Budget include \$290,000 of Penalty payments received by NERC from July 1, 2012 through June 30, 2013, which is a reduction from the \$2,512,000 of Penalty payments included in the 2013 Budget.<sup>31</sup>

These budgeted non-assessment sources of Funding are projected to be \$2,334,000 in

---

<sup>28</sup> As noted earlier, an end result of this budget presentation is that Funding is not being requested for Depreciation expense.

<sup>29</sup> See §IV.B below and Table B-1 and Exhibit E in **Attachment 2**.

<sup>30</sup> NERC strives to set Workshop fees to cover the costs of presenting the workshops, such as costs to rent meeting space and prepare printed materials. The number of Workshops planned, of course, also impacts the projected total Workshop fee revenues.

<sup>31</sup> Pursuant to the NERC policy, *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*, Penalty payments received by NERC or a Regional Entity during the period from July 1 of the second year preceding the budget year through June 30 of the year preceding the budget year are used to offset assessments to LSEs in the U.S. for the budget year, unless an alternative treatment is approved by the Commission.

total. Additionally, based on its plan to finance the costs of certain ERO enterprise software applications and infrastructure projects, NERC projects proceeds of \$1,415,990 in 2014 from financing activities, less \$422,000 for repayment of debt incurred in 2013. Application of these funding sources results in a 2014 net Funding requirement of \$51,401,382 to be funded by assessments to LSEs. Of this amount, \$46,708,699 is allocated to the U.S., \$4,554,567 is allocated to Canadian provinces (in the aggregate), and \$138,116 is allocated to Mexico. Based on the aggregate NEL of the United States for 2012 on which the allocation of assessments is based,<sup>32</sup> the proposed U.S. net funding requirement for NERC represents less than \$0.000012 per end user kilowatt-hour.

NERC's 2014 Business Plan and Budget was developed and is organized based on its statutory programs and, where applicable, departments within each program (2013 budgeted amounts by program are shown for comparison<sup>33</sup>):

---

<sup>32</sup> The NEL data for the U.S., Canada and Mexico, by Region and by LSE or designee, is provided in Appendix 2-A of **Attachment 2**.

<sup>33</sup> The 2013 Budget amounts are based on the 2013 Business Plan and Budget Update that NERC filed with the Commission on September 10, 2012 in Docket No. RR12-13-000. Numbers in the table do not include the negative provision for Working Capital and Operating Reserves. For 2014, NERC has broken the Critical Infrastructure budget into the Critical Infrastructure Department and ES-ISAC components and has similarly broken out the 2013 budget into these components for comparison purposes.

<u>Program</u>	<u>2014 Budget</u>	<u>2013 Budget</u>
Reliability Standards	\$10,167,369	\$ 9,775,088
<u>Compliance Monitoring and Enforcement</u>		
Compliance Operations	\$ 9,496,446	\$ 8,928,994
Compliance Enforcement	\$ 6,395,091	\$ 6,725,004
Reliability Assessment and Performance Analysis	\$ 8,350,598	\$ 7,762,436
<u>Reliability Risk Management</u>		
Situation Awareness	\$ 4,583,264	\$ 5,324,311
Event Analysis	\$ 4,048,371	\$ 3,738,430
<u>Critical Infrastructure Protection</u>		
Critical Infrastructure Department	\$ 5,668,027	\$ 5,299,502
ES-ISAC	\$ 3,943,457	\$ 3,160,725
Training, Education and Operator Certification	<u>\$ 3,737,472</u>	<u>\$ 3,571,766</u>
	<u>\$56,390,096</u>	<u>\$54,286,256</u>

The budgeted amounts for each program incorporate a total budget for Administrative Services of \$25,235,473 (an increase of \$1,858,618 (8.0%) from the 2013 Budget), which has been allocated to the budgets for the direct function programs in proportion to the numbers of FTEs budgeted for each direct function program.

The discussion in §IV below, as well as the detailed discussion of the individual programs (or of individual departments where the presentation is disaggregated to the department level within a program) in **Attachment 2**, demonstrates that each of NERC's programs is necessary and appropriate to the execution of NERC's responsibilities as the ERO. Section A of **Attachment 2** describes the activities encompassed in each program or department (Background and Scope), the 2014 Goals and Deliverables (Objectives) for the Program, and the 2014 Resource Requirements for the program, including the principal causes of changes (increases or decreases) in the funding and expenditure categories for the program as compared to the 2014 Budget. A Statement of Activities, showing the line item components of the 2014 Budget (as

well as, for comparison, the 2013 Budget and the 2013 Projection), is provided for each program or department. The functions of and resource requirements and budgets for each Administrative Services department are also provided and discussed in Section A of **Attachment 2**.

NERC proposes an allocation of its 2014 net funding requirement (statutory assessment) of \$51,401,382 to the Regional footprints as follows<sup>34</sup>:

•	FRCC	\$ 2,609,814
•	MRO	\$ 3,368,027 <sup>35</sup>
•	NPCC	\$ 6,293,948 <sup>36</sup>
•	Reliability <i>First</i>	\$10,668,630
•	SERC	\$12,047,164
•	SPP RE	\$ 2,574,391
•	TRE	\$ 3,841,797
•	WECC	\$ 9,997,611 <sup>37</sup>

Appendix 2 to **Attachment 2** contains tables showing (i) the development of the NEL-based allocation factors used to allocate the NERC and Regional Entity statutory assessments by country and among the Regional footprints (Appendix 2-A), and (ii) the allocation of the NERC and Regional Entity statutory assessments by country and by Region (Appendices 2-B, 2-C and 2-D). Appendix 2 shows the allocation of the NERC and Regional Entity assessments to the individual LSEs or designees within the footprint of each Regional Entity. These allocations are

---

<sup>34</sup> As described in §III.D below, the aggregate NERC statutory assessment has been allocated to the Regional footprints on the basis of (i) 8-Region NEL and (ii) 8-Region NEL to allocate adjustments (credits) to certain Canadian entities for CMEP, Event Analysis and Investigations and Situation Awareness costs to the remaining LSEs. The detailed allocations of the NERC statutory assessment by allocation methodology are shown in Appendix 2 to **Attachment 2**.

<sup>35</sup> The total allocation to MRO consists of \$2,833,341 allocated to the U.S. and \$534,686 allocated to Canadian provinces.

<sup>36</sup> The total allocation to NPCC consists of \$3,440,461 allocated to the U.S. and \$2,853,487 allocated to Canadian provinces.

<sup>37</sup> The total allocation to WECC consists of \$8,693,102 allocated to the U.S., \$1,166,394 allocated to Canadian provinces and \$138,116 allocated to Mexico.

discussed in greater detail in §III.D below.<sup>38</sup> NERC’s only sources of funding for its planned programs and operations will be the assessments to users, owners, and operators of the bulk power system provided for in 18 C.F.R. §39.4(e) and equivalent collections from entities in Canada and Mexico, and the other sources listed as “Funding” on its Statements of Activities and described above and financing proceeds.<sup>39</sup>

## **B. Regional Entity Proposed 2014 Business Plans and Budgets**

Section 39.4(b) of the Commission’s regulations requires that the ERO’s annual budget submission include “the entire annual budget for statutory and non-statutory activities for each Regional Entity, with supporting materials, including . . . each Regional Entity’s complete business plan and organization chart, explaining . . . the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures . . . .”

Section 39.4(b) further states that the ERO’s annual budget submission “shall include the line item budgets for the activities of each Regional Entity that are delegated or assigned to each

---

<sup>38</sup> NERC will calculate and bill the assessments to certain entities, referred to as “designees,” based on NEL values that include the NEL for other LSEs served by the designee, or for which the designee is otherwise responsible for assessments. The calculation and billing of assessments to designees is not a departure from the principle that the ERO funding requirement should be recovered through assessments to LSEs based on NEL, but rather is a matter of administrative convenience and efficiency (*e.g.*, a generation and transmission (G&T) cooperative and its member distribution cooperatives may find it more efficient for the assessment to be calculated and billed to the G&T cooperative rather than to the individual distribution cooperatives). The lists of LSEs and designees for which assessments will be calculated and billed have been provided to NERC by the Regional Entities. NERC has had no involvement in developing the lists of LSEs or in arrangements between LSEs and designees pursuant to which a designee agrees to accept responsibility for an assessment that would otherwise be calculated for and billed to the LSE and the LSE agrees to be financially responsible to reimburse the designee for the assessment. The assessments for the NPCC Region will be billed to ISO New England and the New York ISO (and to similar entities in Ontario, Québec, New Brunswick and Nova Scotia), each of which will be responsible for billing and collecting assessments from the LSEs within their respective footprints. The assessments for the Texas RE region will be billed to the Electric Reliability Council of Texas (ERCOT), which will bill and collect assessments from the LSEs in ERCOT.

<sup>39</sup> NERC’s 2014 Business Plan and Budget includes no non-statutory activities; therefore, NERC has not developed or presented specific accounting processes to separate the funding of its statutory and non-statutory activities and to assure that funding derived from §215 of the FPA will exclusively support statutory activities.

Regional Entity pursuant to § 39.8.” This information for 2014 is provided in the individual Regional Entity Business Plans and Budgets in **Attachments 3 through 10**.<sup>40</sup>

The Regional Entity budgets for statutory activities that are to be funded through NERC are the budgets for the functions and activities relating to development of reliability standards; compliance monitoring and enforcement and organization registration and certification; training, education and operator certification; reliability assessment and performance analysis (including necessary data gathering activities); and situation awareness and infrastructure security, that have been delegated by NERC to the Regional Entity pursuant to the Commission-approved delegation agreements; as well as each Regional Entity’s budgeted costs for administrative services. Funding the Regional Entities in accordance with their proposed Business Plans and Budgets will enable them to carry out the activities necessary in 2014 to meet their responsibilities under the approved delegation agreements.

In *Order No. 672*, the Commission stated that “The ERO must determine, at a minimum, whether each Regional Entity’s proposed budget is adequate to carry out the functions delegated to it.”<sup>41</sup> As described above in §III.A.2, NERC staff provided guidance to the Regional Entities in the development of their business plan and budget submissions, and worked collaboratively with the Regional Entities to develop a set of shared business planning and budget assumptions for the Regional Entities’ 2014 Business Plans and Budgets. Further, the Regional Entities prepared their 2014 Business Plans and Budgets using a format that is essentially the same as the

---

<sup>40</sup> Additionally, **Attachment 11** is the 2014 Business Plan and Budget for the RCCo, which has been developed and presented in the same format as the Regional Entity Business Plans and Budgets.

<sup>41</sup> *Rules Concerning Certification of the Electric Reliability Organization; Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards*, Order No. 672, FERC Stats. & Regs. ¶ 31,204 (2006) (*Order No. 672*), at P 229.

format used to prepare the 2011, 2012 and 2013 Business Plans and Budgets.<sup>42</sup> The use of the common format facilitates comparisons among the Regional Entities' budgets.<sup>43</sup> Additionally, in developing their 2014 Business Plans and Budgets, NERC and the Regional Entities continued to use the set of consistent accounting principles for presentation of the budgets, and the common definition of administrative (indirect) costs, that were originally developed in connection with preparation of the 2010 Business Plans and Budgets.

As described in greater detail in §III.A.2 above, NERC management and staff worked iteratively with the Regional Entities from January through June, 2013, on the development of the Regional Entity 2014 Business Plans and Budgets. The Regional Entities submitted initial drafts of their Business Plans and Budgets to NERC early in the second quarter of 2013, for internal review and feedback by NERC program area managers. In early May 2013, more developed drafts (referred to as "Draft #1) of each Regional Entity's 2014 Business Plan and Budget were submitted to NERC and posted on the NERC Website for stakeholder comment. NERC staff also reviewed and provided feedback on these drafts. The draft Regional Entity Business Plans and Budgets were also the subject of presentations and discussion at meetings of the NERC FAC.

Additionally, each Regional Entity posted one or more drafts of its 2014 Business Plan and Budget on its own website for comment by its stakeholders, and/or provided other

---

<sup>42</sup> NERC and the Regional Entities originally developed a common format to use in preparing the 2008 Business Plans and Budgets, and the format evolved through the development of the 2009, 2010 and 2011 Business Plans and Budgets, to the format used for the 2011, 2012 and 2013 Business Plans and Budgets and now the 2014 Business Plans and Budgets.

<sup>43</sup> Although the eight Regional Entities and NERC used a common format for their 2014 Business Plans and Budgets, the Regional Entities continue to present their 2014 Business Plans and Budgets based on the five statutory programs of Reliability Standards; CMEP; Reliability Assessment and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security; whereas NERC has presented 2014 business plan and budget information disaggregated into two departments or functions for the CMEP, two departments or functions for Situation Awareness and Infrastructure Security, and two departments or functions for Critical Infrastructure Protection.

opportunities for stakeholder input, as follows:

**FRCC:** FRCC posts its proposed budget to the FRCC Website and sends a copy (along with all presentation materials that will be presented to the FRCC Board) to each Board Member, Alternate Board Member, all Standing Committee Chairs, and all Voting Members from the Supplier, Non-Investor-Owned Utility Wholesale, Load Serving Entity, Generating Load Serving Entity, Investor Owned Utility, and General Sectors of the membership, approximately 45 days prior to the expected FRCC Board vote date. The recipients are encouraged to contact FRCC with any comments or questions, so they can be resolved prior to the Board meeting date. Ten days prior to the Board meeting at which the vote on the budget will take place, another distribution is made to the same recipients, and posted to the FRCC Website with any changes from the first version. After approval is finalized the process is repeated with a copy marked as Final with the Approval Date.

**MRO:** MRO posted its draft 2014 Business Plan and Budget for comments on May 3, 2013. MRO's 2014 Business Plan and Budget was presented in several meetings of the MRO Board and its stakeholder. On June 27, 2013 MRO's Board of Directors approved a resolution that approved the 2014 budget, re-affirmed our reserves policy of 45 days, and affirmed that the budget is sufficient to complete our delegated responsibilities. The final version was posted on July 8, 2013.

**NPCC:** On April 30, 2013, a preliminary draft of NPCC's 2014 Business Plan and Budget was presented to the Board for comments. On May 8, NPCC posted Draft #1 of its 2014 Business Plan and Budget on its website for stakeholder review and comment. Draft #1 was presented to the NPCC Reliability Coordinating Committee for comment, the Regional Standards Committee and the Compliance Committee at their respective meetings following this posting. NPCC did not receive any formal comments from either the posting or various presentations to the stakeholders on any of its draft 2014 Business Plans and Budgets. On June 25<sup>th</sup>, a "Draft for Approval" of the 2014 Business Plan and Budget was presented to the NPCC Board, and following incorporation of Board input, a final version was unanimously approved.

**ReliabilityFirst:** ReliabilityFirst's Board of Directors approved the first draft of its 2014 Business Plan and Budget on April 26, 2013. On April 29<sup>th</sup>, the 2014 Business Plan and Budget was posted to the ReliabilityFirst website for a 30 day industry review and comment period. A request for comments was also included in the ReliabilityFirst's April and May monthly newsletters. One set of comments was received. The responses to these comments were addressed with the Board of Directors and then posted to the ReliabilityFirst website. The final 2014 Business Plan and Budget was approved by the ReliabilityFirst Board of Directors on June 21, 2013.

**SERC:** The SERC Board approved Draft #1 of the SERC 2014 Business Plan and Budget at its April 2013 meeting, after which it was posted on the SERC Website for a 30-day comment period (*i.e.*, during the month of May). Any comments received would be reviewed by the SERC President and the Director of Finance and Human Resources



and responses to the comments would be presented to the Board Executive Committee and incorporated into the Business Plan and Budget before final approval; however, for the 2014 Business Plan and Budget, no comments were received, and the final version was approved and posted on July 10, 2013.

**SPP RE:** SPP RE presented a summary of the preliminary budget at the Trustees meeting on April 29, 2013. The final proposed SPP RE 2013 Business Plan and Budget was presented to the SPP RE Trustees for approval at the June 18, 2013 meeting. SPP RE posts all Board of Trustee materials on its website prior to the meetings. SPP RE received no formal comments from stakeholders regarding the 2014 budget.

**Texas RE:** Texas RE's 2014 Business Plan and Budget was presented in multiple meetings of the Texas RE Board and member representatives committee. There were no written or oral challenges to the 2014 Business Plan and Budget. Texas RE posted the draft 2014 Business Plan and Budget on June 7, 2013. The Board of Directors approved Texas RE's 2014 Business Plan and Budget on June 14, 2013.

**WECC:** WECC posted drafts of the WECC and RCCo 2014 Business Plans and Budgets on its website on May 3, 2013 for a two-week comment period, and also sent a notice of the posting to its Board of Directors and WECC Members on May 3, 2013. No comments were received from stakeholders on the draft 2014 Business Plans and Budgets. Separately from this process, NERC received comments from WIRAB, dated July 17, 2013, on the draft WECC and RCCo Business Plans and Budgets, which were also provided to WECC. The WIRAB comments (1) recommended approval of the WECC budget, but noted a concern that the event analysis and Technical Committees and Member Forums functions may warrant additional staffing, and (2) recommended that a higher amount of Working Capital Reserves be provided for the RCCo.<sup>44</sup> WECC's Board approved WECC's and the RCCo's 201 Business Plans and Budgets on June 28, 2013.

Throughout the process of NERC's review of the draft Regional Entity business plans and budgets, where appropriate, additional information was requested and other suggested changes were made. As needed, NERC and Regional Entity management and finance staffs convened meetings and conference calls to provide feedback and refine their respective business plans and budgets. NERC's review focused on:

1. an assessment of the adequacy of the resources and activities to perform delegated functions;

---

<sup>44</sup> NERC management reviewed the areas of the WECC budget cited in the WIRAB comments and concluded that WECC was providing for adequate resources to carry out its responsibilities in these areas.

2. the alignment of the Regional Entity's goals, objectives and major activities to the ERO Strategic Plan;
3. the quality and completeness of the financial information presented, including:
  - a. conformance with Commission budget reporting requirements,
  - b. separation of statutory and non-statutory activities,
  - c. supporting detail for projections, and
  - d. working capital and operating reserve budgets, policies and controls; and
4. descriptions of any efforts to improve efficiency and control costs.

In addition to reviewing and providing feedback to the Regional Entities on the draft of each Regional Entity's 2014 business plan and budget, NERC management also reviewed the findings and recommendations contained in the recently conducted Commission audits of regional entity responsibilities and budgeting practices for MRO, ReliabilityFirst, NPCC and WECC and made a number of recommendations.

Through the processes described above and in §III.A.2, NERC has been able to satisfy itself that each Regional Entity's 2014 Business Plan and Budget provides necessary and adequate resources to carry out the Regional Entity's delegated functions in 2014.<sup>45</sup>

The Regional Entities submitted their final 2014 Business Plans and Budgets, approved by their respective governing bodies, to NERC in mid-July 2013. These Business Plans and Budgets were submitted to the NERC FAC and the NERC Board of Trustees, and reviewed at their respective meetings held on August 14 and 15. The Regional Entities' 2014 Business Plans and Budgets were approved by the NERC Board at the August 15, 2013 meeting.

The table below shows the budgets for statutory and (where applicable) non-statutory

---

<sup>45</sup> In reviewing the Regional Entity Business Plans and Budgets, and in accordance with the Commission's directive in the *ERO Certification Order*, NERC afforded the proposed Regional Entity Business Plans and Budgets no presumption of reasonableness due to having been approved by the Regional Entities' governing bodies. See *ERO Certification Order* at P 203.

functions for each Regional Entity as presented in their respective 2014 Business Plans and Budgets (**Attachments 3-10**).<sup>46</sup> For all Regional Entities, the total budget amount for statutory functions includes total Expenses and Fixed Asset activity. Because each Regional Entity has one or more other sources of income (*e.g.*, attendance fees for workshops; Penalty payments received from Registered Entities) that will be used to offset the costs of performing delegated functions, the requested ERO funding (assessments) for the Regional Entities is less than their budgets for statutory activities. The fourth column shows the total (*i.e.*, for all jurisdictions) net statutory assessment required for each Regional Entity, taking into account other sources of income including application of Penalty payments. The statutory assessment amounts include amounts (which for some Regional Entities are negative adjustments to the Funding requirement) to achieve the level of target Working Capital Reserve at December 31, 2014, determined to be appropriate by each Regional Entity.

<b>Regional Entity</b>	<b>Total Budget for Statutory Functions</b>	<b>Budget for Non-Statutory Functions</b>	<b>Total Net Statutory Assessment</b>
<b>FRCC</b>	\$ 6,794,932	\$ 7,194,181	\$ 5,488,057
<b>MRO</b>	\$ 9,744,799	-----	\$ 8,741,444 <sup>47</sup>
<b>NPCC</b>	\$ 14,129,006	\$ 1,065,100	\$13,611,880 <sup>48</sup>
<b>ReliabilityFirst</b>	\$ 18,063,201	-----	\$15,159,784
<b>SERC</b>	\$ 16,877,288	-----	\$13,734,499
<b>SPP RE</b>	\$ 11,823,629	\$150,802,371 <sup>49</sup>	\$ 9,219,123
<b>Texas RE</b>	\$ 11,771,248	\$ 932,028	\$10,509,308
<b>WECC</b>	\$ 25,638,084	\$ 1,658,980	\$15,630,852 <sup>50</sup>

<sup>46</sup> MRO, ReliabilityFirst and SERC do not plan to perform any non-statutory activities in 2013.

<sup>47</sup> The statutory assessment for MRO of \$8,741,444 consists of \$7,339,364 allocated to the U.S. and \$1,403,080 allocated to Canadian provinces.

<sup>48</sup> The statutory assessment for NPCC of \$13,611,880 consists of \$8,447,921 allocated to the U.S. and \$5,163,960 allocated to Canadian provinces.

<sup>49</sup> The figure of \$150,802,371 is the total 2013 budget of Southwest Power Pool, Inc. (\$162,626,000) less the 2014 Budget of SPP RE for statutory activities of \$11,823,629. The overall annual budget of Southwest Power Pool, Inc. is prepared on a schedule that will not result in approval of its 2014 budget until October 2013. See §V.B.6 below and Section C of **Attachment 8**.

### C. Western Interconnection Regional Advisory Board Funding Request

In its Order issued July 20, 2006, in Docket No. RR06-02-000 (*WIRAB Order*), the Commission concluded that reasonable costs incurred by WIRAB for activities under §215(j) of the FPA can be funded through the ERO funding process.<sup>51</sup> As specified in P 35 of the *WIRAB Order*, WIRAB submitted to NERC a proposed 2014 Business Plan and Budget for §215(j) activities, which is included in **Attachment 12**. NERC has reviewed WIRAB's submission and believes it complies with the requirements of P 35 of the *WIRAB Order*.

WIRAB's proposed 2014 Budget for expenses is \$703,700, which is an increase of \$108,520 (18.2%) from its 2013 Budget. In light of the proposed separation of the RCCo from WECC, WIRAB anticipates monitoring the activities of, and potentially offering advice to, both organizations. WIRAB is planning an increase in staffing of 0.10 FTE from its 2013 Budget, to 2.85 FTEs. With increased staffing, WIRAB's budgeted 2014 Personnel Expenses increase by \$14,100 (5.7%) over its 2013 Budget. Additionally, WIRAB's 2014 Budget includes \$150,000 for Consultants & Contracts Expense (as compared to \$75,000 in the 2013 Budget) to provide technical expertise to WIRAB on issues related to improved grid operating practices, Reliability Standards, and compliance, and supporting WIRAB in providing advice to WECC and RCCo. WIRAB is also budgeting increases in Meetings and Travel Expenses in light of the need to monitor the activities (*e.g.*, attending board meetings) of both WECC and RCCo.

WIRAB's proposed statutory assessment for 2014 is \$588,408, which is an increase of \$53,716 (10.0%) from its 2013 assessment. The assessment increase is less than the budget increase because the assessment calculation reflects a \$114,792 decremental adjustment for

---

<sup>50</sup> The statutory assessment for WECC of \$15,630,852 consists of \$13,571,774 allocated to the U.S., \$1,798,468 allocated to Canadian provinces and \$260,610 allocated to Mexico.

<sup>51</sup> *Order on Petition to Establish a Regional Advisory Body for the Western Interconnection*, Docket No. RR06-2-000, 116 FERC ¶61,061 (2006) (*WIRAB Order*), PP 33-37.

Working Capital Reserve as compared to a \$59,688 decremental adjustment in the 2013 Budget. This decremental adjustment to the assessment is based on a target Working Capital Reserve amount of \$100,000 at December 31, 2014 and a projected Working Capital Reserve at December 31, 2013 of \$214,792.

WIRAB's overall statutory funding (assessment) request of \$588,408 for 2014 consists of \$499,050 (84.81%) allocated to the U.S., \$81,478 (13.85%) allocated to Canadian provinces, and \$7,880 (1.34%) allocated to Mexico, all based on NEL. At its August 15, 2013 meeting, the NERC Board of Trustees approved WIRAB's 2013 Budget request.

**D. Allocation of Statutory Assessments by Country, Regional Entity Footprint and LSE**

The total ERO statutory funding requirement for 2014, net of other NERC and Regional Entity income sources, to be funded by assessments is \$144,084,738, consisting of \$51,401,382 for funding of NERC's programs and \$92,683,356 for funding of Regional Entity statutory activities and the WIRAB. (These amounts do not include the assessment for the RCCo, which is discussed separately below.) NERC has allocated its statutory assessment of \$51,401,382 to the LSEs within each Regional footprint primarily on the basis of NEL, as described below.<sup>52</sup>

First, a total of \$1,437,708 of adjustments (credits) to the allocations to the AESO, the IESO, New Brunswick and Québec for certain CMEP, Event Analysis and Investigations and Situation Awareness (SAFNR<sup>53</sup>) costs was allocated using 8-Region NEL. In accordance with NERC's *Expanded Policy on Allocation of Certain Compliance and Enforcement Costs*, adjustments were made in the calculations of the assessments to the AESO, the IESO, New

---

<sup>52</sup>See Appendix 2-A of **Attachment 2** for the 2012 NEL data by Regional Entity and calculation of the country allocation factors for each Region. MRO, NPCC and WECC are the only Regional Entities whose footprints encompass Canadian provinces (and for WECC, Mexico). As noted earlier, the year 2012 is the most recent calendar year for which NEL data is available.

<sup>53</sup> SAFNR = Situation Awareness – FERC, NERC and Regional Entities.

Brunswick and Québec, to provide credits for certain activity costs.<sup>54</sup> These adjustments recognize that entities in certain of these provinces (Ontario, Alberta and New Brunswick) expend resources to perform compliance and enforcement activities in those provinces that otherwise would be performed by NERC or a Regional Entity, and that the compliance and enforcement resources NERC needs for Alberta and Québec are reduced due to the very small number of entities subject to compliance and enforcement activities in those provinces.<sup>55</sup> These adjustments also recognize that certain NERC activities, including the SAFNR program, either overlap with Canadian regulatory programs or, as in the case of SAFNR, are not used by these Canadian provinces, and therefore these provinces were not allocated a share of these costs.

**Attachment 14** shows the calculations of these adjustments to the allocations to the AESO, the IESO, New Brunswick and Québec. These calculations have been reviewed with, respectively, the AESO, the IESO, NBSO and La Régie de l'énergie du Québec, and each has agreed with and accepted the calculations.<sup>56</sup> The allocation of the \$1,437,708 of adjustments (credits) to the allocations to the AESO, the IESO, New Brunswick and Québec for certain CMEP, Event Analysis and Situation Awareness (SAFNR) costs is reflected in Appendix 2-C of **Attachment 2**.

Second, an allocation based on the 8-Region NEL was used to allocate \$51,401,382 of the NERC statutory assessment – comprised of \$51,691,382 of assessments less \$290,000 of

---

<sup>54</sup> NERC has been advised that the NBSO will cease to operate effective October 1, 2013. NERC understands that the New Brunswick Energy and Utilities Board and NBPC will assume NBSO's functions in New Brunswick including responsibilities (i) for compliance monitoring and enforcement activities and (ii) for billing and collecting the NERC and NPCC assessments applicable to New Brunswick. NERC is currently working with the New Brunswick entities to confirm these understandings and arrangements.

<sup>55</sup> The Commission accepted NERC's *Expanded Policy on Allocation of Certain Compliance Costs* in the *July 16, 2009 Budget Compliance Order*, at P 42, finding that the Expanded Policy "provides reasonable guidelines for cost allocation in specific circumstances described in the document."

<sup>56</sup> As noted above, NERC is working to determine successor arrangements to NBSO in New Brunswick.

Penalty payments – to the Regional footprints.<sup>57</sup> The NEL-based allocations to the eight Regional footprints are shown in Appendix 2-C of **Attachment 2**.

NEL has also been used to allocate the Regional Entity assessments, with these exceptions: First, 22.43% of NPCC’s Compliance Monitoring and Enforcement and Organization Registration and Certification (CORC) Program costs, representing CORC program fundamentals, has been allocated among the six Balancing Authority Areas in NPCC on the basis of NEL, 51.32% of the CORC costs has been allocated between the U.S. and Canadian Balancing Authority Areas in NPCC using a compliance audit-based methodology, and the remaining 26.25% of the CORC costs has been allocated between the U.S. and Canadian Balancing Authority Areas using an enforcement activity-based methodology. As directed in the *July 16, 2009 Budget Compliance Order*, PP 38-41, the portion of NPCC CORC costs allocated to the U.S. using the compliance audit-based methodology and the portion of NPCC CORC costs allocated to the U.S. using the enforcement activity-based methodology has then been re-allocated between the New England and New York Balancing Authority Areas based on NEL.<sup>58</sup>

Second, WECC’s allocation of its assessment to the AESO for the Province of Alberta has been reduced by \$834,955, representing WECC CMEP costs that are duplicative of programs of the AESO. The AESO credit amount was allocated to the remainder of the LSEs (Balancing Authorities) in the WECC Region on the basis of NEL.<sup>59</sup>

After allocating the appropriate portions of the NERC, Regional Entity and WIRAB

---

<sup>57</sup> Because the \$290,000 of Penalty payments are collected solely from U.S. Registered Entities, the Penalty payments are allocated solely to offset statutory assessments to U.S. LSEs.

<sup>58</sup> The allocation of NPCC CORC Program costs is described in greater detail in §V.B.3 below and at pages 73-75 of the NPCC 2014 Business Plan and Budget, **Attachment 5**.

<sup>59</sup> See Appendix C of the WECC 2014 Business Plan and Budget, **Attachment 10** to this filing, which shows the calculation of the \$834,955 adjustment to the WECC assessment to the AESO. The adjustment to the WECC assessment to the AESO is provided for in a memorandum of understanding entered into effective July 15, 2010 among NERC, WECC and the AESO.

funding requirements to Canadian provinces and Mexico (taking into account the NEL-based allocations, the adjustments to the NERC allocations to the AESO, the IESO, New Brunswick and Québec, the adjustments to the NPCC allocations to Canadian provinces, the adjustment to the WECC assessment to the AESO, the total ERO statutory assessment for 2014 allocable to U.S. LSEs for which Commission approval is sought is \$130,677,579, comprised of:

NERC Assessment: \$46,708,699  
Regional Entity Assessments: \$83,968,880<sup>60</sup>

The funding requirement of each Regional Entity for statutory activities is of course allocated 100% to that Region. The funding requirement for the WIRAB is allocated 100% to the WECC Region. The following table shows the allocation to each Region of the total 2014 ERO statutory assessment of \$130,677,579 for the U.S. statutory activities of NERC and the Regional Entities (including WIRAB). The table also shows the statutory assessments per kWh based on 2012 U.S. NEL of each Region.

<b>Regional Entity</b>	<b>NERC Assessment</b>	<b>Regional Entity Assessments</b>	<b>Total U.S. Assessment</b>	<b>Assessment per kWh (2012 NEL)</b>
<b>FRCC</b>	\$ 2,609,814	\$ 5,488,057	\$ 8,097,871	\$0.0000367
<b>MRO</b>	\$ 2,833,341	\$ 7,339,364	\$ 10,172,705	\$0.0000425
<b>NPCC</b>	\$ 3,440,461	\$ 8,447,921	\$ 11,888,382	\$0.0000409
<b>RFC</b>	\$ 10,668,630	\$ 15,159,784	\$ 25,828,414	\$0.0000286
<b>SERC</b>	\$ 12,047,164	\$ 13,734,499	\$ 25,781,663	\$0.0000253
<b>SPP RE</b>	\$ 2,574,391	\$ 9,219,123	\$ 11,793,514	\$0.0000542
<b>TRE</b>	\$ 3,841,797	\$ 10,509,308	\$ 14,351,105	\$0.0000442
<b>WECC</b>	\$ 8,693,102	\$ 14,070,824 <sup>61</sup>	\$ 22,763,926	\$0.0000310
<b>Total</b>	\$ 46,708,699	\$ 83,968,880	\$ 130,677,579	\$0.0000331

<sup>60</sup> This amount includes the WIRAB assessment.

<sup>61</sup> The number for WECC includes the portion of the WIRAB assessment allocated to the U.S.



In addition to the NERC, Regional Entity and WIRAB assessments, the proposed 2014 statutory assessment for the RCCo is \$29,568,031, which is allocated 100% to the WECC region and is allocated jurisdictionally as follows: \$25,077,715 to U.S. LSEs, \$4,094,340 to Canadian entities, and \$395,976 to Mexican entities.<sup>62</sup>

For all Regions except NPCC, NERC obtained from the Regional Entity a listing of the LSEs or their designees in the Region and a breakdown of the Region's 2012 NEL by LSE or designee. For the NPCC Region, NERC obtained from NPCC the 2012 NEL for each Balancing Authority Area (New York, New England, Ontario, Québec, Nova Scotia and New Brunswick). Additionally, for Texas RE, NERC obtained from Texas RE the 2012 NEL for ERCOT, which acts as the billing agent for the Texas RE Region. NERC used this information to allocate the total ERO statutory assessment allocated to each Region among the LSEs, their designees or the other entities to be billed the assessments within that Region.<sup>63</sup> The amount of the NERC and Regional Entity statutory assessments (and the RCCo assessment in the WECC Region) allocated to each LSE or designee or other entity to be billed in each Region is shown in Appendix 2-B of **Attachment 2**. NERC requests that the Commission approve the statutory assessment amounts for NERC and the Regional Entities allocated to each LSE or designee, as shown in Appendix 2-B of **Attachment 2**, so that the LSEs and their designees or other entities

---

<sup>62</sup> NERC and WECC have learned that the AESO is considering obtaining reliability coordinator services for the Province of Alberta from a source other than the RCCo; however, discussions concerning the AESO's plans are in progress. The RCCo assessment to Canadian entities of \$4,094,340 assumes that the AESO pays its allocated share of the RCCo assessment. See §V.8.e below for further discussion.

<sup>63</sup> Certain LSEs in MRO and WECC serve end users only in Canada or Mexico and not in the U.S. These LSEs were not allocated any portion of the ERO funding requirement allocated to U.S. end users, but were allocated appropriate portions, based on NEL (except as noted above), of the ERO funding requirement allocated to Canadian provinces or Mexico, as applicable (including, in the WECC Region, a portion of the RCCo assessment).

may be billed for these assessments in accordance with 18 C.F.R. §39.4(e).<sup>64</sup> Additionally, as noted, the proposed RCCo statutory assessments to U.S. LSEs are set forth in Appendix 2-B of **Attachment 2** and are presented to the Commission for its review and approval

NERC will directly invoice the approved assessments to LSEs or designees, or to the other entities to be billed, in all Regions except WECC.<sup>65</sup> WECC will invoice LSEs or Balancing Authorities or their designees within the WECC footprint, collect the assessments and remit the funds collected for the NERC, WECC and WIRAB assessments to NERC. These arrangements are provided for in Exhibit E to the delegation agreement with each Regional Entity. WECC's invoice will also include, as a separate line item, the RCCo assessment to the LSEs in the WECC Region. WECC will remit the collections on the RCCo assessment directly to the RCCo. However, if an LSE's payment on the invoice is less than the total amount of the invoice, WECC will be permitted to allocate the shortfall among all the assessments received from the LSE only if WECC does not know and, after due inquiry with the LSE submitting the underpayment and consultation with NERC, is unable to determine which invoiced item(s) accounts for the shortfall. (*See* further discussion in §V.B.8.d below.)

#### **E. Provision for Working Capital Reserve**

In the development of their 2014 Business Plans and Budgets and their proposed assessment amounts to LSEs, NERC and the Regional Entities have taken into account the need to maintain appropriate amounts of working capital and operating reserves. In 2012, NERC developed a new Working Capital and Operating Reserves Policy under which working capital

---

<sup>64</sup> As approved by the Commission in the *ERO Certification Order* at P 218, for reasons of administrative convenience billing and payment by LSEs of annual assessments less than \$100 will not be required.

<sup>65</sup> As noted above, the assessments in the NPCC Region will be billed to a single entity for each of the six Balancing Authority Areas within NPCC; and the assessments in the Texas RE region will be billed to ERCOT. (NERC also directly bills La Régie de l'énergie du Québec, which is not a LSE, for the CMEP costs allocated to Québec.)

and operating reserves are separately budgeted and accounted for.<sup>66</sup> The NERC Working Capital and Operating Reserves Policy also sets forth guidelines and authorities for accessing Working Capital and Operating Reserves and for use of funds for activities in excess of budgeted amounts, as well as for hiring personnel in excess of budgeted staffing levels. The amounts that NERC has budgeted for 2014 in the various reserves categories under its Policy, and the impacts on NERC's 2014 proposed statutory assessments, are discussed in detail in §IV.B below and in Exhibit E to **Attachment 2**. The remainder of the discussion in this §III.E describes the development of the Regional Entities' Working Capital Reserve amounts and associated adjustments to assessments for 2014.

The process takes into account each Regional Entity's actual and projected Working Capital Reserves at December 31, 2012 and December 31, 2013, respectively, resulting from its accumulated prior years' surpluses and deficits, and results in an incremental or decremental adjustment to each Regional Entity's proposed 2014 statutory assessment amount, in order to arrive at its target Working Capital Reserve at December 31, 2014. Table B-1, Reserve Balance, in Section B of each Regional Entity's 2014 Business Plan and Budget, shows the calculation of the increment or decrement to the Regional Entity's requested 2014 assessment to achieve the Regional Entity's desired Working Capital Reserve at December 31, 2014. The calculations shown on Table B-1 take into account: (1) the Regional Entity's actual Working Capital Reserve (Deficit) at December 31, 2012, (2) assessment Funding, projected other Funding, and projected Expenses and Capital Expenditures for 2013, resulting in (3) the projected Working Capital Reserve at December 31, 2013, (4) the desired (target) Working Capital Reserve at December 31, 2014, (5) the budgeted Expenses and Capital Expenditures, and projected other funding

---

<sup>66</sup> The NERC Working Capital and Operating Reserves Policy was provided in Exhibit C to NERC's 2013 Business Plan and Budget filed in Docket No. RR12-13-000.

sources (including Penalties collected from Registered Entities), for 2014,<sup>67</sup> resulting in (6) the increment or decrement to the requested 2014 assessments to achieve the target Working Capital Reserve at December 31, 2014.

As shown on Table B-1 in each Regional Entity's 2014 Business Plan and Budget, each Regional Entity (except SPP RE; *see* §V.B.6 below) has established a target Working Capital Reserve for 2014. The basis for each entity's Working Capital Reserve for 2014 is stated on its Table B-1 or explained elsewhere in the text of its 2014 Business Plan and Budget. Further discussion of the adjustment (increase or decrease) to each Regional Entity's proposed 2014 statutory assessment to achieve its target Working Capital Reserve is provided in the discussions of the individual Regional Entity 2014 Business Plans and Budgets in §V.B below.

#### **F. Budget Projections for 2015 and 2016**

As it did its Business Plans and Budgets for each of the years 2008 through 2013, NERC is providing preliminary budget projections for the two years following the budget year (*i.e.*, 2015 and 2016).<sup>68</sup> This information is provided on pages 27-28 of **Attachment 2**.<sup>69</sup> These budget projections show that NERC's 2015 total Expenses plus (minus) any increase (decrease) in Fixed Assets are projected to be \$4,125,919, or 7.36%, higher than the amounts in the 2014 Budget. For 2016, NERC's total Expenses plus change in Fixed Assets are projected to be

---

<sup>67</sup> As noted earlier, Penalty payments received by NERC or a Regional Entity between July 1 of the second year preceding the budget year and June 30 of the year preceding the budget year are used to reduce the requested assessments for the budget year; Penalty payments received after June 30 will be used to reduce the requested assessments for the year following the budget year. In the case of the 2014 Budgets, all Penalty payments being used by NERC and the Regional Entities to reduce their requested 2014 assessment amounts were received during the period July 1, 2012 – June 30, 2013.

<sup>68</sup> The 2014 Business Plan and Budget of each Regional Entity also includes budget projections for 2015 and 2016.

<sup>69</sup> The NERC Board of Trustees has not approved the 2015-2016 projections as official budgets, and NERC is not seeking approval of these budget projections by the Commission or other applicable governmental authorities.

\$553,872, or 0.9%, lower than the amount projected for 2015. The 2015 projections reflect a \$1.023 million increase in Personnel Expenses over the 2014 Budget due to salary increases and increased Benefits expenses for existing staff; and a \$314,600 increase in Consultants & Contracts expense from the 2014 Budget. The 2016 projections reflect budgeted salary increases and projected increases in Benefits expenses. Incremental personnel additions have not been included in the projections for 2015 or 2016.

#### **IV. DISCUSSION OF NERC BUSINESS PLAN AND BUDGET**

##### **A. 2014 Business Plan and Budget by Program**

This section summarizes NERC's proposed 2014 Business Plan and Budget by statutory program and Administrative Services department.<sup>70</sup>

In presenting their budgeted staffing (FTEs) and related Personnel Expenses for 2014, all NERC programs and departments have applied a 4% personnel attrition factor. This attrition factor reflects that actual staffing is typically less than budgeted staffing due to factors such as employees leaving the company for other jobs and new positions being filled at a later date than was assumed in the preparation of the budget.

##### **1. Reliability Standards Program**

The Reliability Standards Program develops and maintains standards designed to ensure the reliability of the bulk power system in North America. NERC's American National Standards Institute-accredited standards development process was reaccredited in 2013 and was found to be open, balanced and transparent. The major activities of the Reliability Standards Program include (1) delivering high-quality, continent-wide Reliability Standards, (2) facilitating continent-wide industry engagement in the standards development process, and (3) conducting balloting, disseminating information, and supporting regulatory filings on proposed standards.

---

<sup>70</sup> **Attachment 15** is a status report on NERC's progress in achieving its 2013 goals.

The standards development process involves NERC and Regional Entity staff and industry volunteer technical experts. NERC manages the work of over 200 industry contributors serving on the NERC Standards Committee and subgroups as well as informal development, standards drafting, and other project teams for the development of Reliability Standard. Additionally, thousands of industry volunteers within hundreds of Registered Entities and other entities review, comment on and vote on the products of the standard drafting teams, and all of this input must be reviewed and taken into account in the standards development process. The NERC Reliability Standards Program staff also supports the Regional Entities' regional reliability standards development processes by providing technical advice, final quality review of Regional standards, presentation to the NERC Board, and submission to the applicable regulatory authorities in the U.S. and Canada for adoption.

The key standards production efforts of the Reliability Standards Program underway in 2013 are described at pages 30-31 of **Attachment 2**, and include ensuring that standards development projects that either support high-risk reliability issues or emerging reliability issues are initiated or remain on schedule; initiating the five-year reviews of Reliability Standards which were due for assessment and have not been revised in recent development projects; and addressing Commission directives in previous orders. Two major initiatives under way as part of these efforts are the "Paragraph 81" initiative, in response to the Commission's March 15, 2012 Order on NERC's Find, Fix, Track and Report program, to identify specific Reliability Standards or Requirements that need to be revised or retired based on lack of meaningful benefit to bulk power system reliability;<sup>71</sup> and the results-based standards initiative to ensure that Reliability

---

<sup>71</sup> *North American Electric Reliability Corporation, Order Accepting with Conditions the Electric Reliability Organization's Petition Requesting Approval of New Enforcement Mechanisms and Requiring Compliance Filing*, 138 FERC ¶ 61,193 (2012), at P81.

Standards are focused on required actions or results and not necessarily on the methods by which to accomplish them. Additionally, NERC has formed a Standards Independent Expert Review Panel to evaluate existing standards Requirements for content and quality and make recommendations to retire or improve Requirements.

The 2014 goals and deliverables for the Reliability Standards Program are provided at page 31 of **Attachment 2**, and they focus on three areas: (1) transforming NERC's Reliability Standards to high quality, world-class results-based standards; (2) developing a bulk power system reliability risk profile; and (3) developing methods to assess and manage the cost effectiveness (benefit) of new Reliability Standards. Major activities of the Reliability Standards Program for 2014 will include integrating the plan developed by the Standards Independent Expert Review Panel during 2013 into the NERC Reliability Standards Development Plan, completing Reliability Standards revisions identified in the "Paragraph 81" initiative, and accelerating delivery of the number of Reliability Standards that meet quality criteria and the results-based construct.

Although much of the work in the standards development process is performed by committees and task groups comprised of volunteer technical experts, significant NERC professional staff resources are needed to facilitate and coordinate the work of industry volunteers, to administer the process and help ensure that it functions efficiently, and to provide input to support development of technically sound standards. NERC has budgeted 25.92 FTEs for the Reliability Standards Program for 2014, which is a slight decrease of 0.58 FTEs from the 2013 Budget and reflects the application of the 4% personnel attrition. In accordance with its 2013 Business Plan and Budget, NERC has added 3 positions in the Reliability Standards Program in 2013.

The 2014 budgeted direct expenses for this program are \$5,150,854, which is an increase of \$16,115 (0.3%) from the 2013 Budget. Budgeted Personnel Expenses are increased by \$89,867 (2.1%) over the 2013 Budget, due to an increase in Benefits Expense. Budgeted Meetings Expense is increased by a total of \$63,748 (9.9%), based on the large number of standards initiatives underway that will require travel and meetings attendance by Reliability Standards Program staff. No consultant or contractor expense is budgeted for this program for 2014, which is a reduction of \$150,000 from the 2013 Budget. The allocation of Administrative Services expenses to this program is \$4,872,999, the Allocation of Fixed Assets from the Administrative Services programs is \$143,517, and no Fixed Asset additions or Depreciation Expense are included in the 2014 Budget for the Reliability Standards Program.

**2. Compliance Monitoring and Enforcement and Organization Registration and Certification Program<sup>72</sup>**

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) carries out NERC's statutory responsibility to monitor, enforce and achieve compliance with mandatory bulk power system Reliability Standards. The NERC CMEP is comprised of the Compliance Operations Department and the Compliance Enforcement Department.

**a. Compliance Operations**

Compliance Operations works collaboratively with the Regional Entities to ensure consistent and effective implementation of the compliance monitoring and enforcement program. Compliance Operations is responsible for the following major activities and functions: (i) consistent implementation of the risk-based compliance monitoring program, including

---

<sup>72</sup> Comparisons in this section to the 2013 Budget are based on the 2013 Budget update that NERC filed with the Commission on September 10, 2012 in Docket No. RR12-13-000.



registration and certification, for reliability improvements; (ii) the ERO education programs that support industry compliance, and integration of risk assessment and internal controls; (iii) development of minimum baseline monitoring requirements; (iv) oversight of the Regional Entities' delegated compliance functions, including CMEP planning, implementation, and reporting, compliance operations and coordination, and auditor training; (v) development and maintenance of the Reliability Standards Audit Worksheets; and (vi) supporting the NERC Compliance and Certification Committee.

Compliance Operations' 2014 goals and deliverables are described at pages 36-40 of **Attachment 2**, and are focused on the Reliability Assurance Initiative (RAI) activities including identifying and implementing process improvements to the self-reporting process, implementing enhancements to the Find, Fix, Track and Report process, developing an auditor handbook and checklist for use by compliance auditors, and initiating small prototype and pilot programs focused on developing entity risk assessments and developing processes for evaluating and testing internal controls. Three major RAI activities planned for 2014 are developing a training program to support implementation of the common audit procedures developed in 2013; assessment of the existing compliance, reporting, analysis and tracking system and other tools used to support compliance registration and enforcement activities; and developing prototypes and pilot programs to support development of Registered Entity reliability risk assessments and compliance monitoring scoping projects. In addition, during 2014, Compliance Operations, in coordination with the Regional Entities, will continue Registered Entity mapping activities to ensure the Compliance Registry criteria are accurate and that gaps and duplicate registrations and compliance monitoring do not occur. Further, Compliance Operations will continue its efforts to ensure that all Registered Entities understand their compliance obligations and how compliance

will be assessed, with the objective that Registered Entities have effective compliance programs and internal controls. Finally, Compliance Operations will oversee compliance audits conducted by Regional Entities and will conduct Key Reliability Standard Spot Checks.

The budgeted staffing for Compliance Operations for 2014 is 23.04 FTEs, which is a decrease of 0.96 FTEs from the 2013 Budget and reflects solely the application of the 4% personnel attrition adjustment factor. No actual staffing changes are planned for 2014. Budgeted Personnel Expenses are increased by \$66,335 from the 2013 Budget due to a budgeted increase of \$78,732 in Benefits Expenses based on anticipated higher costs from providers. Compliance Operations is budgeting a significant decrease in Meetings Expense of \$155,503 from the 2013 Budget. Compliance Operations has budgeted \$400,000 in Consultants & Contracts Expense for 2014, versus zero in 2013. Of the budgeted amount, \$150,000 is budgeted for consulting support for development of auditor training materials and \$250,000 is budgeted for consulting support to assist in assessments of existing software applications supporting compliance, registration and enforcement operations and the definition of the business requirements to update the existing applications.

The budgeted total direct expenses for Compliance Operations for 2013 are \$5,037,321, which is an increase of \$250,278 (5.2%) from the 2014 Budget, with the primary driver of the increase being Consultants & Contacts Expense, as described above. The allocation of Administrative Services expenses to Compliance Operations is \$4,331,554, Fixed Assets allocated to Compliance Operations are \$127,570, and Fixed Asset additions net of Depreciation are budgeted to increase by \$134,668 over the 2013 Budget.

#### **b. Compliance Enforcement**

Compliance Enforcement is responsible for overseeing enforcement processes,

application of Penalties or sanctions and activities to mitigate and prevent recurrence of remediated issues or confirmed violations of Reliability Standards. Compliance Enforcement monitors Regional Entities' enforcement processes; collects and analyzes compliance enforcement and violation data and trends to identify emerging risks and inform the development of enforcement policy and processes; files notices of penalties and other submittals associated with violations discovered through Regional Entity compliance, enforcement and monitoring activities or through NERC-led investigations and audits; and docket possible violations coming into the NERC enforcement program. The 2014 goals and deliverables for Compliance Enforcement are described on pages 44-47 of **Attachment 2**, and are focused on continuing compliance enforcement reform initiatives, performing violation trend analysis, and continuing to reduce the outstanding caseload and increase processing efficiencies.

The budgeted staffing for Compliance Enforcement for 2014 is 18.24 FTEs, which is a reduction of 2.76 FTEs from the 2013 Budget. However, no actual staffing reductions are planned for 2014; the 2.76 FTE reduction reflects the transfer of 2.0 FTEs to other departments in 2013 and application of the 4% personnel attrition factor to the existing staff of 19 FTEs. Budgeted Personnel Expenses are reduced by \$84,675 from the 2013 Budget due primarily to the reduced staffing from the 2013 Budget. The 2014 budget for Travel Expenses is reduced by \$100,702 (54.0%) from the 2013 Budget. As in the 2012 and 2013 Budgets, Compliance Enforcement is budgeting no Consultants & Contracts expense for 2014; outside consulting assistance to conduct an assessment of the compliance and registration tool has been budgeted for in the Compliance Operations Department.

The budgeted total direct expenses for Compliance Enforcement for 2014 are \$2,864,951, is a decrease of \$182,796 (6.4%) from the 2013 Budget, with the primary drivers of

the decrease being lower Personnel Expenses and lower Travel Expenses, as described above. The allocation of Administrative Services expenses to Compliance Enforcement is \$3,429,147, the allocation of Fixed Asset additions to Compliance Enforcement is \$100,993, and Fixed Asset additions net of Depreciation are budgeted to increase by \$54,152 over the 2013 Budget.

### **3. Reliability Assessment and Performance Analysis Program**

The Reliability Assessment and Performance Analysis Program carries out NERC's statutory responsibility to conduct periodic assessments of the reliability and adequacy of the bulk power system in North America. The activities of the Reliability Assessment and Performance Analysis Program also support identification of reliability performance issues and areas of concern, including equipment performance and reliability issues, for possible consideration in the development of new, or modification of existing, Reliability Standards, or other initiatives that enhance overall reliability. This program works to develop a solid technical framework and understanding of the reliability risks facing the industry and to communicate guidance and information to the industry to enhance reliability.

The efforts of the Reliability Assessment and Performance Analysis Program are focused in four areas: reliability assessment (including preparation of the annual Long-Term and Summer and Winter Reliability Assessment reports and special and scenario reliability assessments); performance analysis; reliability risk analysis and control; and reliability initiatives and system analysis. In addition, during 2013, this Program has worked closely with the Regional Entities to develop software applications and business processes to implement the revised Bulk Electric System (BES) definition and exceptions process.

The 2014 goals and deliverables for the Reliability Assessment and Performance Analysis Program are summarized at pages 53-54 of **Attachment 2**. The 2014 goals and objectives include issuing reliability assessment reports, guidelines, recommendations, and alerts

as needed (including the annual 10-year Long-Term Reliability Assessment and Summer and Winter Reliability Assessments, an annual State of Reliability Report, a report on geomagnetic disturbance (GMD) BES effects and vulnerability assessment, and an additional special assessments on a key reliability issue); oversight of the Generating, Transmission and Demand Response Availability Data Systems (GADs, TADS and DADS) and the Spare Equipment Database (SED); strengthening the Program's data collection and validation processes; providing periodic updates in trends and measures of bulk power system reliability; developing a risk registry and systematic prioritization process consistent with the Reliability Issues Steering Committee framework and to support bulk power system risk profile measurement and the assessment of standards; developing risk control strategies and plans across the ERO to address the highest priority existing or emerging risks to bulk power system reliability, and measuring the results; supporting NERC standards development and responses to Commission directives by providing technical and system analysis expertise and supporting the technical foundation development for Reliability Standards; assisting in development of approaches to registration and maintenance of the Actively-Monitored List based on reliability trends, risks and historical information; and conducting major event investigations, analysis and reporting of major findings and recommendations that will improve reliability.

The budgeted staffing for the Reliability Assessment and Performance Analysis Program for 2014 is 18.99 FTEs, which is an increase of 0.24 FTEs over the 2013 Budget. The staffing increase reflects the addition of one engineer to support risk management initiatives and technical analysis, the anticipated timing of this hire, and the application of the 4% personnel attrition factor. Budgeted 2013 Personnel Expense is increased by \$278,331 over the 2013 Budget, reflecting increased Salary Expenses of \$174,468 and increased Benefits Expenses of

\$70,479 from the 2013 Budget.

The budgeted 2014 expense for Consultants & Contracts for the Reliability Assessment and Performance Analysis Program is \$638,085, which is a decrease of \$46,915 from the 2013 Budget. The budgeted consultant and contractor resources will support the following activities: (1) research concerning reliability effects and vulnerability assessment of GMD; (2) the Long-Term and special reliability assessments and the State of Reliability analysis; and (3) licensing and support of existing data bases, including GADS, TADS, DADS and SED as well as maintenance and enhancement of the metrics data collection, analysis and display tools. In addition, NERC plans to commence work in 2014 on (1) research to validate the technical foundation supporting the inclusion within the Gallet Equation in Reliability Standard FAC-003 of factors for the Minimum Vegetation Clearance Distance, and (2) issues surrounding access for vegetation and related maintenance for transmission assets crossing public lands. With respect to the FAC-003-related research, NERC will be exploring potential sources of third party funding for a portion of the costs, deferring a portion of its funding beyond 2014, and relying on operating reserves for partial funding of this initiative in 2014. NERC expects the research concerning vegetation management on public lands to be financially supported by existing industry groups, and that NERC will not provide direct financial support in 2014 for this research. All of these activities are described in detail on pages 54-59 and in Exhibit D of **Attachment 2**.

The total budgeted direct expense for the Reliability Assessment and Performance Analysis Program for 2014 is \$4,903,304, which represents an increase of \$386,685 (8.6%) from the 2013 Budget. The Reliability Assessment and Performance Analysis Program is budgeting \$50,000 of revenue from Services & Software and \$40,000 of revenue from Workshop

attendance fees in 2014. The allocation of Administrative Services expenses to this program is \$3,570,148, the allocation of Fixed Asset additions to this program is \$105,146, and Fixed Asset additions net of Depreciation are budgeted to decrease by \$127,226 from the 2013 Budget.

#### **4. Reliability Risk Management**

The Reliability Risk Management group carries out NERC's statutory responsibility to perform assessments (including real-time or near-real-time assessments) of the reliability and adequacy of the bulk power system, as well as identifying potential issues of concern relating to system, equipment, entity and human performance that may indicate a possible need to develop new or modified Reliability Standards. The Reliability Risk Management group includes four primary functions – (i) bulk power system awareness, (ii) event analysis and investigations and determination of root and contributing causes, (iii) assessment of human performance challenges affecting reliability and identification of improvement opportunities, and (iv) support of the NERC Operating Committee – and two departments, Situation Awareness and Event Analysis. The 2014 budgets for Situation Awareness and Event Analysis are discussed separately below.

##### **a. Situation Awareness**

NERC's Situation Awareness Department works with Registered Entities to monitor present conditions on the bulk power system using various software tools and applications. It also communicates and coordinates with Regional Entities and Registered Entities to notify them of various types of disturbances that could negatively impact their ability to deliver power to end users. When significant bulk power system disturbances occur, Situation Awareness facilitates coordination of communications between Registered Entities and applicable governmental authorities. Situation Awareness is responsible for overseeing the design, operation and maintenance of software, hardware and communications networks, including the SAFNR

platform, and funding support for a number of reliability tools. However, NERC will be ending its direct funding of the North American Synchronphasor Initiative (NASPI) at the end of 2013. Ending funding of the NASPI and transitioning the SAFNR activities from development to operation and maintenance of the SAFNR software application reduces expenditures for the Situation Awareness Department by approximately \$1 million in the 2014 Budget as compared to the 2013 Budget.

The 2014 goals and deliverables for Situation Awareness are described on page 64 of **Attachment 2** and include ensuring that the ERO is aware of all bulk power system events above a threshold of impact, ensuring the sharing of data and information to facilitate wide area situation awareness, and keeping the industry informed of emerging reliability threats and risks to the bulk power system, including any expected actions.

The 2014 budgeted staffing for Situation Awareness is 6.24 FTEs, which is a reduction of 0.26 FTEs from the 2013 Budget. The change is based solely on application of the 4% personnel attrition factor. Budgeted Personnel Expenses are increased by \$89,210 over the 2013 Budget. Budgeted Meetings Expense is decreased by \$91,655 over the 2013 Budget. The Situation Awareness budget includes \$75,000 in revenues from Workshop fees.

The 2013 Consultants & Contracts budget for Situation Awareness of \$1,289,108 is a reduction of \$1,454,072 (53.0%) from the 2013 Budget. As noted above, NERC is ending its funding support for the NASPI at the end of 2013 and development of the SAFNR software will have been completed. The 2013 budget for Consultants & Contracts included a total of \$810,000 for NASPI and \$725,500 for SAFNR as well as \$458,000 for the Interchange Distribution Calculator (IDC) contract which terminated on March 31, 2013 with the IDC contract being transitioned to other entities. The 2014 Budget includes \$531,825 for SAFNR and \$27,816 for



NERC's access to the IDC. Itemized information on the activities and initiatives supported by the 2014 Consultants & Contracts budget for Situation Awareness is provided in Exhibit C of **Attachment 2**.

The total budgeted direct expense for Situation Awareness for 2014 is \$2,891,092, which represents a decrease of \$1,302,415 (31.1%) from the 2013 Budget. The allocation of Administrative Services expenses to this program is \$1,173,129, the allocation of Fixed Asset additions to this program is \$34,550, and Fixed Asset additions net of Depreciation are budgeted to increase by \$511,940 from the 2013 Budget.

#### **b. Event Analysis**

The Event Analysis Department supports the ERO's reliability goals by evaluating bulk power system events, conducting analysis to determine causes of events, assuring tracking of corrective actions to prevent recurrence, and providing lessons learned to the industry. Event Analysis manages all NERC activities with respect to event analysis, assuring consistent, timely and coordinated results. It also reviews formal complaints, conducts non-public compliance investigations, assists in reviewing Registered Entity compliance assessments to verify compliance gaps are assessed in all reportable events, and supports NERC's Reliability Standards development and compliance monitoring and enforcement functions.

The 2014 goals and deliverables for Event Analysis are described at pages 68-69 of **Attachment 2**, and include ensuring that all reportable events are analyzed for sequence of events, root cause, risk to reliability and mitigation; ensuring that the industry is well informed of bulk power system events, emerging trends, risk analysis, lessons learned and expected actions; and conducting major event investigations, analysis and reporting of major findings and recommendations that will improve reliability. Additionally, Event Analysis along with the

Reliability Assessment and Performance Analysis Department are working with the Regional Entities to develop a software application known as the Events Information Data System (EIDS), with the objective to create an ERO-wide tool to collect, analyze and report detailed information regarding events impacting the reliability of the bulk power system.

The 2014 budgeted staffing for Event Analysis is 9.60 FTEs, which is an increase of 0.10 FTEs from the 2013 Budget, and reflects the transfer of 0.5 FTE from another department during 2013 and application of the 4% personnel attrition factor.<sup>73</sup> Budgeted 2014 Personnel Expense is increased by \$196,211 over the 2013 Budget. Budgeted Meetings expense is increased by \$36,864 over the 2013 Budget, due primarily to increases in Conference Calls Expenses, which was not budgeted in 2013. Consultants & Contracts expense is budgeted to decrease from \$120,000 in the 2013 Budget to zero.

The total budgeted direct expense for Event Analysis for 2014 is \$2,384,069, which represents an increase of \$309,161 (14.9%) from the 2013 Budget. The allocation of Administrative Services expenses to this function is \$1,804,814, the allocation of Fixed Asset additions to this function is \$53,154, and Fixed Asset additions net of Depreciation are budgeted to decrease by \$161,702 from the 2013 Budget.

## **5. Critical Infrastructure Protection**

The NERC Critical Infrastructure Protection function, comprised of the Critical Infrastructure Department (CID) and the ES-ISAC, supports the development and administration of CIP Reliability Standards initiatives, CMEP oversight functions with respect to CIP standards, and critical infrastructure and cyber information sharing, incident analysis, risk assessment, and

---

<sup>73</sup> Comparisons discussed in this subsection between the 2014 Budget and the 2013 Budget for the Event Analysis Department are based on the 2013 Budget update that NERC filed with the Commission on September 10, 2012 in Docket No. RR12-13-000.

coordination between industry and government. The CID supports industry-led activities and organizations including the NERC CIP Committee and the Electricity Sub-sector Coordinating Council (ESCC).<sup>74</sup> The primary function of the ES-ISAC is the rapid and secure sharing of information with the electric industry and governmental entities regarding real and potential cyber related threats to the electricity sector and methods and tools to avoid or mitigate the potential impact from these threats. The ES-ISAC gathers and shares information from and with industry participants and government about security-related events, disturbances and off-normal occurrences. The ES-ISAC maintains a secure private information-sharing portal to receive voluntary reports from industry, which may be submitted on an unattributed basis to encourage information reporting. The ES-ISAC develops alerts and notifications for distribution to Registered Entities.

The 2014 goals and deliverables for Critical Infrastructure Protection are described on pages 72-73 of **Attachment 2**. They include supporting CIP standards development; supporting compliance enforcement process improvement initiatives; through the ES-ISAC, providing rapid dissemination of cyber threat, vulnerability information and mitigation strategies to industry; conducting security incident analysis and working with industry experts to evaluate, track and identify lessons learned and security metrics that enhance the sector's security posture; and conducting Cyber Risk Preparation Assessments (CRPA) and sufficiency reviews and developing CRPA tools for industry to conduct self assessments.

The 2014 budgeted staffing for the CID (excluding the ES-ISAC) is 12.48 FTEs, which is a decrease of 0.02 FTE from the 2013 Budget and reflects application of the 4% personnel attrition factor. The 2014 budgeted staffing for the ES-ISAC is 7.72 FTEs, which is an increase

---

<sup>74</sup> The NERC Board has approved a transition of the ESSC outside of NERC, but NERC will continue to provide support for the ESSC.

of 0.97 FTEs over the 2013 Budget. This staffing increase reflects addition of one additional staff position in the ES-ISAC during 2014, in order to increase analytical capabilities, monitoring of the secure information portal and information sharing, and shift staffing on the National Cybersecurity and Communications Integration Center floor, as well as application of the 4% personnel attrition factor. Budgeted Personnel Expenses for Critical Infrastructure Protection are increased by \$543,149 (15.1%) over the 2013 Budget.

Budgeted Meeting Expenses for Critical Infrastructure Protection are reduced by \$82,997 (14.1%) due to a \$91,572 reduction in the budget for Travel Expenses. The 2014 budgeted Consultants & Contracts expense for Critical Infrastructure Protection is \$976,450, which is an increase of \$191,450 (24.4%) over the 2013 Budget. The Consultant & Contracts budget includes \$190,000 to support the ESSC, an increase of \$60,000 from the 2013 Budget. Consultant and contractor support is also budgeted to fund existing and added tools and technology for the activities of the ES-ISAC, including enhancements to the ES-ISAC portal, intelligence reporting services, CPRAs, Aurora webinars and technical support, secure bi-directional communications, cyber awareness monitoring, software integration support services, and analyst workbench. NERC is also evaluating supporting the DOE's Cyber Federated Model (CRM) and Cyber Risk Information Sharing Program (CRISP) as DOE moves to private funding for the commercialization of these programs; however, NERC has not budgeted specific funding for these programs in the 2014 Budget. These tools and activities are described in greater detail at pages 75-78 of **Attachment 2** and more detailed information on specific amounts budgeted for Consultants & Contracts for specific activities in the CID, including the ES-ISAC, is provided in Exhibit C of **Attachment 2**.

The budgeted direct expense for 2014 for the CID (excluding the ES-ISAC) is \$3,257,012, which is an increase of \$146,351 (4.7%) from the 2013 Budget. The allocation of Administrative Services expenses to the CID (excluding the ES-ISAC) is \$2,299,170. The budgeted direct expense for 2014 for the ES-ISAC is \$2,444,997, which is an increase of \$466,251 (23.6%) from the 2013 Budget. The allocation of Administrative Services expenses to the ES-ISAC is \$1,498,460. The allocation of Fixed Assets to Critical Infrastructure Protection is \$111,846, and Fixed Asset additions net of Depreciation are budgeted to increase by \$68,909 over the 2013 Budget.

#### **6. Training, Education, and Operator Certification Program**

The Training, Education, and Operator Certification Program provides oversight and coordination of the delivery of training programs that support the ERO's statutory responsibilities, by providing training and education to NERC and Regional Entity staff, including compliance auditors, relating to their job responsibilities, and to industry participants on the requirements of Reliability Standards, the standards development process, and the compliance monitoring and enforcement process. The Training, Education, and Operator Certification Program also supports NERC's System Operator Certification and Continuing Education Programs (SOCCED) for owners, operators and users of the bulk power system and their operating personnel, which ensure that personnel operating the bulk power system have the skills, training and qualifications needed to operate the system reliably. NERC maintains the credentials required to work in system control centers across North America for over 6,000 system operators. Certification exams are created by the Personnel Certification Governance Committee (PCGC), an industry group of operational experts, trainers and supervisors. Once an operator achieves certification by passing the examination, the operator's certification is

maintained by completing NERC-approved continuing education courses and activities, under the oversight of the NERC Personnel Subcommittee.

The 2014 goals and deliverables of the Training, Education, and Operator Certification Program are described at page 82 of **Appendix 2**. A primary objective, in response to stakeholder and Regional Entity feedback, is to continue to further expand and focus training and education opportunities for NERC, Regional Entity and Registered Entity personnel, including on topics such as how best to comply with Reliability Standards and improve bulk power system reliability, cyber security-related topics, consistent audit and investigation techniques, standards compliance reviews, compliance auditor skills, and other topics listed at page 82 of **Attachment 2**. Training and education opportunities will be provided through workshops hosted by NERC and the Regional Entities, webinars, training courses, and vendor-provided training modules and other offerings.

The budgeted staffing for the Training, Education, and Operator Certification Program for 2014 is 8.16 FTEs, which is a slight increase of 0.16 FTEs over the 2013 Budget. The increase of 0.16 FTE reflects the transfer of 0.5 FTE to this program from another department in 2013 and application of the 4% personnel attrition factor. Budgeted 2014 Personnel Expense is virtually unchanged from the 2013 Budget, although budgeted Benefits Expense is increased by 27.4%. The budgeted Consultants & Contracts Expense for 2014 of \$848,830 is also virtually the same as the 2013 Budget. Consultant and Contracts expense includes testing services to administer certification exams; hosting and maintenance fees for, and improvements to, the SOCCED database; support for the Continuing Education Review Panel (comprised of industry volunteers), which reviews and audits proposed individual learning activities and continuing education provider applications; and the provision of various training and education programs for

NERC and Regional Entity staff and industry personnel.

The direct expense budgeted for the Training, Education, and Operator Certification Program for 2014 is \$2,158,199, which is a small decrease of \$12,707 (0.6%) from the 2013 Budget. The allocation of Administrative Services expenses to this Program is \$1,534,092, the allocation of Fixed Assets to this Program is \$45,181, and Fixed Asset additions net of Depreciation are budgeted to increase by \$27,337 over the 2013 Budget.

This System Operator Certification Program generates revenues from fees charged for system operator certification examinations and fees charged to continuing education providers, which are intended to recover the costs (including an allocation of indirect expenses) of the Program. The 2014 Budget includes projected revenues from Testing Fees totaling \$1,620,000, which is a decrease of \$60,000 (3.6%) from the 2013 Budget.

Under NERC's Working Capital and Operating Reserves Policy, a separate Operating Reserve account is established for any revenues realized by the System Operator Certification Program in excess of expenses incurred for the Program, to be used solely for operator training and certification needs as determined by NERC management and the PCGC. NERC has established a target Operating Reserve for this program of \$768,493, and is projecting a \$1,206,746 Operating Reserve balance for the System Operator Certification Program at December 31, 2013, resulting in a reduction of \$438,253 in the Operating Reserve account attributable to this program. The PCGC reduced fees for system operator certification examinations and certificate renewals in 2013 as part of a 3-year plan to reduce the Operating Reserve.

## **7. Administrative Services**

The Administrative Services departments support the NERC statutory programs.

Administrative Services comprises the following functions: (i) Technical Committees and Members' Forums (which has no budget for 2014); (ii) General and Administrative (which includes senior executive and operations functions); (iii) Legal and Regulatory; (iv) Information Technology; (v) Human Resources, and (vi) Finance and Accounting. Descriptions of the responsibilities of each of the functions included in Administrative Services are provided in the text at pages 86-109 of **Attachment 2**.

The total amount budgeted for Administrative Services for 2014 (before provision for Working Capital and Operating Reserves) is \$24,513,515, which is an increase of \$1,434,434 (6.2%) over the 2013 Budget and is reflective of the scope and depth of resources required to effectively support the ERO operations. All Administrative Services expenses and Fixed Asset additions are allocated to the statutory programs on the basis of proportional numbers of budgeted FTEs in the statutory programs. The total budgeted staffing for the Administrative Services departments for 2014 is 59.14 FTEs, which is an increase of 6.39 FTEs over the 2013 Budget.

The following paragraphs provide further detail on the 2014 activities and budget requirements for the individual Administrative Services departments.

**Technical Committees and Members' Forums** – While NERC management and staff will continue to interact with and support numerous reliability-related industry forums during 2014, including the North American Transmission Forum and the North American Generator Forum, the 2014 Budget does not include any specific projected expense or funding for any forum activities.

**General and Administrative** – The General and Administrative function is responsible for administration and general management of NERC. Expenses budgeted in this area include



Office Rent; Personnel Expense and related costs of the Chief Executive Officer (CEO), the Chief Operating Officer, and the CEO's executive assistant; communications and public relations; and costs related to the Board of Trustees. Budgeted staffing for this function for 2014 is 10.56 FTEs, which is an increase of 2.56 FTE over the 2013 Budget. The 2.56 FTE increase is due to additions and transfers into this department during 2013 net of the 4% personnel attrition adjustment.

The 2014 budgeted Direct Expense for General and Administrative is \$8,171,736, which is an increase of \$846,180 (11.6%) over the 2013 Budget. The most significant component of this increase is a \$790,712 (45.6%) increase in Personnel Expenses. Budgeted Travel Expense is increased by \$99,482 (30.9%) over the 2013 Budget. These increases are partially offset by decreases in Contracts & Consultants Expense of \$75,000 (50%) and in Office Rent of \$139,540 (5.1%) from the 2013 Budget.<sup>75</sup> The budgeted decrease in Office Rent is based on the terms of NERC's leases and a change in accounting relating to refunds of excess tenant improvement issues.

NERC is budgeting a total amount of \$1,459,000 for Board of Trustee costs in 2014, comprised of \$234,000 for costs of quarterly Board, Board committee and MRC meetings, \$155,000 for Trustee Travel expense for all their NERC activities (*i.e.*, not just travel in connection with the quarterly Board meetings), \$1,000,000 for Trustee fees, and \$70,000 for Trustee search fees for a search to replace a trustee leaving the Board in February 2015. This total is \$90,000 higher than the 2013 Budget of \$1,369,000, with the increase due to a small increase in Trustee fees of \$20,000 (2.0%) and the \$70,000 for Trustee search fees (no Trustee

---

<sup>75</sup> Office Rent for all NERC facilities is budgeted in General and Administrative.

search fees were budgeted in 2013). The table on page 87 of **Attachment 2** details the budgeted Board of Trustees expenses.

The General and Administrative budget includes \$50,000 of Other Non-Operating Expenses to cover NERC's property tax obligations in Atlanta, Georgia. In addition, the budgeted Other Non-Operating Expenses includes \$94,000 of Interest expense, which is the projected Interest expense for 2014 under NERC's plan to finance certain IT capital projects. See §IV.C below.

**Legal and Regulatory** – The Legal and Regulatory function provides legal and regulatory support to the organization. Increasing demands for Legal and Regulatory support continue to come primarily from Compliance Operations, Investigations and Reliability Standards. In addition, Legal and Regulatory is responsible for providing a wide range of legal support to the organization in corporate, commercial, contractual, employment, real estate, intellectual property and other legal matters.

The 2014 Budget for Legal and Regulatory is \$4,298,813, an increase of \$253,084 (6.3%) over the 2013 Budget. Budgeted staffing for 2014 for Legal and Regulatory is increased from 14.0 FTEs to 15.15 FTEs, reflecting the transfer of one FTE into this function in 2013, the addition of one FTE in 2014 to provide administrative support to both the Legal and Compliance Enforcement functions, and the 4% personnel attrition adjustment. Budgeted Travel expense is decreased by \$24,500 from the 2013 Budget and budgeted Professional Services expense is reduced by \$190,000.

**Information Technology** – NERC's IT department is responsible for planning, designing, implementing and operating technology in support of the ERO's goals and objectives. In addition to continuing its responsibilities for maintaining and improving NERC's internal IT

applications and infrastructure, the IT department is placing significant emphasis and resources on working collaboratively with the Regional Entities to build enterprise applications to replace numerous time-consuming and manual efforts, reduce duplicative input by Registered Entities, and build a foundation for business intelligence and analytics regarding reliability risks. During 2014, the IT Department will continue to manage the development and implementation of a number of replacement software applications for legacy applications, as well as the development of new ERO enterprise applications. Descriptions of these projects and the 2014 budget together with preliminary budget projections for 2015 and 2016 for the projects are provided on pages 21-22, 96-100 and 101-102 of **Attachment 2**. External consultants and contracting firms are used to support software application development projects. In addition, this department is responsible for IT operating expenses including telephone, internet, computers, computer supplies, maintenance and service agreements and software; these expenses are described in detail on pages 100-101 of **Attachment 2**.

The 2014 budgeted expense for the IT Department is \$8,320,845, which is an increase of \$342,140 (4.3%) over the 2013 Budget. The 2014 Budget reflects 18.07 FTEs in this function, which is an increase of 1.32 FTEs over the 2013 Budget. The staffing increase reflects the addition of two positions in 2014 (a database analyst and a webmaster), the anticipated timing of filling these positions during 2014, and the 4% personnel attrition factor. The 2014 budgeted Personnel Expense is increased by \$528,411 (24.4%) over the 2013 Budget, with the primary drivers of this increase being the increased staffing and increased employee Benefits Expenses.

The 2014 budget for Consultants & Contracts for IT is \$1,944,000, which is a decrease of \$777,000 (28.6%) from the 2013 Budget. The Consultants & Contracts expense is comprised of \$1,524,000 for ongoing operations and \$420,000 for enterprise application consulting services,

as shown in Exhibit C of **Attachment 2**. The projects for which Consultants & Contracts expense is budgeted are described at pages 94-99 of **Attachment 2**, and include projects relating to security and vulnerability testing; maintenance and redesign of NERC legacy applications; disaster recovery planning; further redesign of the NERC website; development of a standards issue database; and several ERO enterprise applications.

The 2014 IT Budget includes \$2,279,770 for Office Costs, which is an increase of \$386,045 (20.4%) from the 2013 Budget. The Office Costs budget includes \$225,000 for Telephone expenses, \$275,000 for Internet expenses, \$4,500 for Computers expense (expenses for items that are not large enough to be capitalized), \$95,400 for Computer Supplies, \$1,539,370 for Maintenance & Service Agreements, and \$140,500 for Software. Additional description of the costs budgeted in these expense categories is provided at pages 100-101 of **Attachment 2**.

Finally, the 2014 IT Budget includes a total of \$2,471,800 for Computer & Software Capital Expenditures and Equipment Capital Expenditures, which is an increase of \$699,700 (39.5%) over the 2013 Budget. The IT Capital Expenditures budget includes both expenditures for major applications development and implementation projects and costs for software, servers, laptops and other hardware to support NERC's daily operations.

**Human Resources** – HR manages all of NERC's human resources functions, including new hires, benefits and employee functions, and oversees employee performance appraisals and the incentive structure process. The 2014 goals and objectives for HR are summarized at pages 105-106 of **Attachment 2**, and are focused on executive training and development, staff development, use of compensation consultants to provide market data, stakeholder surveys including surveys of Board of Trustee effectiveness, succession planning, and automation of HR

products and services.

The 2014 Budget for HR is \$1,104,974, which is a decrease of \$422,823 (27.7%) from the 2013 Budget. The 2014 budgeted staffing is 2.88 FTEs in this function, which is a reduction of 0.12 FTEs from the 2013 Budget and is due to application of the 4% personnel attrition factor; no additions or deletions of positions is planned. Benefits Expense in the 2014 HR budget is decreased by \$523,198 from the 2013 Budget primarily due to the allocation of education, training and relocation benefits across all departments; in 2013 and prior years, these benefits were budgeted solely in Human Resources. The budgeted Consultants & Contracts expense for HR in 2014 of \$257,500 is \$31,000 lower than the 2013 Budget amount, due primarily to a reduced budget for Consultant & Contractor support for staff training and development. As shown in Exhibit C of **Attachment 2**, use of consultants and contractors for HR is budgeted in the areas of executive training and development, staff training and development, compensation consulting, stakeholder surveys, succession planning, and improvements to employee-facing HR processes. The 2014 Professional Services budget for HR is increased by \$57,002 over the 2013 Budget, due to primarily to a reclassification of performance management software costs from Office Costs to Professional Services and additional services related to automated benefits enrollment.

**Finance and Accounting** – Finance and Accounting manages all of NERC’s finance and accounting functions, including employee payroll, retirement plans, travel and expense reporting, monthly financial reporting, sales and use taxes, meeting/events planning and services, insurance, internal audit, and facilities management. Finance and Accounting has primary responsibility for development of the annual business plan and budget, and for NERC’s internal controls and risk management function.

The 2014 budgeted expense for Finance and Accounting is \$2,617,147, which is an increase of \$415,852 (18.9%) from the 2013 Budget. The 2014 budgeted staffing for this function is 12.48 FTEs, which is an increase of 1.48 FTEs from the 2013 Budget. The 1.48 FTE increase reflects additions in this department during 2013 and application of the 4% personnel attrition factor; no new position additions are planned for 2014. As a result of the staffing additions and increased Benefits Expense, budgeted 2014 Personnel Expenses are increased by \$243,850 over the 2013 Budget.

The 2014 budgeted expense for Consultants & Contracts for Finance and Accounting is increased by \$75,000 over the 2013 Budget, primarily for outside professional support for risk management and internal control initiatives as well as finance and accounting support for regular operations. Additionally, the 2014 budgeted expense for Professional Services is increased by \$94,000 over the 2013 Budget, primarily due to implementation of new expense management systems.

#### **B. Working Capital and Operating Reserves**

NERC's Working Capital and Operating Reserve Policy, adopted by the NERC Board in 2012, provides for separation of Working Capital from Operating Reserves, establishes criteria and authorities for funding and access to Working Capital and Operating Reserves and transfers of funds between the reserve accounts, establishes controls and authorities regarding the reallocation of budgeted funds to other uses, establishes controls regarding annual headcount and FTE budgets, and establishes transparent reporting requirements. Exhibit E of **Attachment 2** sets forth and explains the amounts of Working Capital and Operating Reserves proposed to be budgeted, and reflected in the setting of NERC's assessments, for 2014.

The amounts budgeted for 2014 for each Working Capital and Operating Reserve category are as follows:

Working Capital:      \$3,800,000.

(Represents funding NERC has collected and is reserving to offset future liabilities in connection with lease agreements for the Atlanta and Washington DC offices.)

Operating Reserves:   \$2,700,000.

Known Contingencies where timing and amount are uncertain: \$1,000,000.

(based on (i) funding of outside consultants in connection with FAC-003 vegetation research, (ii) higher than projected data base support and maintenance expenses, (iii) additional costs to develop a replacement PC-GAR application, (iv) financing expense associated with higher than projected software development and hardware costs and acceleration of development of the RADS application to 2014 from 2015, and (v) funding of the cost of additional CONRAD devices to support ES-ISAC secure bi-directional communications<sup>76</sup>)

Unforeseen Contingencies:      \$1,000,000.

(Represents contingency for unknowns including significant litigation, compliance with new governmental or regulatory mandates, major system event investigations, etc.)

System Operator Certification Program:   \$768,493.

(Represents the difference between the December 31, 2013 projected ending balance of \$1,206,746 and the budgeted net loss in 2014 of \$438,253.)

Total Desired Working Capital and Operating Reserve:      \$6,635,548.

Based on the beginning Working Capital and Operating Reserve at December 31, 2012, the projected funding and expenditures for 2013, the budgeted funding and expenditures for 2014, and the desired Working Capital and Operating Reserve at December 31, 2014, Table B-1 on page 112 of **Attachment 2** shows the calculation of the resulting adjustment (decrease) to NERC's 2014 statutory assessment of \$1,660,724. (As shown on Table B-1, there are additional adjustments to the 2014 assessment calculation for (1) anticipated proceeds from financing activities, and amortization of debt principal, as discussed in the next section.) To the extent NERC's actual year-end 2013 Working Capital and Operating Reserves are higher than projected (as shown on Table B-1), the excess funds will be included in the Working Capital, Unforeseen Contingency Operating Reserve account or System Operator Certification Program account, as

---

<sup>76</sup> CONRAD = Contested Operational Network for Reporting and Defense. See page 77 of **Attachment 2**.

applicable, and subject to the limitations and authorities regarding their use set forth in the Working Capital and Operating Reserves Policy.

### **C. Plan to Finance Certain Capital Expenditures**

As further described in Exhibit D to NERC's 2014 Business Plan and Budget (**Attachment 2**), NERC plans to finance the development costs of certain software applications and IT hardware and amortize these investments over a three year period. The capital costs which NERC plans to finance include (1) the costs incurred in 2013 associated with the development of software applications to (a) facilitate NERC and Regional Entity processing of BES exception requests (BES Application) and (b) gather and analyze bulk power system events (the EIDS Application), (2) the costs to develop or procure a replacement software application to issue and manage alerts to industry regarding critical or impending reliability and security threats (Alerts Application), (3) costs to develop a reliability assessment data store (RADS Application) and (4) hardware associated with the foregoing applications, as well as supporting NERC's internal operations.<sup>77</sup> The BES, EIDS and RADS Applications will be used by both NERC and the Regional Entities to perform required business functions using a single application and thereby reducing the need and cost for multiple disparate applications and databases. No overlap in funding for these applications is contained in the 2014 Regional Entity business plans and budgets. Development of the RADS Application is listed as commencing in 2015, with potential acceleration of the development of this application into 2014 subject to the availability of funding to cover 2014 debt service payments associated with the financing of the development costs of this project. NERC is also evaluating options to reduce the projected 2014 cost of the

---

<sup>77</sup> The BES Application and RADS are discussed in §IV.A.3 above concerning the Reliability Assessment and Performance Analysis program. The EIDS is discussed in §IV.A.4.b above concerning the Event Analysis Department.



replacement Alerts Application to free up funds for the development of the RADS Application. NERC management will provide periodic (no less than quarterly) briefings to the NERC FAC and the NERC Standards Oversight and Technology Committee regarding the status of the development of these applications, as well as incurred and projected development costs. This information will also be provided to the Commission as part of NERC's quarterly unaudited budget variance reporting.

In the fourth quarter of 2013, NERC proposes to finance approximately \$1.27 million in development costs for the BES and EIDS Applications, with interest only payments until the fourth quarter 2014 and a three-year principal repayment schedule commencing in the fourth quarter of 2014. In 2014, NERC is proposing to finance approximately \$1.42 million in software development costs and hardware, with interest only payments until January 1, 2015 and a three-year principal repayment schedule commencing January 1, 2015. A 3.5% interest rate has been assumed for the financings. The actual interest rate and interest rate expense will be reflected in the quarterly budget-to-actual variance reports that NERC posts on its website, reviews in open session with the NERC FAC and files with the Commission. Any savings in interest expense compared to the budgeted expense will be captured and reported as a contribution to NERC's operating reserves, the expenditures of which are subject to the terms of its Working Capital and Operating Reserve Policy.

## **V. REGIONAL ENTITY BUSINESS PLANS AND BUDGETS**

### **A. Consistency Among Regional Entity Budgets**

In developing the 2014 Regional Entity Business Plans and Budgets, NERC and the Regional Entities continued the substantial efforts they devoted to achieving consistency of format and presentation of information in the 2008, 2009, 2010, 2011, 2012 and 2013 Business Plans and Budgets. NERC and the Regional Entities: (i) used a common and consistent format

for the 2014 Business Plan and Budget documents, (ii) continued to use the more consistent accounting methodologies that were developed in connection with the 2010 Business Plans and Budgets, (iii) continued to use the common definition of administrative (indirect) costs that was originally developed in connection with the 2010 Business Plans and Budgets, and (iv) again developed and used extensive Shared Business Plan and Budget Assumptions for their 2014 Business Plans and Budgets. The Shared Business Plan and Budget Assumptions are provided in Exhibit A to the NERC 2014 Business Plan and Budget (**Attachment 2**) and are cross-referenced in each of the Regional Entity Business Plans and Budgets.<sup>78</sup>

In preparing their 2014 Business Plans and Budgets, the Regional Entities have developed and applied adjustments to Personnel Expenses for labor “float” or “attrition.” Use of this factor reflects the fact that, historically, the Regional Entities (and NERC) have often been unable to achieve or maintain budgeted staffing levels throughout the year due to (i) unanticipated departures of individual employees (*e.g.*, employees leave to take positions with other employers, and (ii) inability to fill budgeted positions within the time periods anticipated in preparing the budget (*e.g.*, is assumed that a new position can be filled by the start of the second quarter but in fact it is not filled until the start of the third quarter). As a result, actual Personnel Expenses have often been less than budgeted. To recognize this experience in their 2014 Budgets, the Regional Entities have applied labor float factors to their budgeted staffing numbers (FTEs) or budgeted Personnel Expenses. Some Regional Entities have applied to their labor float factors to budgeted FTEs to derive a (reduced) staffing level that is more representative of what can be realistically expected during 2014, and then determined Personnel Expenses using

---

<sup>78</sup> The Shared Business Plan and Budget Assumptions have been developed for the 2014-2016 period, and therefore are applicable to the NERC and Regional Entity 2015 and 2016 budget projections as well as to their 2014 Business Plans and Budgets.

the reduced staffing (number of FTEs) figures. Other Regional Entities have estimated 2014 Personnel Expenses based on budgeted 2014 staffing levels but applied their labor float factors directly to the Personnel Expenses; this approach produces a more realistic estimate of Personnel Expenses for 2014 but leaves staffing numbers (FTEs) for 2014 at the planned levels. Each Regional Entity has developed its own labor float or labor attrition factor based on its experience.

Additionally, the Regional Entities have jointly retained a coordinator, employed by SERC, to manage joint Regional Entity projects, including development of common IT applications, that are being conducted under the auspices of the Regional Entity Management Group. The development and implementation of common IT applications and other processes on a joint basis among the Regional Entities results in (i) lower costs for each Regional Entity and (ii) adoption of systems and processes that are consistent across the Regions, to the benefit of stakeholders, particularly stakeholders operating in multiple Regions. Each Regional Entity's 2014 Budget includes an expense for the Regional Entity's share of the costs for the coordinator position, which are paid to SERC.

NERC believes that achieving and maintaining consistency among the Regional Entity business plans and budgets is an ongoing process, and NERC intends to continue to work collaboratively with the Regional Entities to maintain and enhance consistency in the presentation of the NERC and Regional Entity business plans and budgets in the future.

The Regional Entity Business Plans and Budgets follow a similar format to that used for the NERC Business Plan and Budget. Each Regional Entity Business Plan and Budget begins with an Introduction section that presents a table showing the Regional Entity's budgeted Total Resources for 2014, including statutory and (where applicable) non-statutory FTEs and expenses; the proposed increases or decreases in statutory and non-statutory Fixed Assets and

Working Capital Requirement; the total statutory and non-statutory Funding Requirement; and the proposed Assessments to recover the Regional Entity's statutory Funding Requirement, allocated (where applicable) among the U.S., Canadian provinces and Mexico.<sup>79</sup> The Introduction also provides general information on the Regional Entity, including information on its organization, membership and governance; provides the Regional Entity's goals and key deliverables and key assumptions for 2014; and provides an overview of the primary cost impacts to the Regional Entity's 2014 Budget. The Introduction section includes a table showing the Regional Entity's 2013 Budget, 2013 Projection, 2014 Budget, and Variance between the 2013 Budget and 2014 Budget, for each of the five statutory programs. It also contains charts comparing the Regional Entity's 2013 to 2014 budgeted expenses by statutory program and showing the percent change in funding for each statutory program from the 2013 Budget to the 2014 Budget; and a table showing the Regional Entity's FTEs, by statutory program and administrative department, for its 2013 Budget, 2013 Projection, and 2014 Budget. Finally, the Introduction section includes the Regional Entity's overall statutory Statement of Activities, with information presented for its 2013 Budget, 2013 Projection, Variance between its 2013 Budget and 2013 Projection, 2014 Budget, and variance between its 2014 Budget and 2013 Budget.

The Regional Entity Business Plans and Budgets next contain, in Section A – Statutory Programs, separate subsections on each statutory program and administrative department or function of the Regional Entity. These sections are presented in similar format to the NERC Business Plan (Section A of **Attachment 2**), including: (i) a table for each statutory program and administrative function showing total FTEs, total Direct Expenses, total Indirect Expenses,

---

<sup>79</sup> Information on non-statutory FTEs, expenses, and funding is, of course, only provided in the business plans and budgets of the Regional Entities that have non-statutory activities – FRCC, NPCC, SPP, Texas RE and WECC.

increase or decrease in Fixed Assets, and total Funding Requirement, for the 2013 Budget and 2014 Budget as well as the Increase/(Decrease), and (ii) a Statement of Activities for the statutory program or administrative function showing Funding, Expenses and Fixed Asset activity by major line item categories, Total Budget and Total Change in Working Capital.<sup>80</sup> Information is presented in each of the Statements of Activities for the 2013 Budget, the 2013 Projection and the 2014 Budget, and the Variances between the 2013 Budget and 2013 Projection and between the 2014 Budget and 2013 Budget.<sup>81</sup> The text of these sections for each statutory program includes discussion of the program scope and functional description, 2014 key assumptions, goals and key deliverables for 2014, and reasons for increases or decreases in funding sources and costs in 2014, for the program.

Section B of each Regional Entity Business Plan and Budget presents supplemental financial information supporting the 2014 statutory Budget. Section B contains tables detailing the development of the adjustment to the Regional Entity's 2014 assessment to achieve its desired Working Capital Reserve at December 31, 2014 (Table B-1); Penalty payments received in the 12 months ended June 30, 2013, to be used as an offset to the Regional Entity's funding requirement (Table B-2); Supplemental Funding (*e.g.*, Workshop fees and Interest income) (Table B-3); Personnel Expenses (Table B-4); Consultants & Contracts expense (Table B-5); Office Rent (Table B-6); Office Costs (Table B-7); Professional Services expense (Table B-8);

---

<sup>80</sup> The FRCC 2014 Business Plan and Budget (**Attachment 3**) provides a consolidated summary table, Statement of Activities, and discussion for General and Administrative covering all its administrative functions, and does not include separate tables, Statements of Activity and discussion for each individual administrative function.

<sup>81</sup> The Statement of Activities for each Regional Entity's General and Administrative function shows its proposed adjustment, if any, to its 2014 statutory assessment to provide for Working Capital Reserve as a Funding Requirement (positive or negative) for the General and Administrative function. All Expenses and Fixed Asset activity for the administrative programs are allocated to, and included in the Funding Requirements for, the statutory programs; therefore, no other Funding Requirement is shown for any of the Regional Entity's administrative functions.

and Other Non-Operating Expenses (Table B-9). Tables B-3 through B-9 are followed, where applicable, by explanations of significant variances between the Regional Entity's 2013 and 2014 Budgets for the funding or cost category. Finally, Table B-10 provides the Regional Entity's statutory budget projections for 2015 and 2016 (along with, for comparison, its 2014 budget), in Statement of Activities format.<sup>82</sup>

Section C – Non-Statutory Activities of each Regional Entity Business Plan and Budget provides (where applicable) information on the Regional Entity's non-statutory activities for 2014, including program descriptions and objectives, budget information, and FTEs.<sup>83</sup>

Following Section C, each Regional Entity Business Plan and Budget also provides, in Section D – Additional Consolidated Financial Statements, or in separate appendices: (1) a 2014 Consolidated Statement of Activities, Fixed Asset Expenditures and Changes in Working Capital showing the Regional Entity's 2014 budgeted line-item funding sources, expenses, and Fixed Asset activity, in total, by statutory and (if applicable) non-statutory, and by statutory program and Administrative Services department, as well as the Direct Expenses and Indirect Expenses for each statutory program; (2) a combined (statutory and, where applicable, non-statutory) Statement of Financial Position at (i) December 31, 2012, based on 2012 actual audited results,<sup>84</sup> (ii) December 31, 2013, based on the Regional Entity's 2013 Projection; and (iii) December 31,

---

<sup>82</sup> MRO has included its budget projections for 2015 and 2016 in Section D of its 2013 Business Plan and Budget, and WECC has included its budget projections for 2013 and 2014 in Appendix B to its 2013 Business Plan and Budget, rather than in Table B-10 of Section B.

<sup>83</sup> MRO, ReliabilityFirst and SERC do not plan to have, and have not budgeted for, any non-statutory activities in 2014. SPP RE is unable to provide a non-statutory budget for 2014 because its planning and budgeting cycle does not result in finalization and Board approval of the overall SPP, Inc. budget until October. SPP RE has included the overall SPP, Inc. 2013 budget and 2012 actual income statement, for information.

<sup>84</sup> The audited financial statements of each Regional Entity for 2012 were filed with the Commission on May 30, 2012, in NERC's *2012 Budget True-up Report*.

2014, based on the Regional Entity's 2014 Budget; and (3) the Regional Entity's organization chart, showing staffing comparisons for 2014 versus 2013.

**B. Discussion of Individual Regional Entity 2014 Business Plans and Budgets**

This section summarizes highlights of the individual Regional Entity 2014 Business Plans and Budgets.

**1. FRCC**

FRCC's total statutory budget for 2014, before adjustment for Working Capital Reserve, is \$6,794,932, an increase of \$263,150 (4.0%) from its 2013 Budget. FRCC's proposed 2013 ERO Assessment amount of \$5,488,057 is \$469,913 (7.9%) lower than its 2013 ERO Assessment, reflecting (in addition to the slightly increased budget) (i) a \$343,000 offset from Penalty payments received from Registered Entities (as compared to \$304,500 of Penalty payments in the 2013 Budget, *i.e.*, an increase of \$38,500 in this Funding source); and (ii) a decremental adjustment of \$849,875 to its 2014 ERO Assessment, based on the difference between its projected Working Capital Reserve at December 31, 2013 and its desired Working Capital Reserve at December 31, 2014 (as compared to a decremental adjustment to its 2013 ERO Assessment of \$157,311 relating to Working Capital Reserve, *i.e.*, the adjustment for Working Capital Reserve provides a larger offset to ERO Assessments, by \$692,564, in FRCC's 2014 Budget that was the case in its 2013 Budget).

FRCC is budgeting for slightly increased staffing of 0.67 FTEs in its five operational programs for 2014 and a slight reduction in staffing of 0.39 FTE in its Administrative programs, resulting in a budgeted overall staffing increase of 0.28 FTEs. FRCC's budgeted Personnel Expenses are increased by \$264,105 (5.2%) over its 2013 Budget, with the most significant component of that increase occurring in Benefits expense (\$123,626 (23.2%)). However, the increase in Benefits expense is primarily due to reclassifying training and education expense as

Personnel Expense (rather than Travel Expense), as well as a 9.3% increase in medical and health insurance expense and budgeting for relocation expense to assist in attracting qualified employment candidates.

FRCC is planning an increase in staffing in its CMEP for 2014 of 1.33 FTEs, from 17.93 FTEs in its 2013 budget to 19.26 FTEs. The increased staffing in the CMEP includes adding a Manager of CIP Audit. In addition, budgeted Consultants & Contracts Expense for the CMEP is increased from \$16,800 in the 2013 Budget to \$119,235 in the 2014 Budget. The CMEP budget for Consultants & Contracts expense includes SERC's estimated charges of \$16,000 to perform the compliance monitoring and enforcement responsibilities for the FRCC registered functions. FRCC is not budgeting significant staffing changes (increases or decreases) in 2014 for any other operational or administrative program; the budgeted staffing change in each individual program is less than 0.5 FTE.

FRCC is budgeting the following changes in total resources over its 2013 Budget for each of its statutory programs: (i) Reliability Standards Development, increase of \$8,916 (2.2%); (ii) CMEP, increase of \$412,796 (9.6%); (iii) Reliability Assessment and Performance Analysis, decrease of \$7,700 (0.6%); Training, Education and Operator Certification, decrease of \$106,643 (28.1%); and Situation Awareness and Infrastructure Security, decrease of \$44,221 (69.5%). The principal reasons for the budgeted decreases in the Training, Education and Operator Certification Program and the Situation Awareness and Infrastructure Security Program are reductions in staffing in each program. FRCC's budgeted General and Administrative Expenses for 2014 are \$623,583, which is a \$49,521 (7.4%) reduction from the 2013 Budget.

FRCC's desired Working Capital Reserve at December 31, 2014 is \$566,244, based on one month of the total annual budget, as approved by the FRCC Board of Directors. FRCC's



projected Working Capital Reserve at December 31, 2013, is \$1,416,119; therefore, FRCC's requested 2014 assessment amount is reduced by \$849,875.

FRCC's 2014 budget for its non-statutory activities is \$7,194,181.

## **2. MRO**

MRO's total statutory budget for 2014, before adjustment for Working Capital Reserve, is \$9,744,799, an increase of \$461,260 (5.0%) over its 2013 Budget. However, MRO's statutory assessment for 2014 of \$8,741,444 is \$357,483 (3.9%) lower than its 2013 assessments, reflecting (in addition to the increased budget) (i) \$136,500 of Penalty payment offsets, an increase from \$14,000 of Penalty payment offsets in its 2013 Budget; and (ii) a decremental adjustment (reduction) to its assessments of \$866,855 for Working Capital Reserve, as compared to a decremental adjustment of \$170,612 for this purpose in its 2013 Budget.

MRO's budgeted 2014 staffing for statutory and administrative programs is 40.75 FTEs, an increase of 3.00 FTE over its 2013 Budget. Of this increase, 2.04 FTEs are in the statutory programs and 0.96 FTE is in the Administrative programs. MRO's budgeted staffing for its CMEP for 2014 is 21.26 FTEs (comprised of 11.16 FTEs for Compliance, 6.31 FTEs for Compliance Risk Assessment and Mitigation, and 3.79 FTEs for Compliance Enforcement), an increase of 2.27 FTEs from its 2013 Budget. MRO is budgeting small increases or decreases in staffing of less than 1.00 FTE in each of the other statutory programs and Administrative programs. MRO's budgeted Personnel Expenses for 2014 are 586,806 (9.3%) higher than in its 2013 Budget. While the increase in budgeted Salaries Expense is consistent with the increase in budgeted staffing, Retirement expense is increased by 16.3% due to a change in assumptions concerning the long-term rate of return on assets relating to retiree medical coverage.

MRO's 2014 budget for its CMEP of \$6,697,593 is a \$561,868 (9.2%) increase over its 2013 Budget. While increased Personnel Expenses are budgeted for the CMEP, reflecting the

increased staffing for this program, budgeted Meetings Expenses and Consultants & Contracts Expenses are reduced from the 2013 Budget. MRO's budgeted expenses for the other four statutory programs represent the following increases and decreases from its 2013 Budget: (i) Reliability Standards, decrease of \$108,244 (19.9%);<sup>85</sup> (ii) Reliability Assessment and Performance Analysis, decrease of \$83,019 (3.6%); (iii) Training, Education and Operator Certification, increase of \$103,718 (45.2%); and (iv) Situation Awareness and Infrastructure Security, decrease of \$13,065 (13.4%). The budgeted increases and decreases for the individual programs reflect both staffing increases and decreases and changes in the allocation of MRO's Indirect Expenses due to changes in the relative numbers of FTEs in each program due to the staffing increases and decreases. Additionally, for all of the statutory programs, budgeted Meetings and Travel Expenses are reduced due to, among other factors, the continuing benefits of being able to hold meetings in the new offices that MRO transitioned to in 2012, rather than in rented meeting space with rented audio-visual equipment. The 2014 budgeted amount for Administrative Services, which is allocated to the statutory programs on the basis of numbers of FTEs, is an increase of \$244,876 (6.6%) from the 2013 Budget.

MRO's desired Working Capital Reserve at December 31, 2013, is \$1,201,414, representing 45 days of cash requirements per the 2014 Budget. MRO currently projects a Working Capital Reserve of \$2,068,269 at December 31, 2013, resulting in a decremental adjustment (decrease) of \$866,855 to its 2014 assessments.

MRO plans no non-statutory activities in 2014 and therefore has no 2014 Budget for non-statutory activities.

---

<sup>85</sup> MRO's Reliability Standard Program includes its Organization Registration and Certification functions.

### 3. NPCC

NPCC's statutory budget for 2014 is \$14,129,006 before adjustment for Working Capital Reserve, an increase of \$249,780 (1.8%) over its 2013 Budget. NPCC's 2014 ERO Assessments are increased by \$1,259,617 (10.2%) from its 2013 Budget. The higher assessment is due to (in addition to the \$249,780 increase in the budget) a \$144,300 decrease in Penalty payments, a \$16,000 decrease in revenues from Workshops, and a \$34,500 decrease in Miscellaneous revenues compared to the 2013 Budget, and a decremental adjustment for Working Capital Reserve of \$300,126, which is \$815,037 lower than the decremental adjustment for Working Capital Reserve of \$1,115,163 in NPCC's 2013 Budget (that is, the decremental adjustment for Working Capital Reserve reduces NPCC's 2014 assessment by \$815,037 less than did the adjustment for Working Capital Reserve in NPCC's 2013 Budget).<sup>86</sup>

NPCC has budgeted total staffing for statutory and administrative programs of 36.86 FTEs for 2014 as compared to 35.86 FTEs in its 2013 Budget. NPCC is budgeting an increase of 1.00 FTE for its CMEP and no changes in staffing for 2014 for any of its other statutory program areas or its General and Administrative functions. With respect to its statutory programs, NPCC is budgeting increases of \$56,350 (4.1%) in Reliability Standards and \$302,039 (3.9%) in its CMEP, and decreases of \$14,300 (0.5%) in Reliability Assessment and Performance Analysis, \$21,761 (10.0%) in Training, Education, and Operator Certification, and \$72,547 (4.7%) in Situation Awareness and Infrastructure Security, as compared to its 2013 Budget.

Although NPCC's 2014 Budget for its CMEP is increased by \$302,039 over the amount in the 2013 Budget, this increase is due in part to an increase of \$185,368 in allocated Indirect

---

<sup>86</sup> The \$34,500 decrease in budgeted Miscellaneous revenues (to zero in 2014) is due to the expected termination of NPCC's contract with WECC to act as the Compliance Enforcement Authority (CEA) for the WECC Reliability Coordinator and Interchange Authority registered functions.

Expenses. With respect to 2014 budgeted direct expenses in the NPCC CMEP, Personnel Expenses are increased by \$248,306 (as noted, 1.00 FTE is budgeted to be added), while Consultants and Contracts Expense is reduced by \$183,567, from the 2013 Budget. NPCC's total statutory 2014 budgeted amounts for Office Rent, Office Costs, Professional Services, Miscellaneous Expenses and Depreciation are not significantly changed from its 2013 Budget.<sup>87</sup>

NPCC's target Working Capital Reserve at December 31, 2014 is \$2,354,740, based on 16.66% of its total Regional Entity (statutory) budget. NPCC currently projects a Working Capital Reserve of \$2,654,866 at December 31, 2013; thus, NPCC's 2014 assessment amount is reduced by \$300,126 to reach its desired Working Capital Reserve at December 31, 2014.

For purposes of determining the assessments to recover NPCC's statutory funding requirement, the statutory funding requirement is allocated among the Balancing Authority Areas within NPCC in the U.S. (New York and New England), Ontario, Québec, New Brunswick and Nova Scotia. A portion (22.43%) of NPCC's statutory costs for the Compliance and Organization Registration Program (CORC) is allocated between the U.S. and Canadian Balancing Authority Areas on the basis of NEL, a portion (51.32%) of the CORC costs is allocated between the U.S. and the Canadian provinces using a compliance audit-based methodology, and the remaining portion (26.25%) of the CORC costs is allocated between the U.S. and Canadian Balancing Authority Areas using an enforcement activity-based methodology.<sup>88</sup> The portion of the costs allocated to the U.S using the audit-based methodology

---

<sup>87</sup> NPCC budgets Office Rent, Office Costs, Professional Services, Miscellaneous Operating Expense, and Depreciation as Indirect Expenses, rather than budgeting these costs individually in the statutory program budgets, and allocates them to the statutory programs on the basis of the proportion of direct statutory FTEs in each program. NPCC initiated this approach in its 2013 Budget, so that the 2013 and 2014 budgeted amounts are comparable.

<sup>88</sup> These allocation percentages reflect the respective scopes of work to be performed by NPCC and the relevant provincial governmental and/or regulatory authorities in the Compliance area, as negotiated

and the enforcement activity-based methodology is then re-allocated between the New York and New England Balancing Authority Areas on the basis of NEL, as required by PP 40-41 of the *July 16, 2009 Budget Compliance Order*. The narrative discussion on pages 73-74, and the table on page 75, of NPCC's Business Plan and Budget (**Attachment 5**) explain and show the development of the 2014 assessments by Balancing Authority Area within NPCC to recover NPCC's statutory funding requirement. Appropriate adjustments to the costs to be allocated are made for Penalty payments received by NPCC from U.S. registered entities (used solely to offset CORC costs to be charged to U.S. Balancing Authority Areas).<sup>89</sup>

Additionally, the NPCC assessment allocation includes a one-time adjustment for 2012 and 2013 assessments to reflect the fact that the NEL data for the NPCC region for 2010 and 2011, respectively, used to make these adjustments was estimated data, not final, at the time the assessment allocations were calculated for the 2012 and 2013 Business Plan and Budgets, but have now been finalized, with some differences from the NEL data originally used. The differences between the estimated and final 2010 and 2011 NEL data affects the allocations of the 2012 and 2013 NPCC assessments among the Balancing Authority Areas in the NPCC Region; the resulting differences in the 2012 and 2013 NPCC assessments are being reflected in an adjustment to the 2014 assessments. An additional adjustment was also made to the 2014 allocation to incorporate recommendations from the Commission's audit of NPCC.

---

between NPCC and the relevant authorities in each of the provinces and reflected in the Memorandum of Understanding between NPCC and the relevant authorities for each province.

<sup>89</sup> In the calculation of the allocation of the NPCC assessment in its 2012 and 2013 Business Plans and Budgets, an additional adjustment was made to NPCC's CORC costs to remove NPCC's budgeted costs to act as the CEA for the WECC registered functions (for which NPCC was being compensated directly by WECC). This adjustment is not included for 2014, as NPCC's contract to act as the CEA for the WECC registered functions is expected to terminate effective December 31, 2013, as the newly-formed RCCo assumes responsibility for the WECC registered functions and WECC resumes the CEA responsibilities for those functions.

NPCC's total non-statutory (Criteria Services Division) Funding Requirement for 2014 is \$989,708.

#### **4. ReliabilityFirst**

ReliabilityFirst has a total statutory budget for 2014 of \$18,063,201 before provision for Working Capital Reserve, an increase of \$636,363 (3.7%) over its 2013 Budget. ReliabilityFirst's proposed statutory assessments are increasing by \$993,936 (7.0%) over 2013. The increase in ReliabilityFirst's 2014 statutory assessments is due to (i) the increased budget; (ii) a decrease in Penalty Sanctions of \$1,621,667, from \$2,979,800 in 2013 to \$1,358,133 in 2014; and (iii) a \$60,000 reduction in budgeted Interest income, to zero; offset by (iv) a decremental adjustment for Working Capital Reserve of \$1,545,284, which is \$1,324,094 larger than the decremental adjustment for Working Capital Reserve in the 2013 Budget.

ReliabilityFirst has budgeted total 2014 staffing for statutory and administrative programs of 72 FTEs, which is a reduction of 1.00 FTE from its 2013 Budget. None of the statutory programs are budgeted for any change in staffing; the 1.00 FTE reduction is planned for the administrative programs. Therefore, budgeted staffing for ReliabilityFirst's CMEP continues at 43.00 FTE for 2014. The 1.00 FTE staffing reduction in Administrative Services is comprised of reductions of 1.00 FTE in General and Administrative and 0.50 FTE in both Information Technology and Finance and Accounting, and an increase of 1.00 FTE in Human Resources.

ReliabilityFirst's 2014 budgeted Personnel Expenses increase by \$318,294 (2.3%) in total from its 2013 Budget, with the most significant drivers of this increase being a 6.6% increase in Benefits Expense (primarily due to expense increases for medical and dental benefits and for education benefits for a week-long corporate training session for all employees) and a 9.6% increase in Retirement Expense, due primarily to the implementation of a deferred compensation plan. Budgeted Consultants & Contracts expense is decreasing slightly (3.5%)

from the 2013 Budget, with the principal reasons for the decrease being reduced use of contractors in Information Technology, not including a compensation study in the 2014 Human Resources budget, and budgeting costs for an automated expense reporting system in Office Costs rather than in Consultants & Contracts Expense. These decreases are partially offset by an increase in Consultants & Contracts Expense under General & Administrative for leadership training and ReliabilityFirst's share of project management support for the Regional Entity Management Group. ReliabilityFirst's budgeted 2014 Office Rent and Office Costs are \$337,727 higher than in its 2013 Budget due primarily to (i) additional Office Rent due to outsourcing ReliabilityFirst's data center; (ii) continued use of a high bandwidth data line, which had been expected to be canceled at the end of 2012 (the expense for which therefore was not included in the 2013 Budget) through much of 2014; and increased computer supplies and maintenance expense due to hardware replacements and maintenance expenses for certain third party-provided tools. Due to space constraints in its current offices, ReliabilityFirst is planning to move to a new office facility in March 2014, but anticipates no impact to the 2014 Budget from this move due to the provisions of its lease agreement.

ReliabilityFirst's budgeted 2014 expense for its CMEP is \$562,919 (4.3%) higher than its 2013 Budget.<sup>90</sup> The biggest components of this increase are normal increases in Personnel Expenses and increases in maintenance costs for certain third party-provided tools, as noted in the preceding paragraph, offset by decreases in Consultants & Contracts Expense and Depreciation. The changes in the 2014 Budget as compared to the 2013 Budget for the other statutory programs are as follows: (i) Reliability Standards, increase of \$19,320 (11.1%);

---

<sup>90</sup> ReliabilityFirst's CMEP is comprised of four groups: Compliance Services and Investigations, the Operations and Planning Audit Group, the Critical Infrastructure Protection Audit Group, and the Enforcement Management Group.

Reliability Assessment and Performance Analysis, increase of \$51,140 (1.7%); (iii) Training, Education and Operator Certification, decrease of \$3,354 (0.4%); and (iv) Situation Awareness and Infrastructure Security, increase of \$6,339 (2.6%). ReliabilityFirst's total budgeted 2014 Administrative Services Expenses (which are allocated to the statutory program budgets on the basis of total FTEs in each statutory program) are \$5,194,037, an increase of \$210,405 (4.2%) over the 2013 Budget.

ReliabilityFirst's target Working Capital Reserve at December 31, 2014 is \$1,000,000, as recommended by the Board Audit Committee and approved by the Board of Directors. The \$1,000,000 target Working Capital Reserve, which is the same target as used in the 2013 Budget, is based on the assumption that the \$1,000,000 Working Capital Reserve plus ReliabilityFirst's \$1,000,000 line of credit will be sufficient for any unanticipated expenditures where the specific amount and timing are uncertain, and any unbudgeted and unexpected expenditures. ReliabilityFirst projects a Working Capital Reserve at December 31, 2013 of \$2,545,284. Therefore, ReliabilityFirst's requested assessment amount for 2014 reflects a decremental adjustment of \$1,545,284 to reach the desired Working Capital Reserve at December 31, 2014.

ReliabilityFirst plans no non-statutory activities in 2014 and therefore has no 2014 Budget for non-statutory activities.

## **5. SERC**

SERC's total statutory budget for 2014 is \$16,877,288 before provision for Working Capital Reserve, an increase of \$969,685 (6.1%) over its 2013 Budget. However, SERC's proposed 2014 ERO Assessment is \$95,379 (0.7%) lower than its 2013 assessments, despite the higher budget, due to (i) a \$2,003,500 increase in Penalty Sanctions offsets; (ii) a budgeted increase of \$21,605 in revenue from Workshops; (iii) a \$243,500 (375%) increase in Miscellaneous revenues; and (iv) a \$502,184 decremental adjustment to its assessments for



Working Capital Reserve, as compared to \$1,705,725 in its 2013 Budget, *i.e.*, the decremental adjustment for Working Capital Reserve reduces SERC's 2014 assessments by \$1,203,541 less than in 2013. The large increase in budgeted Miscellaneous revenue reflects \$276,500 in payments to SERC from other Regional Entities for the coordinator position for joint Regional Entity projects, as described at the start of this §V. SERC is budgeting reduced payments in 2014, from \$65,000 in its 2013 Budget to \$32,000, from FRCC and SPP RE to reimburse SERC for performing the Compliance Enforcement Authority responsibilities for the FRCC and SPP registered functions in their respective Regions.

SERC's budgeted staffing for 2014 for statutory and administrative programs is 79.20 FTEs, an increase of 1.75 FTEs over its 2013 Budget. SERC's staffing changes for individual programs in its 2014 Budget reflects reclassification of a number of positions among individual programs, as well as a full year of staffing for FTEs added during 2013. Among other changes, SERC has realigned its Reliability Services and Reliability Assessments groups under one director position with supervisors assisting in management of the various program areas; this change in structure has reduced Personnel Expenses. SERC is budgeting staffing for its CMEP of 42.50 FTEs, which is an increase of 1.00 FTE over the 2013 Budget. The budgeted staffing increases and decreases for the other statutory programs are each 0.40 FTE or less. In its Administrative Programs, SERC is budgeting a slight decrease of 0.10 FTE in Technical Committees and Member Forums and no change in its other General and Administrative programs (budgeted staffing remains at 15.0 FTEs). As a result of the overall increased staffing, a budgeted 2.5% Salary increase for existing staff, and increases in Benefits Expense, the total budgeted Personnel Expenses for 2014 are \$344,637 (2.7%) higher than in the 2013 Budget.

The increases and decreases in SERC's 2014 Budget for its statutory programs over its 2013 Budget are as follows: (i) Reliability Standards, decrease of \$154,498 (22.0%); (ii) CMEP, increase of \$622,966 (5.5%); (iii) Reliability Assessment and Performance Analysis, increase of \$256,919 (13.2%); (iv) Training, Education, and Operator Certification, increase of \$157,607 (16.6%); and (v) Situation Awareness and Infrastructure Security, increase of \$96,691 (9.2%). These increases and decreases reflect, in part, changes in relative staffing levels (FTEs) among the statutory programs and corresponding changes in the amount of Indirect Expenses allocated to each statutory program on the basis of FTEs. In addition, budgeted Consultants & Contracts Expense is increased by \$29,500 (14.5%) in the Reliability Assessment and Performance Analysis Program and by \$48,000 (58.5%) in the Training, Education and Operator Certification Program. The increase in this expense item for the Reliability Assessment and Performance Analysis Program is due to increased assessments for the Eastern Interconnection Reliability Assessments Group for enhancements to its modeling process. The increase in this expense item for the Training, Education and Operator Certification Program is for increased costs for a trainer and tools used at System Operator Conferences. Overall, budgeted Consultants & Contracts Expense is increased by \$62,083 (5.3%) over the 2013 Budget.

SERC's budgeted 2014 Office Costs are increased by \$115,848 (32.0%) over its 2013 Budget due primarily to office supply and office furnishings costs for SERC's new office space, increased software costs, and increased costs for networking supplies for the new office space. SERC is also budgeting \$460,000 for Computer & Software CapEx (as compared to \$113,333 in the 2013 Budget) and \$50,000 for Leasehold Improvements (versus zero in the 2013 Budget).

SERC's target Working Capital Reserve at December 31, 2014 is \$3,100,000, based on a permanent operating reserve of 10% of budgeted operating costs (\$1,600,000) and a temporary

operating reserve, as approved by the SERC Board, of \$1,500,000. This represents an increase from the target Working Capital Reserve figure of \$1,195,519 in SERC's 2013 Budget). SERC's projected Working Capital Reserve at December 31, 2013 is \$3,602,184, resulting in a decremental adjustment to SERC's 2014 assessments of \$502,184 to achieve the desired Working Capital Reserve at December 31, 2014. SERC plans no non-statutory activities in 2014 and therefore has no 2014 Budget for non-statutory activities.

## **6. SPP RE**

SPP RE's total 2014 statutory budget is \$11,823,629, an increase of \$308,811 (2.7%) over its 2013 Budget. SPP RE's proposed assessment amount for 2014 is \$9,219,123, which is an increase of \$689,069 (8.1%) from its 2013 assessment amount. The increase in the 2014 assessment compared to 2013 is due to (i) the increased budget, and (ii) a \$486,687 decrease in Penalty payment offsets from the 2013 Budget, net of (ii) a decrease in the 2013 assessment for Working Capital Reserve of \$2,096,173, as compared to a decremental adjustment to its assessment for this purpose in its 2013 Budget of \$1,989,744 (*i.e.*, this adjustment reduces the assessment amount by \$106,429 as compared to 2013).

SPP RE's budgeted total staffing for statutory and administrative programs for 2014 is 33.85 FTEs, a slight decrease of 0.65 FTE from its 2013 Budget. SPP RE is reducing budgeted staffing by 1.00 in its Reliability Standards Program and is budgeting staffing changes of 0.63 FTE or less in each of the other four statutory programs. SPP RE is also budgeting a staffing reduction of 0.25 FTE in its Administrative Services programs. SPP RE's staffing changes reflect that it is (1) redirecting resources previously focused on coordination of regional Reliability Standards to the CMEP and Training and Education programs, (2) decreasing the budgeted staffing in Situation Awareness and Infrastructure Security to better reflect the time spent by SPP RE staff on the activities of this program, and (3) repurposing its Executive

Director of Compliance position to a Director of Compliance and Events position. With minimal change in staffing budgeted for 2014, SPP RE's overall budgeted 2014 Personnel Expenses represent an increase of \$52,932 (1.1%) over its 2013 Budget.

SPP RE is budgeting a decrease of \$352,150 (25.5%) in Consultants & Contracts expense from the 2013 Budget, with this reduction primarily due to less need for consultants to support SPP RE staff in the CMEP and Reliability Assessment and Performance Analysis programs. SPP RE is also budgeting an increase of \$150,000 (47.5%) in Professional Services expenses over the 2013 Budget, due primarily to an increase in budgeted outside legal expenses, partially offset by a reduction in auditor training costs. Finally, the budget for SPP, Inc. Indirect expenses allocated to SPP RE in the 2014 Budget is higher by \$460,529 (10.5%) due primarily to an increase in the estimated hourly rate, as discussed below.

SPP RE's 2014 Budget reflects an increase of \$498,805 (6.1%) in the budget for its CMEP over the 2013 Budget. Budgeted staffing for the CMEP for 2014 is 22.10 FTEs, a decrease of 0.15 FTE from the 2013 Budget. As noted, SPP RE is repurposing its Executive Director of Compliance position to a Director of Compliance and Events position. Additionally, SPP RE budgets and accounts for Personnel Expenses for its Training and Education program in the CMEP in order to maintain the confidentiality of employees' compensation in the Training and Education program. Due to the increased productivity of the CMEP staff, SPP RE is budgeting a decrease in Consultants & Contracts expense for the CMEP of \$144,000 (16.6%). SPP RE's 2014 budgeted expenses for its CMEP includes \$16,000 to compensate SERC for performing the CMEP activities for SPP's registered functions in the SPP Region.

The 2014 budgeted amounts for the other four statutory programs show the following changes from the 2013 Budget: Reliability Standards, decrease of \$312,311 (79.7%); Reliability

Assessment and Performance Analysis, increase of \$150,746 (5.8%); Training and Education, increase of \$61,661 (28.3%); and Situation Awareness, decrease of \$90,089 (66.6%).

SPP RE's 2014 budgeted Administrative Services expense of \$1,686,578 is \$193,404 (13.0%) higher than its 2013 Budget. This is the budget for administrative services performed by SPP RE staff. SPP RE's 2014 budgeted hourly indirect expense allocation rate for support services performed by SPP, Inc., based on 2012 actual results, is \$75.88 per hour of direct statutory program activity.<sup>91</sup> The calculation of the hourly indirect expense allocation rate follows the procedure and format detailed in Attachment 7 to the *2008 Budget True-up Filing*,<sup>92</sup> which the Commission accepted in an Order issued June 29, 2009.<sup>93</sup>

As discussed in previous years' Business Plan and Budget filings and in other filings, SPP RE has determined it does not need to establish or budget for a Working Capital Reserve, because it has access to operating cash balances and bank lines of credit of SPP, Inc. for short-term funding needs.<sup>94</sup> However, as shown in Table B-1 in Section B of **Attachment 8**, SPP RE projects it would have a Working Capital Reserve of \$2,096,173 at December 31, 2013. Accordingly, SPP RE has reduced its requested 2014 assessment amount by \$2,096,173.

As in prior years' budget filings, SPP RE is unable to provide a 2014 Budget for SPP, Inc.'s non-statutory activities because SPP, Inc.'s annual budget for 2014 will not be approved,

---

<sup>91</sup> The hourly indirect expense rate used in the 2014 Budget is an estimated rate calculated using actual data for 2012 (*see* the calculation of the rate in Section E of **Attachment 8**). As the year progresses and better estimates can be made, this rate may be adjusted. At the end of the year (2014), an actual indirect charge rate will be calculated based on actual 2014 data and used to finalize SPP RE's actual expenses for the year.

<sup>92</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 (*2008 Budget True-up Filing*).

<sup>93</sup> *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Filings*, 127 FERC ¶61,307 (2009), at PP 15-22.

<sup>94</sup> *See, e.g., December 15, 2008 Budget Order Compliance Filing* at 53-54.

in accordance with SPP, Inc.'s normal planning and budgeting cycle, until October 2013. SPP RE has included its 2013 budget for non-statutory activities, as well as its 2012 actual results, in Section C of its Business Plan and Budget, for information.

## **7. Texas RE**

Texas RE's total 2014 statutory budget is \$11,771,248 before provision for Working Capital Reserve, an increase of \$835,469 (7.6%) over its 2013 Budget. Texas RE's proposed 2014 assessment amount is \$2,356,788 (28.9%) higher than its 2013 assessment amount. The principal reasons for the higher assessment amount compared to the 2013 Budget are (1) Texas RE has smaller Penalty payment offsets, by \$446,167, in the 2014 Budget than in the 2013 Budget; (2) Texas RE is not projecting any revenues in 2014 from fees for Workshop and seminar attendance (versus \$32,100 budgeted in 2013); (3) Texas RE's budgeted 2014 expenses are higher by \$657,670 (5.8%) than its 2013 Budget; and (4) Texas RE is proposing a decremental adjustment to assessments for Working Capital Reserve of \$826,390, compared to a decremental adjustment for Working Capital Reserve of \$1,867,000 in the 2013 Budget (*i.e.*, the decremental adjustment to the assessment for Working Capital Reserve is \$1,040,609 smaller than in the 2013 Budget).

Texas RE's budgeted total staffing for statutory and administrative programs for 2014 is 60 FTEs, the same as in its 2013 Budget. Although some individual staff members' assignments are being shifted among departments, Texas RE's budgeted FTE staffing for each statutory program and administrative program is the same as in its 2013 Budget. Texas RE plans to maintain staffing of 40 FTEs in its CMEP, comprising two-thirds of Texas RE's total budgeted staffing. Texas RE's budgeted Consultants & Contracts expense for its CMEP for 2014 is also approximately the same as in its 2013 Budget (\$287,280 for 2014 versus \$274,815 for 2013). Texas RE's overall 2014 Budget for its CMEP is \$550,276 (6.3%) higher than its 2013 Budget.

The changes in Texas RE's 2014 Budget for the other four statutory programs, over the 2013 Budget, are: (i) Reliability Standards, \$8,859 (2.0%) increase; (ii) Reliability Assessment and Performance Analysis, \$317,152 (28.0%) increase; (iii) Training, Education, and Operator Certification, \$13,957 (3.7%) increase; and (iv) Situation Awareness and Infrastructure Security, \$54,775 (27.6%) decrease. The primary drivers of the increased budget for Reliability Assessment and Performance Analysis are increased Personnel Expenses due to a reallocation of personnel between this program and the Situation Awareness Program and increased Operating Expenses for license and association fees for engineers that were not included in the 2013 Budget. Correspondingly, budgeted Personnel Expenses for the Situation Awareness and Infrastructure Security Program are reduced by \$71,562 from the 2013 Budget for this program. Texas RE's overall budgeted Consultants & Contracts expense for 2014 is increased by \$81,072 (19.5%) over its 2013 Budget, with the principal drivers of the increase being (i) Texas RE's share of the costs of a consultant to support the Regional Entity Managers Group, (ii) consultant help budgeted for part of the year to provide support for the Accounting and Finance department, and (iii) a consultant to conduct a compensation study (budgeted in Human Resources). These increases in Consultants & Contracts expense are partially offset by a reduction in this expense item in the IT department budget reflecting efforts to reduce hosting fees by bringing services on-premises to be maintained by Texas RE's IT staff. Texas RE's budgeted 2014 Office Costs are increasing by \$279,813 (77.8%) over the 2013 Budget, primarily due to a decision to lease laptops and other computer equipment instead of purchasing new equipment (this decision accounts for \$242,000 of the increase in budgeted Office Costs); correspondingly, budgeted Computer & Software CapEx for 2014 are reduced by \$368,750 from the 2013 Budget.

Texas RE's desired Working Capital Reserve at December 31, 2014 is \$1,971,000, representing an approximate 60-day cash reserve (same reserve policy criteria as in the 2013 Budget). Texas RE has also obtained a \$500,000 line of credit to provide liquidity for contingencies. Texas RE projects a Working Capital Reserve of \$2,797,390 at December 31, 2013. As a result, Texas RE's proposed 2014 statutory assessment is reduced by \$826,390 to achieve its target Working Capital Reserve.

Texas RE's total non-statutory budget for 2013 is \$970,000, a decrease of \$59,100 from its 2013 non-statutory budget (*see* Section C of **Attachment 9**). Texas RE's non-statutory activities consist of acting as the ERCOT Region Reliability Monitor for the Public Utility Commission of Texas ("PUC") and in that role, performing audits, investigations, monthly metrics reviews, and other monitoring and reporting of market participants' compliance with the reliability-related Protocols and Operating Guides of ERCOT, as well as monitoring the stakeholder Regional Rules creation and modification process and assisting the PUC with comments on proposed changes to Regional Rules that impact reliability.

## **8. WECC and RCCo**

### **a. WECC-RCCo Separation**

In Docket No. EL13-52-000, the Commission conditionally granted WECC's request for a declaratory order authorizing WECC to transfer its Reliability Coordinator (RC) and Interchange Authority (IA) registered functions to a newly-formed company, referred to as the Reliability Coordination Company or RCCo, which will be independent from WECC.<sup>95</sup> The Commission also approved WECC's proposal to resume responsibility for Compliance Enforcement Authority functions with respect to the WECC Region RC and IA functions when

---

<sup>95</sup> *Western Electricity Coordinating Council, Order on Petition for Declaratory Order*, 143 FERC ¶ 61,239 (2013) (*WECC Declaratory Order*). NERC has learned that the new company will be named "Peak Reliability," but it is referred to as RCCo throughout this filing.



those functions are taken over by the RCCo.<sup>96</sup> In the *WECC Declaratory Order*, the Commission approved WECC's proposal that the RC and IA registered functions, when assumed by the RCCo, would continue to be considered statutory functions under FPA §215 to be funded by statutory assessments to LSEs in the WECC Region; and that the RCCo's annual business plans and budgets would be submitted to the Commission for approval as part of the NERC and Regional Entity annual business plan and business filing. These arrangements are scheduled to become effective January 1, 2014.<sup>97</sup>

NERC will be separately filing an amended Delegation Agreement with WECC, including amended WECC Bylaws, to be effective January 1, 2014, reflecting that WECC will no longer perform the RC and IA functions for the WECC Region; and that WECC will assume responsibility for the CEA functions for the RC and IA registered functions in the WECC Region. WECC will bill to LSEs in the WECC Region, and collect, the statutory assessment approved by the Commission to fund the RCCo budget, along with the billing and collection of the NERC assessment allocated to the WECC Region, the WECC assessment, and the WIRAB assessment. The billing and collection arrangements are discussed in greater detail in §V.B.8.c below. Additionally, WECC will be separately filing an agreement to terminate the NPCC-WECC Compliance Enforcement Authority Agreement, effective December 31, 2013, and for approval of the RCCo bylaws and related agreements, as required by the *WECC Declaratory Order*. In this filing, NERC is submitting to the Commission WECC's proposed 2014 Business Plan and Budget, reflecting the elimination of the RC and IA functions and the associated costs

---

<sup>96</sup> At present, NPCC performs the CEA responsibilities with respect to WECC's RC and IA registered functions, pursuant to an agreement between NPCC and WECC.

<sup>97</sup> The Commission originally ruled that WECC's costs to perform the RC function in the WECC Region could be funded through statutory assessments pursuant to §215 in an order on rehearing issued April 19, 2007. *North American Electric Reliability Corp., Order on Rehearing*, 119 FERC ¶ 61,059 (2007).

from WECC's activities, and the RCCo's proposed initial budget for 2014. The proposed statutory assessments to LSEs in the WECC Region to fund the operations of WECC and of the RCCo, based on these budgets, are shown in Appendix 2 to the NERC 2014 Business Plan and Budget (**Attachment 2**).

**b. WECC 2014 Business Plan and Budget**

In previous years, WECC has budgeted its RC and IA functions in its Situation Awareness and Infrastructure Security Program. The direct costs to perform the RC and IA functions comprised virtually all of WECC's Situation Awareness and Infrastructure Security Program costs. For 2014, the RC and IA functions (including the personnel in this Program and the related costs) are being transferred to the RCCo. Additionally, some General and Administrative personnel and costs are being transferred to the RCCo, resulting in reduced General and Administrative Costs for WECC. As the result of the formation of the RCCo and the transfer of these personnel and costs to it, the budgeted direct costs for WECC's other four statutory programs for 2014 can readily be compared to the 2013 budgeted costs, but the budgeted 2014 General and Administrative costs, and WECC's total statutory budget, cannot.

WECC's 2014 total statutory budget is \$25,638,084 before provision for Working Capital, a decrease of \$25,387,008 from its 2013 Budget. The principal reason for the reduction is the elimination of \$24,409,340 of costs budgeted in the Situation Awareness and Infrastructure Security Program for 2013. Additionally, WECC's budgeted Administrative Services expenses are reduced by \$3,304,510 from the 2013 Budget, in large part due to the transfer of some Administrative Services personnel to the RCCo and the reduction in Indirect Expenses enabled by the elimination of the RC and IA functions. WECC's proposed statutory assessment for 2014 is \$15,630,852 (as compared to \$40,962,547 in its 2013 Budget). With respect to the other

Funding sources: (i) Penalty Sanction collections, at \$2,933,050, are approximately the same amount as in the 2013 Budget; (ii) Funding from Federal Grants is reduced by \$2,287,297, due in significant part to the expected completion of the U.S. Department of Energy (DOE)-funded Western Interconnection Synchrophasor Program (WISP) by December 31, 2013 (which, had it continued beyond that date, would have been taken over by the RCCo);<sup>98</sup> (iii) revenues from Workshops are projected to increase by \$72,629 (8.2%) from the 2013 budget; (iv) budgeted Interest income is reduced by \$221,911 (76.3%), in part due to the transfer of a portion of WECC's reserves to the RCCo; and (v) budgeted Miscellaneous revenues (which were only budgeted at \$3,879 in the 2013 Budget) are zero.

WECC's budgeted total staffing for statutory and administrative programs for 2014 is 135.0 FTEs, which is a reduction of 81.3 FTEs from the budgeted 2013 staffing of 216.3 FTEs. The staffing is comprised of 88.1 FTEs in statutory programs and 46.9 FTEs in Administrative programs. The decreased staffing is due to elimination of 84.5 FTEs in the Situation Awareness and Infrastructure Security Program and 9.4 FTEs in Administrative programs, offset by budgeted increases in staffing in the other four statutory programs. WECC is budgeting an increase in staffing of 7.5 FTEs for its CMEP, 0.5 FTE in each of the Reliability Standards and Training and Education Programs, and 4.0 FTEs in the Reliability Assessment and Performance Analysis Program, as well as 1.4 FTEs in Technical Committees and Member Forums.

Although WECC is budgeting an increase in staffing of 7.5 FTEs for its CMEP, to 58.0 FTEs, its budgeted Personnel Expenses for this program are reduced by \$251,479 (3.9%) due primarily to implementing a 15% adjustment to Personnel Expenses for labor float. Budgeted Consultants & Contracts Expense for this program decreases by \$45,200 (9.6%) from the 2013

---

<sup>98</sup>Correspondingly, the costs for the WISP, which were funded by the DOE grant, are eliminated.

Budget based on an expectation of reduced need for outside support for CMEP activities. Budgeted Office Costs for this program decrease by \$43,753 (8.8%) from the 2013 Budget, reflecting that significant software enhancements were completed in 2013.

The budgeted changes in total costs for each of the four statutory programs (other than Situation Awareness and Infrastructure Security) from the 2013 Budget are as follows: (i) Reliability Standards, increase of \$47,699 (4.9%); (ii) CMEP, increase of \$1,604,067 (12.2%); Reliability Assessment and Performance Analysis, increase of \$1,691,043 (23.0%); and (iv) Training, Education and Operator Certification, increase of \$156,019 (29.3%). For each of these four programs, the allocated Indirect Expenses increases over the 2013 Budget. Although total Administrative Services expenses are reduced by \$3,304,510 from the 2013 Budget, due largely to the transfer of personnel and other costs to the RCCo, the allocation of virtually all of the Indirect Expenses to these four direct function programs rather than to five direct function programs (of which the Situation Awareness and Infrastructure Security Program previously had the largest number of FTEs), results in overall increases in the Indirect Expenses allocated to each of the four programs.<sup>99</sup> Additionally, in the Reliability Assessment and Performance Analysis Program, budgeted Personnel Expenses increase by \$137,726 (5.6%) from the 2013 Budget, due to increased staffing; and Consultants & Contracts Expenses increase by \$840,459 (33.2%) due to additional activities being undertaken under the DOE Regional Transmission Expansion Planning grant (these increased costs are supported in part by increased grant funding) and to continued development of the Base Case Coordination System and additional model development and system validation work by the Model Validation Working Group.

---

<sup>99</sup> WECC will continue to have a Situation Awareness and Infrastructure Security Program; however, for 2014 the Situation Awareness and Infrastructure Security Program is budgeted to have staffing of only 0.5 FTE and direct expenses of only \$60,156.

Under General and Administrative, budgeted 2014 Personnel Expenses are reduced by \$530,756 from the 2013 Budget, due primarily to the reduction in staffing and application of the 15% labor float adjustment. Office Rent is reduced by \$271,164 due to the transfer of two office facilities (the Vancouver, Washington and Loveland, Colorado RC Centers) to the RCCo, and Office Costs are reduced by \$79,619 from the 2013 Budget, partially due to the formation of and transfer of functions to the RCCo and partially due to bank charges and property taxes being budgeted and accounted for in 2014 in the Finance and Accounting Program. Additionally, WECC over-budgeted Depreciation Expense in 2013; budgeted Depreciation Expense for 2014 is reduced by \$297,179 (59.2%) to more accurately reflect actual Depreciation experience.

WECC's target Working Capital Reserve at December 31, 2014 is \$2,072,292, which is based on an objective of one month of Personnel Expenses and Operating Expenses, to be achieved by 2016. In its 2013 Business Plan and Budget, WECC's target Working Capital Reserve at December 31, 2013 was \$10,756,455. WECC is planning (i) to transfer \$5,874,245 of non-statutory Working Capital Reserves, which were on-hand when WECC originally entered into its Delegation Agreement with NERC in 2006, to statutory Working Capital Reserves, and (ii) to transfer \$5,811,568 of Working Capital Reserves to the RCCo to provide it with a starting Working Capital Reserve. The non-statutory Working Capital Reserves have not been used for any purposes since 2006, and WECC management and the WECC Board have concluded that it would be prudent to use these non-statutory reserves to provide Working Capital Reserves for the RCCo and to minimize the impacts on the assessments for both WECC and the RCCo in 2014 and future years resulting from the formation of the RCCo and other cost increases. As a result, WECC's proposed 2014 assessments reflects a decremental adjustment of \$2,418,946 to achieve the target Working Capital Reserve for WECC at December 31, 2014.

WECC's non-statutory budget for 2014 is \$1,658,980, and its total non-statutory Funding requirement is \$1,903,800. WECC's non-statutory activity is the maintenance and operation of the Western Renewable Energy Generation Information System.

WECC's allocation of its assessment to the AESO for the Province of Alberta has been reduced by \$834,955, representing WECC CMEP costs (including allocated Indirect Costs and Fixed Asset Expenditures) that are considered duplicative of Compliance and Enforcement Programs of the AESO. The AESO credit amount is allocated to the remainder of the LSEs (Balancing Authorities) in the WECC Region on the basis of NEL. Appendix C to the 2014 WECC Business Plan and Budget (**Attachment 10**) shows the calculation of the \$834,955 adjustment to the assessment to AESO.

**c. RCCo 2014 Business Plan and Budget**

In accordance with the process approved by the Commission in the *WECC Declaratory Order*, the RCCo has submitted its proposed 2014 Business Plan and Budget to NERC for inclusion in this Business Plan and Budget filing. Because the RCCo is not a Regional Entity and will not be performing delegated functions (although it will perform functions that the Commission has determined to be statutory functions), NERC has not participated in the development of the RCCo Business Plan and Budget, or substantively reviewed and approved the RCCo Business Plan and Budget in the same manner that NERC does for Regional Entity Business Plans and Budgets. NERC management has, however, reviewed the RCCo 2014 Business Plan and Budget for form and for consistency with the WECC 2014 Business Plan and Budget. The following paragraphs provide a brief summary of the RCCo's proposed 2014 Business Plan and Budget, which is **Attachment 11** to this filing.

The RCCo has presented its Business Plan and Budget in the same format as the Regional

Entity Business Plans and Budgets. However, the RCCo has only one direct function program, which the RCCo has labeled its Situation Awareness and Infrastructure Security Program. It is through this program that the RCCo will perform the RC and IA registered functions for the WECC Region. The RCCo has also organized its Administrative Services functions under the same program categories used by NERC and the Regional Entities: Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting.

The RCCo's proposed budget for 2014, before provision for Working Capital, is \$32,958,648. The RCCo's proposed statutory assessment is \$29,568,031. The RCCo's only other budgeted source of funding, besides the assessment, is Interest Income of \$156,000. However, as discussed below, the RCCo will also use a portion of the Working Capital Reserves being transferred from WECC to reduce assessments for 2014.

The RCCo's total proposed staffing for 2014 is 149.08 FTEs, comprised of 119.08 FTEs in the Situation Awareness and Infrastructure Security Program and 30.0 FTEs in Administrative Services. In WECC's 2013 Budget, staffing for its Situation Awareness and Infrastructure Security Program (which was engaged almost entirely in performing the RC and IA functions) was 85.00 FTEs. Therefore, the RCCo is increasing the staffing for these functions by 34.08 FTEs. Thirty of the new positions are being added as the result of the recommendations of the Reliability Coordination Task Force, which was appointed by the WECC Board, to enhance the ability of the RC to carry out its functions. The new positions will be focused primarily on the areas of operations planning, real-time operations, and IT applications, engineering and support.

The RCCo's Administrative Services programs will be staffed as follows according to its 2014 Budget: General and Administrative, 12.0 FTEs; Legal and Regulatory, 7.0 FTEs; IT, 3.0

FTEs; Human Resources, 3.0 FTEs; and Finance and Accounting, 5.0 FTEs. Although it is expected that some WECC Administrative Services personnel will transfer to the RCCo, it is necessary for the RCCo to develop and support a complete, standalone Administrative Services organization sufficient to support the administrative and support needs of the organization.

The RCCo's total budgeted Personnel Expenses for 2014 are \$19,397,409. In budgeting its Personnel Expenses, the RCCo, like WECC, has applied a 15% labor float adjustment factor. The RCCo is also budgeting \$1,267,500 in Consultants & Contracts Expense, of which \$822,000 is budgeted for consulting costs relating to the Enhanced Curtailment Calculator. The RCCo will assume responsibility for the leased RC facilities in Vancouver, Washington and Loveland, Colorado and has budgeted Office Rent for 2014 of \$1,276,278. The RCCo will require additional space in these facilities due to its additional staffing (as compared to the WECC Situation Awareness and Infrastructure Security Program) and the need to house its Administrative Services organization in these facilities. Similarly, the RCCo is budgeting \$6,986,326 for Office Costs, primarily for maintenance and service agreements for RC equipment and software and other Office Costs (such as telephone, office supplies and copying costs) to support the standalone organization. The RCCo is budgeting \$663,280 in Professional Services Expenses, including \$362,280 for directors' fees for the RCCo's independent Board members and \$168,000 for insurance costs. Finally, the 2014 Budget includes \$2,212,000 of Fixed Asset Additions for Computer & Software, Furniture & Fixtures, and Equipment Capital Expenditures.

The RCCo has established a target Working Capital Reserve amount at December 31, 2014 of \$2,576,951, which is equal to approximately 8% of the budgeted 2014 expenses and capital expenditures. In connection with the formation of the RCCo, WECC is splitting its



Working Capital Reserves between the RCCo and WECC in order to provide starting Working Capital Reserves for the new entity. WECC reserves in the amount of \$5,811,568 will be transferred to the RCCo. As a result, as shown in Table B-1 of **Attachment 11**, the RCCo's proposed 2014 assessment reflects a decremental adjustment of \$3,234,617 to achieve the target Working Capital Reserve amount at December 31, 2014.

**d. Assessment Collection and Distribution**

As it does currently in accordance with Exhibit E of the NERC-WECC Delegation Agreement, WECC will continue to issue a single annual invoice to the WECC Region LSEs for the annual Commission-approved NERC (allocated WECC Region portion), WECC and WIRAB statutory assessments. WECC will continue to promptly remit amounts collected for the NERC, WECC and WIRAB assessments to NERC, and NERC will distribute the WECC assessment portion of collections back to WECC and the WIRAB assessment portion of collections to WIRAB. Going forward, WECC will also include the Commission-approved annual assessment for the RCCo as a separate line item on the annual invoice to the WECC Region LSEs. WECC will distribute the amounts collected on behalf of the RCCo directly to the RCCo. In the event that a LSE pays less than the full amount of the invoice, WECC will be permitted to allocate the shortfall among all the assessments received from the LSE only if WECC does not know and, after due inquiry with the LSE submitting the underpayment and consultation with NERC, is unable to determine, which invoiced item(s) accounts for the shortfall. As a result, NERC will not bear the collections risk for the RCCo funding in the same manner as it bears that risk for the WECC and WIRAB funding. Additionally, WECC will not bear any collection risk for the RCCo funding.

**e. Possible Action by the AESO**

The management of the AESO has advised WECC and NERC that, subject to obtaining approval of the AESO board, the AESO does not intend to obtain RC services for the Province of Alberta from the RCCo. The AESO does intend to rely on the RCCo for the IA function. AESO management has advised that it will seek approval from its Board on September 19, 2013 to terminate usage of RC services from WECC/RCCo beginning January 1, 2014. At this time, the RCCo has prepared its budget, and the RCCo assessments for 2014 have been calculated, under the assumption that the AESO will take RC services from the RCCo in 2014 and that the AESO will pay its full allocated share of the RC assessment. This matter is the subject of continuing discussions among the AESO, WECC and NERC. If it proves to be the case that revisions to the RCCo assessments are necessary, NERC will promptly determine the revised RCCo assessments and submit them to the Commission in a supplemental filing.

**C. Metrics Related to Regional Entity Budgets**

Beginning with its 2008 Business Plan and Budget filing, NERC has included, as part of these annual filings, attachments providing and discussing metrics developed by NERC and the Regional Entities to be used as a further aid to understanding where and why differences exist among the Regional Entities' activities and budgets. The presentations in these attachments have been revised and expanded over time based on NERC's and the Regional Entities' analysis of appropriate and useful metrics, and directives in the Commission's Orders.<sup>100</sup> In Attachments 15 and 16 of each of the 2010, 2011, 2012 and 2013 Business Plan and Budget filings, NERC provided two sets of metrics information. The metrics in Attachment 15 of these filings depicted

---

<sup>100</sup> See, e.g., 2008 Budget Order at PP 34-35; 2009 Budget Order at PP 47-48; *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Filing*, 123 FERC ¶ 61,282 (2008), at P 39; 2012 Budget Order at PP 23-27.

and compared the Regional Entities' total statutory budgets and staffing, CMEP budgets and staffing, total statutory budget and CMEP budget dollars per registered entity and per registered function, registered entities and registered functions per statutory FTE and per CMEP FTE, numbers of "small," "medium" and "large" non-CIP compliance audits and "small" and "large" CIP compliance audits, and cost per compliance audit by type and size of audit. The metrics in Attachment 16 of these filings focused on the NERC and Regional Entity administrative (indirect) costs and staffing relative to total and direct program costs and staffing, including

- Statutory indirect expenses as a percent of total statutory expenses, and statutory direct expenses per dollar of statutory indirect expenses
- Statutory indirect FTEs as a percent of total statutory FTEs, and ratio of direct statutory FTEs to indirect statutory FTEs.
- Total statutory expenses per total FTE, statutory direct expenses per direct FTE, statutory indirect expenses per indirect FTE, and statutory indirect expenses per total FTE.

**Attachment 16** and **Attachment 17** of this 2014 Business Plan and Budget filing provide the same metrics information, in the same format, as presented in Attachments 15 and 16 of the 2010, 2011, 2012 and 2013 Business Plan and Budget filings, from NERC's and the Regional Entities' 2014 Business Plans and Budgets. Each Attachment contains analysis and discussion of the metrics information presented in that Attachment.

## **VI. STATUS REPORT ON PROGRESS IN PROCESSING ALLEGED VIOLATIONS OF RELIABILITY STANDARDS**

In its 2010, 2011, 2012 and 2013 Business Plan and Budget filings, NERC provided status reports on the progress achieved by NERC and the Regional Entities in reducing the backlog of alleged violations of reliability standards that had not been processed to completion.<sup>101</sup> The status reports also described the initiatives being undertaken by NERC and

---

<sup>101</sup> A status report on processing alleged violations was originally included in the 2010 Business Plan and Budget filing, in response to a Commission directive in the *July 16, 2009 Budget Compliance Order*, at P

the Regional Entities to process new allegations of violations in a more expeditious manner. In the *2011 Budget Order*, the Commission reviewed the status report submitted in Attachment 17 of the 2011 Business Plan and Budget filing and stated the following observations and directives:

36. The Commission commends NERC for its efforts to reduce the number of alleged violations pending before December 31, 2008. However, Regional Entities and NERC are still actively considering a number of alleged violations from 2009 and 2010, including analyzing whether violations occurred and the penalty amounts that should be imposed, or engaging in settlement discussions. The Commission's expectation is that NERC will take appropriate measures if its budgeted resources are not enough to achieve desired efficiencies in enforcement processing to diminish the number of alleged violations under active consideration, especially those that are more than six months old.

37. The Commission, to that end, directs NERC to include in its future business plan and budget filings NERC's progress in processing violations. The business plan and budget filings should include an assessment of violations status by region and also provide background on NERC's caseload and caseload management. The status of NERC's active violations should be broken down into six month time frames and reach back to NERC's earliest active violation. Moving forward, NERC should remove any time periods that no longer contain active violations. Additionally, NERC's discussion and compliance statistics contained in the Compliance Enforcement section of NERC's business plan should also be included in this status report.<sup>41</sup> In this regard, the Commission notes that Attachment 17 to NERC's Application lacks a summary of all current outstanding violations, summarized by state and region, similar to what was filed in NERC's 2010 business plan and budget.<sup>42</sup> The Commission directs NERC to include this table in its compliance filing.

<sup>41</sup> NERC Application at 39-43.

<sup>42</sup> NERC Petition, Docket No. RR09-09-000, at Attachment 19 Table 4 (filed August 24, 2009).

Following the approach used in its 2013 Business Plan and Budget filing, NERC has incorporated the status report onto violations processing into the Compliance Enforcement section of its Business Plan and Budget, at pages 45-47 of **Attachment 2**. The information presented shows that NERC and the Regional Entities have made steady progress in continuing

---

18. The status reports were Attachment 19 to the 2010 Business Plan and Budget filing, Attachment 17 to the 2011 Business Plan and Budget filing, and Attachment 17 to the 2012 Business Plan and Budget filing. In the 2013 Business Plan and Budget filing, the status report was incorporated into the Compliance Enforcement section of NERC's Business Plan and Budget.

to close out older violations. As of June 30, 2013, approximately 85% of the active non-CIP violations and 72% of the active CIP violations were discovered since January 1, 2012 (*i.e.*, were discovered in the preceding 18 months).<sup>102</sup> At June 30, 2013, there were no active non-CIP violations that were discovered prior to January 1, 2010 and only 12 active non-CIP violations that were discovered in 2010. There were only 16 active CIP violations that were discovered in 2009 and 91 active CIP violations that were discovered in 2010. Further, for the 12 months ended June 30, 2013, the number of violations dismissed or filed with the Commission exceeded the number of new violations opened by 680 violations.

## **VII. CONCLUSION**

Based on the information in this filing, NERC requests that the Commission issue an order pursuant to 18 C.F.R. §39.4, by November 2, 2013: (1) accepting NERC's proposed 2014 Business Plan and Budget in **Attachment 2**; (2) accepting the proposed 2014 Business Plans and Budgets of the eight Regional Entities for statutory activities in **Attachments 3 through 10**; (3) accepting the proposed budget and funding requirement of WIRAB for 2013 in **Attachment 12**; and (4) approving the proposed assessments to each load-serving entity or designee or other entities to be billed within each Region, as set forth in Appendix 2 to **Attachment 2**, to be billed to and paid by each such load-serving entity or designee or other entity to fund the portion of NERC's 2014 Funding requirement allocated to the United States and the 2014 Funding requirement for statutory activities of each Regional Entity and WIRAB allocated to the U.S. NERC is also submitting for the Commission's approval the proposed 2014 Business Plan and Budget of RCCo for statutory activities (**Attachment 11**) and the proposed assessments to load-serving entities or designees for the 2014 Funding requirement of the RCCo allocated to the U.S.

---

<sup>102</sup> The number of "active violations" excludes violations that are being held by an appeal, a regulator or a court.

Gerald W. Cauley  
President and Chief Executive Officer  
Michael Walker  
Senior Vice President and Chief  
Financial and Administrative Officer  
North American Electric Reliability  
Corporation  
3353 Peachtree Road  
Suite 600, North Tower  
Atlanta, GA 30326  
(404) 446-2560  
(609) 467-0474 – facsimile

/s/ Owen E. MacBride  
Owen E. MacBride  
Schiff Hardin LLP  
233 South Wacker Drive, Suite 6600  
Chicago IL 60606  
(312) 258-5680  
(312) 258-5700 – facsimile  
omacbride@schiffhardin.com

Respectfully submitted,

Charles A. Berardesco  
Senior Vice President and General Counsel  
Rebecca J. Michael  
Associate General Counsel for Corporate  
and Regulatory Matters  
North American Electric Reliability Corporation  
1325 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 400-3000  
(202) 644-8099 – facsimile  
[charles.berardesco@nerc.net](mailto:charles.berardesco@nerc.net)  
[rebecca.michael@nerc.net](mailto:rebecca.michael@nerc.net)

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 1**

**SUMMARY TABLES FOR NERC AND REGIONAL ENTITY**

**PROPOSED 2014 BUDGETS AND ASSESSMENTS**

**NERC'S Proposed Budget by Program<sup>1</sup>**

NERC Program	2013 Budget for Statutory Functions	2014 Budget for Statutory Functions
Reliability Standards	\$ 9,775,088	\$ 10,167,369
Compliance Monitoring and Enforcement		
Compliance Operations	\$ 8,928,994	\$ 9,496,446
Compliance Enforcement	\$ 6,725,004	\$ 6,395,091
Reliability Assessments and Performance Analysis	\$ 7,762,436	\$ 8,350,598
Training, Education and Operator Certification	\$ 3,571,766	\$ 3,737,472
Reliability Risk Management		
Event Analysis	\$ 3,738,430	\$ 4,048,371
Situation Awareness	\$ 5,324,311	\$ 4,583,264
Critical Infrastructure Department		
Critical Infrastructure Protection	\$ 5,299,502	\$ 5,668,027
ES-ISAC	\$ 3,160,725	\$ 3,943,457
Total Budget	\$ 54,286,256	\$ 56,390,096

<sup>1</sup>Does not include the proposed provision for Working Capital reserve funding

**Proposed Budget for Statutory Activities of NERC, each Regional Entity and WIRAB<sup>1</sup>**

	2013 Budget for Statutory Functions	2014 Budget for Statutory Functions
NERC	\$ 54,286,256	\$ 56,390,096
FRCC	\$ 6,531,782	\$ 6,794,932
MRO	\$ 9,283,539	\$ 9,744,799
NPCC	\$ 13,879,226	\$ 14,129,006
RFC	\$ 17,426,838	\$ 18,063,201
SERC	\$ 15,907,603	\$ 16,877,288
SPP RE	\$ 11,514,818	\$ 11,823,629
TRE	\$ 10,935,780	\$ 11,771,248
WECC	\$ 51,025,092	\$ 25,638,084
WIRAB	\$ 595,180	\$ 703,700
<b>Total Budget</b>	<b>\$ 191,386,114</b>	<b>\$ 171,935,983</b>
RCCo		\$ 32,958,648

<sup>1</sup>Does not include the proposed provision for Working Capital reserve funding



**Proposed Assessments for Statutory Activities of NERC and each Regional Entity**

	Assessments for Statutory Functions 2013		Allocation to U.S. 2013		Assessments for Statutory Functions 2014		Allocation to U.S. 2014	
NERC	\$	47,604,156	\$	43,036,224	\$	51,401,382	\$	46,708,699
FRCC	\$	5,957,971	\$	5,957,971	\$	5,488,057	\$	5,488,057
MRO	\$	9,098,927	\$	7,672,246	\$	8,741,444	\$	7,339,364
NPCC	\$	12,352,264	\$	7,441,691	\$	13,611,881	\$	8,447,921
RFC	\$	14,165,848	\$	14,165,848	\$	15,159,784	\$	15,159,784
SERC	\$	13,829,878	\$	13,829,878	\$	13,734,499	\$	13,734,499
SPP RE	\$	8,530,054	\$	8,530,054	\$	9,219,123	\$	9,219,123
TRE	\$	8,152,520	\$	8,152,520	\$	10,509,308	\$	10,509,308
WECC <sup>1</sup>	\$	41,497,239	\$	35,469,348	\$	16,219,260	\$	14,070,824
<b>Total Budget</b>	<b>\$</b>	<b>161,188,857</b>	<b>\$</b>	<b>144,255,780</b>	<b>\$</b>	<b>144,084,738</b>	<b>\$</b>	<b>130,677,579</b>
RCCo					\$	29,568,031	\$	25,077,715

<sup>1</sup> Includes assessments for WECC and WIRAB

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 2**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**PROPOSED 2014 BUSINESS PLAN AND BUDGET**

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Final 2014 Business Plan and Budget

August 14, 2013

Board Approved: August 15, 2013

**RELIABILITY | ACCOUNTABILITY**



## Table of Contents

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

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

## About NERC

---

### Overview

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

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

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

### Membership and Governance

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

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

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

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

## **Scope of Responsibilities**

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

## **Delegated Authorities**

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

## Statutory and Regulatory Background

NERC's authority as the ERO in the United States is based on Section 215 of the Federal Power Act as added by the Energy Policy Act of 2005<sup>1</sup> and the Commission's regulations and orders issued pursuant to Section 215. In Canada, NERC's authorities are established by the memoranda of understanding and regulations previously mentioned.

## Funding

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

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

---

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



# Introduction and Executive Summary

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

## Strategic Goals and Objectives

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

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

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

## **Standards**

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

Objectives include:

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

## **Compliance, Registration, and Certification**

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

Objectives include:

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

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

Objectives include:

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

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

## **Risks to Reliability**

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

Objectives include:

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

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

Objectives include:

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

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

Objectives include:

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

## **Coordination and Collaboration**

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

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

Objectives include:

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

## Major Ongoing Activities

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

### Standards

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

### Compliance, Registration, and Certification

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

---

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

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

### **Risk to Reliability**

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

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

## Coordination and Collaboration

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

## 2014 Key Business Planning Assumptions

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

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

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

## Application of Section 215 Criteria to Major Activities

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

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

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

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

## Overview of 2014 Funding Requirements

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

---

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



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

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

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

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

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

---

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

<sup>5</sup> Expanded Policy on allocation of Certain Compliance and Enforcement Costs, July 29, 2008

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

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

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

## **2014 Cost of Current Operations and Additional Resource Requirements**

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

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

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

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

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

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

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

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

## Additional Research Related to Regulatory Matters

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

### 1. Vegetation Research

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

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

2. Vegetation Management on Public Lands

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

3. Reliability Effects of GMD

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

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

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

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

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

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

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

## **Additional Resources to Support Enterprise Software Applications and Infrastructure**

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

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

During 2013, NERC and the Regional Entities developed a common software application to process BES exception requests, and are in the process of developing an application to facilitate the management, analysis and dissemination of information regarding events affecting BPS reliability. Another example is planned design and implementation of an enterprise application (the “RADS” application<sup>6</sup>) to replace the legacy reliability assessment database, which currently requires hundreds of NERC and Regional Entity man-hours to process millions of data elements to populate up to 27 individual spreadsheets that are manually processed in connection with preparation of the summer and winter seasonal assessments. The replacement RADS application will allow regional staffs to input data into forms that would automatically populate a central database for almost immediate creation of the data required for seasonal assessments, reducing manual workload and potential for error. The resulting efficiency gains will be used to redirect resources in support key reliability improvement initiatives.

---

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

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

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

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

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

## **ES-ISAC Incremental Funding Needs**

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

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

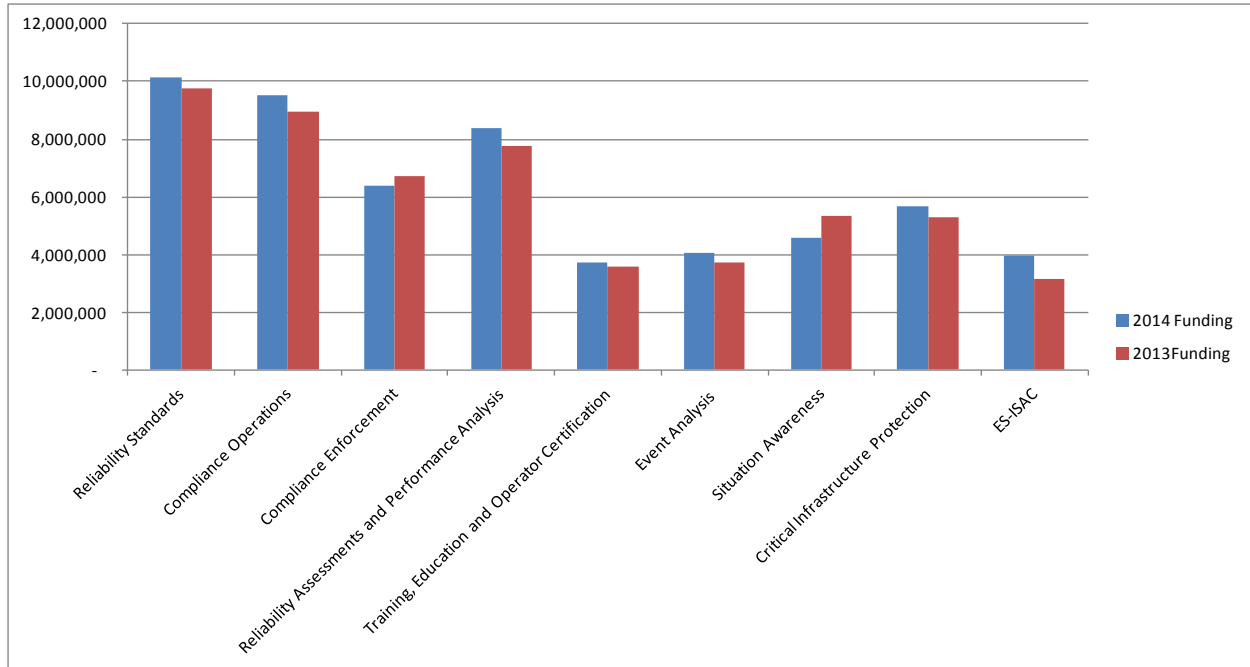


areas: (1) tools and technologies for improving the usability and functionality of the information-sharing portal to better allow the electric sector to receive and provide information to the ES-ISAC and to better allow the ES-ISAC to share information with other sector ISACs; (2) the preparation of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

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

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

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



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

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

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

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

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

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

## Projections for 2015–2016

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

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

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

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

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

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

### Reliability Standards

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

### Background and Scope

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

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

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

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

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

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

### **Key Standards Production Efforts Underway in 2013**

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

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

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

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

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



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

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

### **2014 Goals and Deliverables**

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

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

### **Resource Requirements**

#### **Personnel**

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

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

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

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

**Contractors and Consultants**

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

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

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

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

## Compliance Monitoring and Enforcement and Organization Registration and Certification

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

### Compliance Operations Department

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

### Background and Scope

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

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

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

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

## **2014 Goals and Deliverables**

### **Reliability Assurance Initiative**

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

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

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

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

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

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

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

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

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

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

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

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

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

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



(3) Assessing reliability risks and scoping compliance monitoring

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

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

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

***Registration Efficiencies***

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

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

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

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

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

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

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

***Regional Entity Audit Oversight***

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

***Resource Requirements***

**Personnel**

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

### **Contractors and Consultants**

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

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

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

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

## Compliance Enforcement Department

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

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

NERC's Compliance Enforcement department performs its responsibilities through:

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

### 2014 Goals and Deliverables

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

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

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

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

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

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

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

### ***Violation Trend Analysis***

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

### ***Reduction of Outstanding Caseload and Increased Processing Efficiencies***

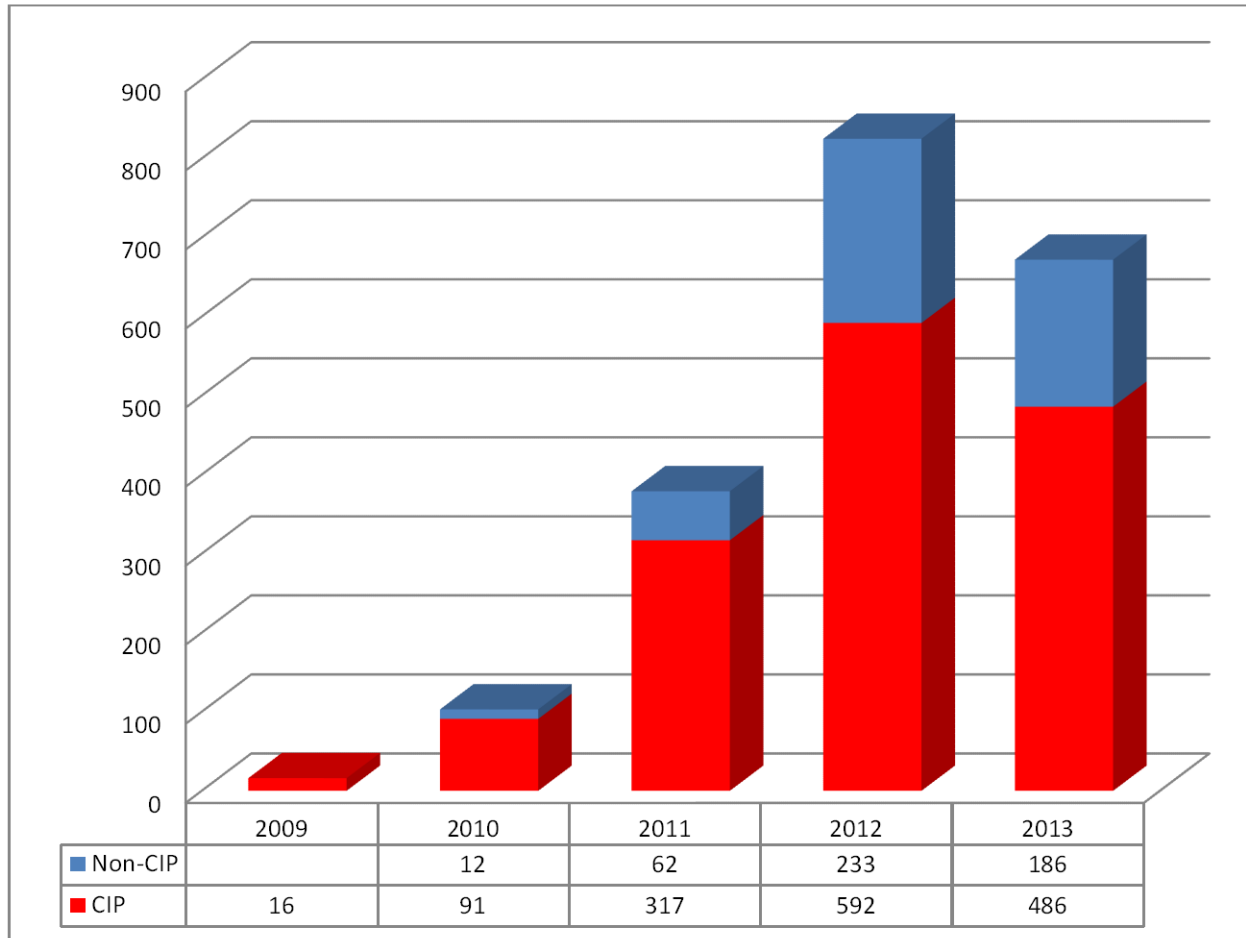
Throughout 2014, NERC's Enforcement department will continue to identify processing efficiencies to guide enhancements in enforcement activities and remain focused on issues that reduce BPS reliability risk.

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

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

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

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

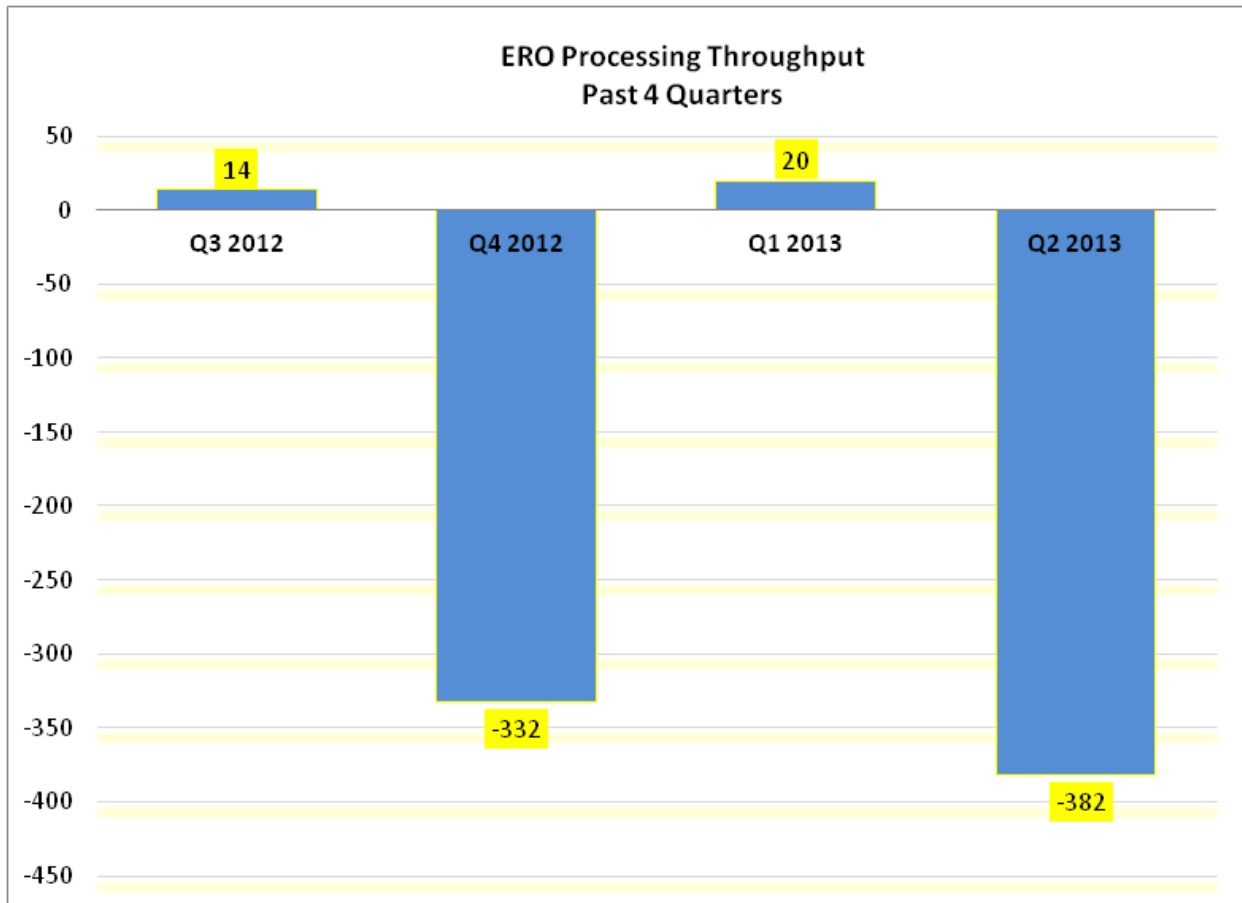


The Enforcement department continues to work with the Regional Entities to significantly reduce this prior caseload by closing the possible violations and providing information on prior violations to registered entities throughout the remainder of 2013 and in 2014.

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



## Violation Processing Within 12 Months



### Resource Requirements

#### *Personnel*

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

#### *Contractor Expenses*

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

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

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

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

## Reliability Assessment and Performance Analysis

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

### Background and Scope

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

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

## Key Focus Areas

RAPA focuses its efforts in four key areas:

### (1) Reliability Assessment

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

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

Key assessments include:

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

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

### (2) Performance Analysis

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

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

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

(3) Reliability Risk Analysis and Control

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

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

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

(4) Reliability Initiatives and System Analysis

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

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

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

### **Bulk Electric System (BES) Implementation**

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

### **2014 Goals and Deliverables**

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

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

## **Resource Requirements**

### **Personnel**

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

### **Contractor Expenses**

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



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

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

a. Vegetation Research:

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

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

b. Vegetation Management on Public Lands:

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

c. Reliability Effects of GMD Vulnerability Assessment:

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

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

a. Scenario Consultant—Addressing Standing and Emerging Issues:

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

(3) Licensing and support of existing databases

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

---

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

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

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

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

b. GADS/TADS/DADS/SED:

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

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

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

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

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

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

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

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

(4) Software application development

a. Replacement for pc-GAR:

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

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

b. Reliability Assessment Data System (RADS):

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

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

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

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

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

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

---

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

<sup>9</sup> Assessment Areas are defined as the Registered Planning Coordinator Entities or groups of Registered Planning Coordinator Entities.

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

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

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

## Reliability Risk Management

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

### Situation Awareness Department

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

### Background and Scope

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

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



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

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

- **Automated Reliability Reports** — This tool produces daily and monthly summaries of historical load generation resource adequacy and control performance for the three interconnections. This tool is used to monitor frequency response and perform trending analysis. This tool relies on data supplied to the Resource Adequacy Tool. The funding included in the 2014 budget is based on 2013 actual expenditures, which were not budgeted as a separate line item in 2013.
- **Resource Adequacy (ACE Frequency) Tool** — This software application provides continuous monitoring of key resource adequacy performance metrics, including pre-established thresholds and limits defined in standards. It alerts Reliability Coordinators and resource subcommittees to conditions potentially resulting in critical inadequacies, such as major tie error, inaccurate load forecast, and inadequate frequency response.
- **Inadvertent Interchange** — This tool facilitates the entering of monthly scheduling data and submittal of monthly inadvertent performance standards reports to NERC. It also assists in the monitoring and resolution of reliability issues originated by inadvertent interchange imbalances.
- **AIE Monitoring Tool** — This is an automatic data collection tool for post-analysis of frequency excursions. It is used in major system disturbances as part of the frequency response analysis.
- **Frequency Monitoring and Analysis Tool** — This tool detects frequency events and captures key frequency response information for each interconnection.
- **Intelligent Alarms Tool** — This tool detects short-term and long-term frequency deviations using data transmitted to NERC by the Balancing Authorities. When coupled with the FNet<sup>10</sup> and Frequency Monitoring and Analysis tools, this tool allows immediate differentiation of the cause of a frequency deviation—a generator trip or a scheduling error.
- **Secure Alerts System** — This software application notifies industry of critical or impending reliability and security threats to assist entities in taking preemptive or

---

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

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

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

#### **2014 Goals and Deliverables**

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

The department's 2014 goals and deliverables include:

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

## **Resource Requirements**

### ***Personnel***

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

### ***Contractor Expenses***

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

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

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

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

### Event Analysis Department

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

### Background and Scope

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

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

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

### **Development of Events Information Data System**

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

### **2014 Goals and Deliverables**

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

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

### **Resource Requirements**

#### ***Personnel***

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

#### ***Contractor Expenses***

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

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



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

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

## Critical Infrastructure Protection

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

### Background and Scope

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

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

### 2014 Goals and Deliverables

2014 goals and deliverables include:

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

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

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

### ESCC Support

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

### Resource Requirements

#### *Personnel*

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

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

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

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

The ES-ISAC was formed in 1998 when the U.S. Secretary of Energy requested that NERC serve as the ISAC<sup>12</sup> for the electricity sub-sector.<sup>13</sup> ES-ISAC's primary function is the rapid and secure sharing of information with the electric industry and governmental entities regarding real and potential cyber-related threats to the electricity sector, as well as methods and tools to avoid or mitigate the potential impact from these threats.

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

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

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

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

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

---

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

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

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

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

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

## **Resource Requirements**

### ***Personnel***

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

### ***Contractors, Technology, and Tool Expenses***

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

### **Portal Enhancement**

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

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

### **Intelligence Reporting Services**

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

### **Cyber Risk Preparedness Assessments (CRPA)**

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

### **Aurora Webinars and Technical Support**

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

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

### **Secure Bidirectional Communications**

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

### **Cyber Awareness Monitoring**

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

### **Attack Tree Threat Modeling**

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

### **Software Integration Support and BPS Mapping Services**

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

### **Analyst Workbench**

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



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

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

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

## Training, Education, and Operator Certification

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

### Background and Scope

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

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

## **2014 Goals and Deliverables**

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

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

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

## **Resource Requirements**

### ***Personnel***

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

### **Contractor Expenses**

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

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

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

---

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

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

**TRAINING, EDUCATION and OPERATOR CERTIFICATION**

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

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

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

## Administrative Services

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

### Program Scope and Functional Description

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

### Technical Committees and Members' Forum Program

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

### General and Administrative

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

### Background and Scope

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



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

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

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

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

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

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

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

## Legal and Regulatory

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

### Background and Scope

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

### Resource Requirements

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

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

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

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

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

## Information Technology

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

### Background and Scope

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

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

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

## **Resource Requirements**

### ***Personnel***

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

### ***Contract and Consulting Resources to Support Ongoing Operations***

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

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

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

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



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

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

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

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

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

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

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

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

The table below summarizes the budgeted costs of ongoing operations.

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

### ERO Enterprise Applications

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

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

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

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

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

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

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

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

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

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

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

### 2014 IT Operating and Capital Expense Budget

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

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

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

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

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

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

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

### 2014 IT Operating Expenses

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

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

### Telephone Expenses

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

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

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

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

### ***Internet Expense***

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

### ***Computers***

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

### ***Computer Supplies***

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

### ***Maintenance and Service Agreements***

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

### ***Software***

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

### **2014 IT Fixed Asset (Capital) Expenses**

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

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

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

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

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



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

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

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

## Human Resources

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

### Background and Scope

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

### 2014 Goals and Objectives

#### *Executive Training and Development*

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

#### *Staff Development*

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

#### *Compensation Consulting*

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

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

### ***Surveys***

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

### ***Succession Planning***

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

### ***HR Products and Services Automation***

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

### **Resource Requirements**

#### ***Personnel***

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

#### ***Contractor Expenses***

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

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

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

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

## Finance and Accounting

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

### Background and Scope

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

### Resource Requirements

#### *Personnel*

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

#### *Contractor Expenses*

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

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



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

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

## Section B — Supplemental Financial Information

### Reserve Balance

**Table B-1**

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

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

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

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

### Breakdown by Statement of Activity Sections

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

### Penalty Sanctions

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

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

### Allocation Method

Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards, Compliance Operations and Organization Registration and Certification, Compliance Enforcement, Reliability Assessments and Performance Analysis, Training and Education, Situational Awareness, Events Analysis and Investigations, and the Critical Infrastructure Department. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2**

Penalty Sanctions Received On or Prior to June 30, 2013		
	Date Received	Amount Received
	2/7/2013	\$ 250,000
	5/28/2013	40,000
<b>Total Penalties Received</b>		<u>\$ 290,000</u>

## Supplemental Funding

Table B-3

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

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

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

## Personnel Expenses

**Table B-4**

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

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

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

## Consultants and Contracts

**Table B-5**

***NOTE: This table has been replaced by Exhibit C***

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

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

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

## Office Costs

Table B-7

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

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

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



## Professional Services

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

**Table B-8**

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

## Miscellaneous

**Table B-9**

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

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

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

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

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

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

## **Section C — Non-Statutory Activity**

---

**NERC has no non-statutory activities.**

## Section D — Supplemental Financial Statements

### NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION STATEMENT OF FINANCIAL POSITION

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

**Statement of Activities**

**Next page.**



## **Exhibit A – Common Assumptions**

---

### **Shared Business Plan and Budget Assumptions**

#### **NERC and the Regional Entities**

#### **2014-2016 Planning Period**

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

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

#### **Legal and Operating Framework**

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

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

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

### **Business Environment**

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

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

### **General**

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

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

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



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

## **Key Assumptions by Program Area**

### **Reliability Standards Program**

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

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

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

### ***Compliance and Enforcement***

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

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

### ***Organization Registration and Certification***

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

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

### **Reliability Assessment and Performance Analysis Program**

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

### **Training, Education, and System Operator Certification Program**

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

### **Situation Awareness and Event Analysis**

1. NERC will continue to review the appropriateness of continued funding of existing reliability tools, with any proposed changes thereto subject to review and input from the

Regional Entities, appropriate NERC committees and working groups, and other affected parties.

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

### **Critical Infrastructure Protection**

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

### **Information Technology and Enterprise Applications**

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

---

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

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

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

### **Finance and Administrative**

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

## **Exhibit B – Application of NERC Section 215 Criteria**

---

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

#### **I. Introduction**

This Exhibit discusses how the major activities in NERC’s 2014 Business Plan and Budget meet the NERC written criteria for determining whether a reliability activity is eligible to be funded under §215 of the Federal Power Act (“FPA §215). This Exhibit is intended to satisfy Recommendation No. 38 resulting from the financial performance of NERC conducted by the Commission’s Division of Audits (“DA”) in 2012-2013 and adopted by the Commission in its November 2, 2012 order on NERC’s 2013 Business Plan and Budget.<sup>1</sup> NERC submitted the written criteria to the Commission in a compliance filing dated February 21, 2013 in Docket No. FA11-21-000.<sup>2</sup> The Commission approved the NERC written criteria, with modifications, in an order issued in that docket on April 18, 2013.<sup>3</sup> The NERC written criteria as used in this Exhibit incorporate the modifications specified in the Compliance Order.<sup>4</sup>

#### **II. Reliability Standards Program 2014 Major Activities**

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

---

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **IV. Reliability Assessment and Performance Analysis Program 2014 Major Activities**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **VI. Critical Infrastructure Protection Program 2014 Major Activities**

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **VIII. Administrative Services 2014 Major Activities**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Bulk Power System<sup>25</sup> based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
2. Monitoring, event analysis and investigation of Bulk Power System major events, off-normal occurrences and near miss events?
- D. Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?
- II. Is the activity necessary or appropriate for the monitoring and enforcement of compliance with Reliability Standards?
- A. Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the Bulk Power System that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?
- B. Is the activity necessary or appropriate for the Certification of Reliability Coordinators, Transmission Operators and Balancing Authorities as having the requisite personnel, qualifications and facilities and equipment needed to perform these reliability functions in accordance with the applicable Requirements of Reliability Standards?
- C. Is the activity necessary or appropriate for the Certification of system operating personnel as qualified to carry out the duties and responsibilities of their positions in accordance with the Requirements of applicable Reliability Standards?<sup>26</sup>
- D. Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?
- E. Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or

---

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

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

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

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



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

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

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

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

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

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

## Exhibit C – Contractor and Consulting Costs

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

Exhibit C — Contractor and Consulting Costs

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

Exhibit C — Contractor and Consulting Costs

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

## **Exhibit D – Capital Project Financing - Overview**

---

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

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

## **Capital Project Financing Program Projected Principal and Interest Repayment Schedule**

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



(Amounts in the table are in thousands)

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

## Exhibit E - Working Capital and Operating Reserve Amounts

---

### **Working Capital – \$3.6M**

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

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

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

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

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

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

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

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

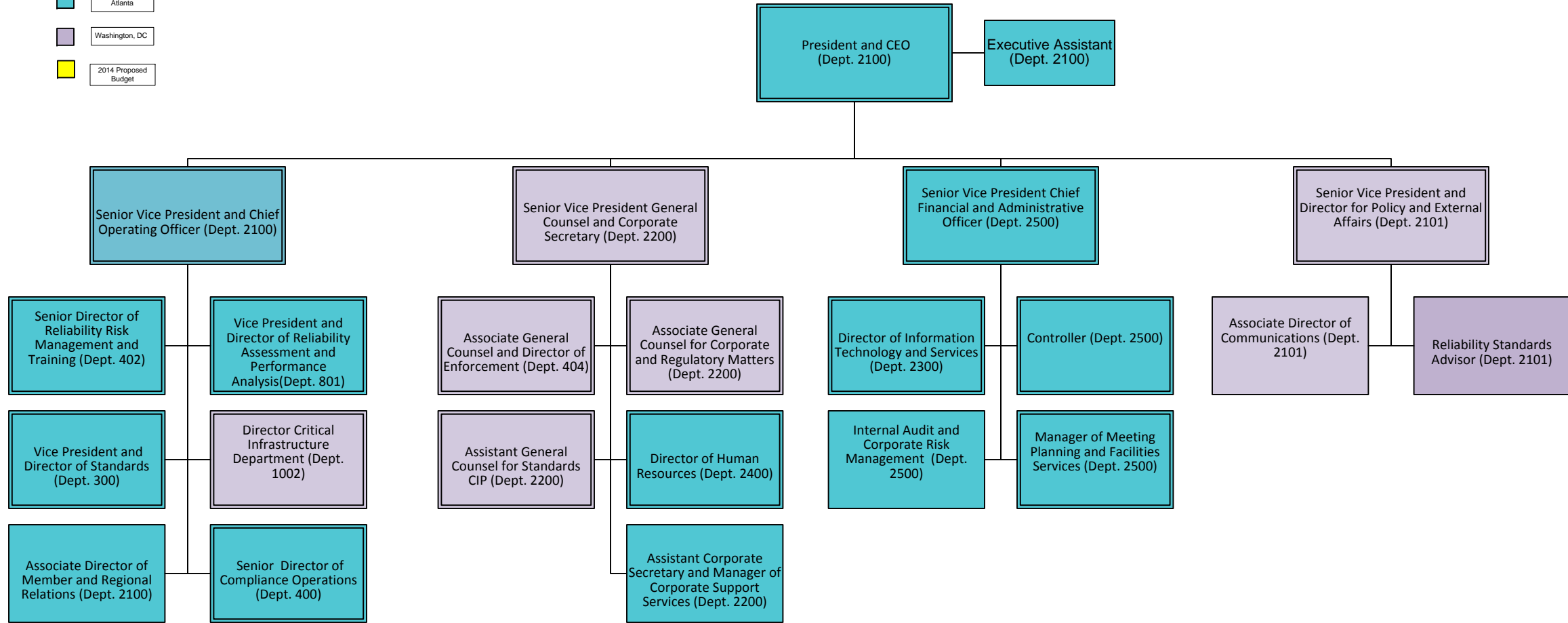
(2) Unforeseen Contingencies — \$1M

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

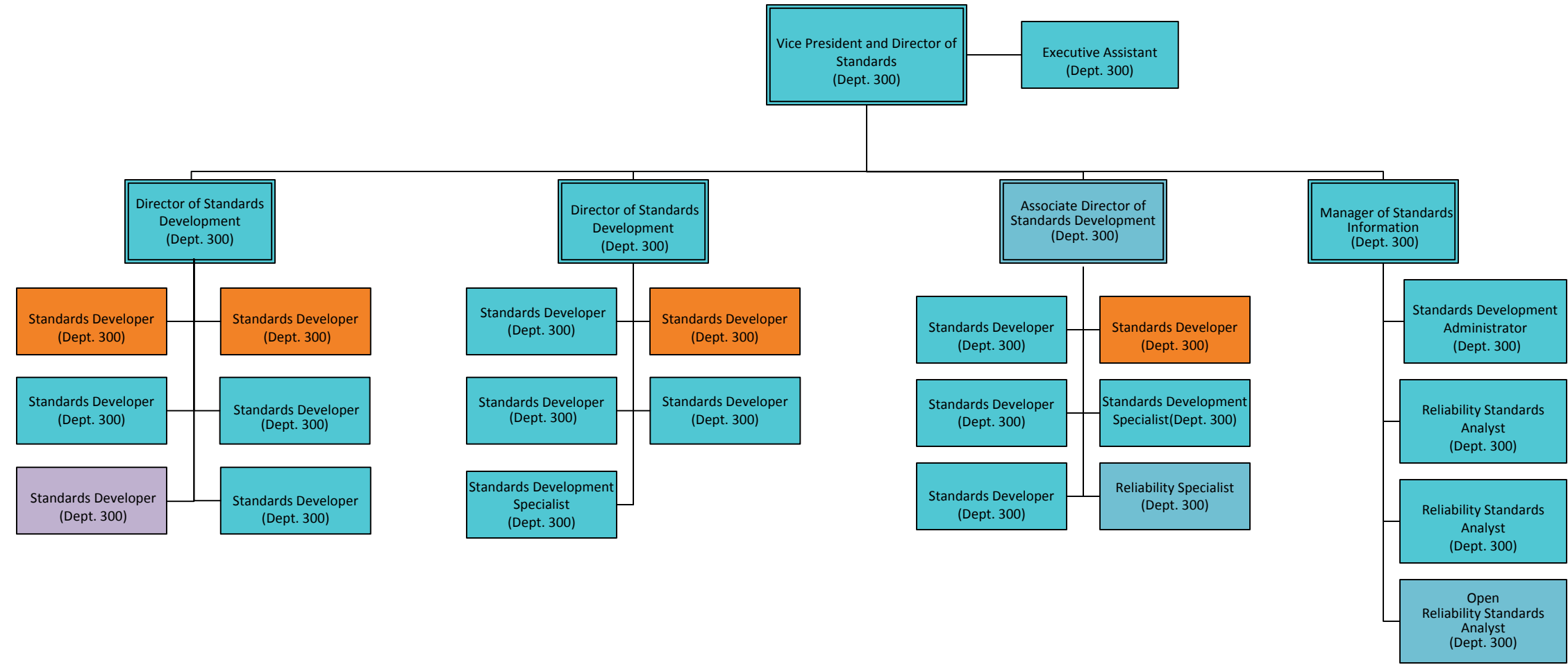
(3) System Operator Certification Program — \$767k - The projected 12/31/13 reserve balance of the System Operator Certification Program is \$1,206,746. The 2014 budget for expenses is \$438,253 higher than anticipated funding from testing fees and certificate renewals, leaving a budgeted balance of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

**Total Working Capital + Operating Reserves – \$6.4M**

# NERC Staff Organization Chart 2013-2014 Budget

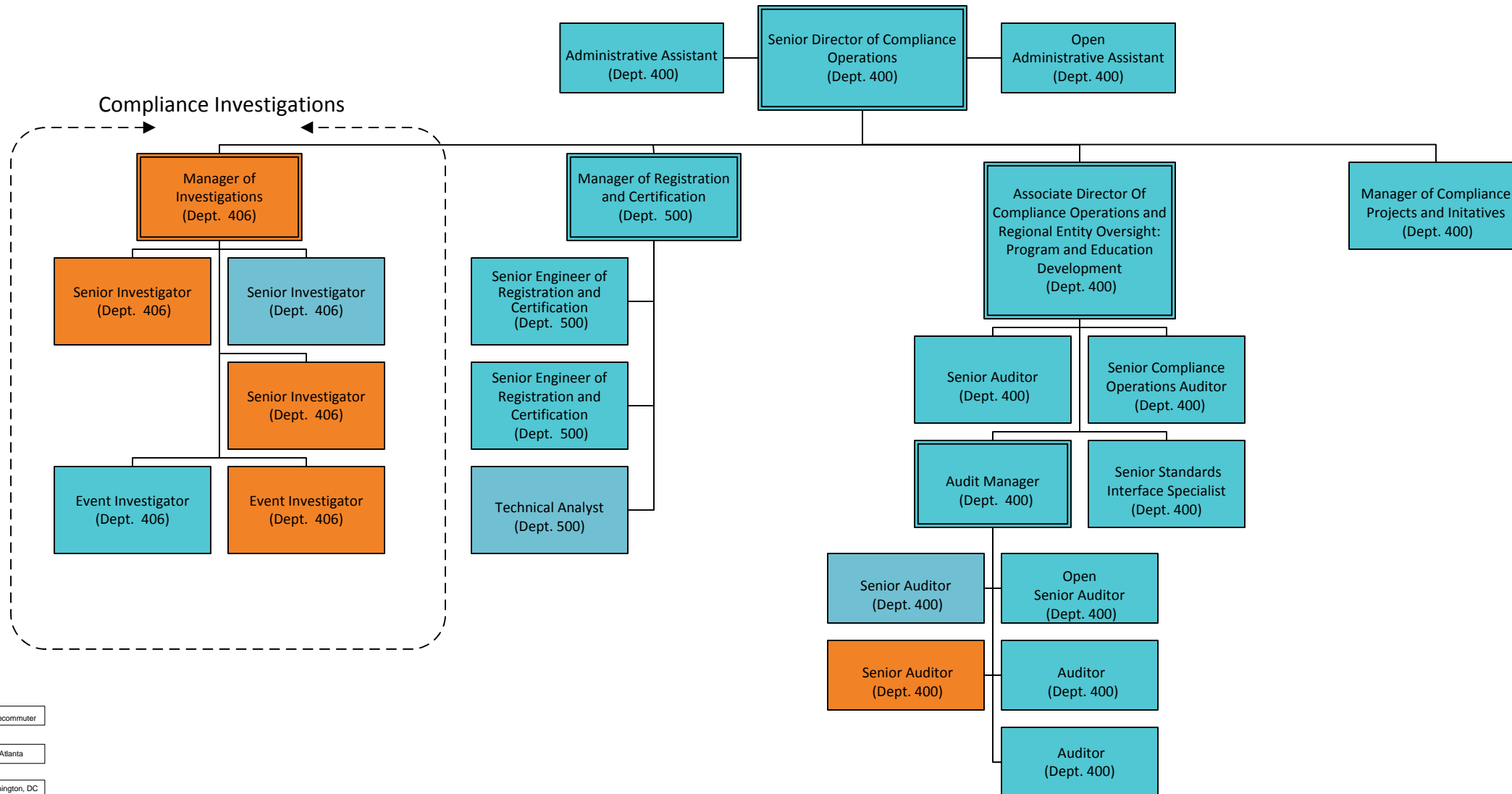


## Reliability Standards 2013-2014 (Dept. 300)



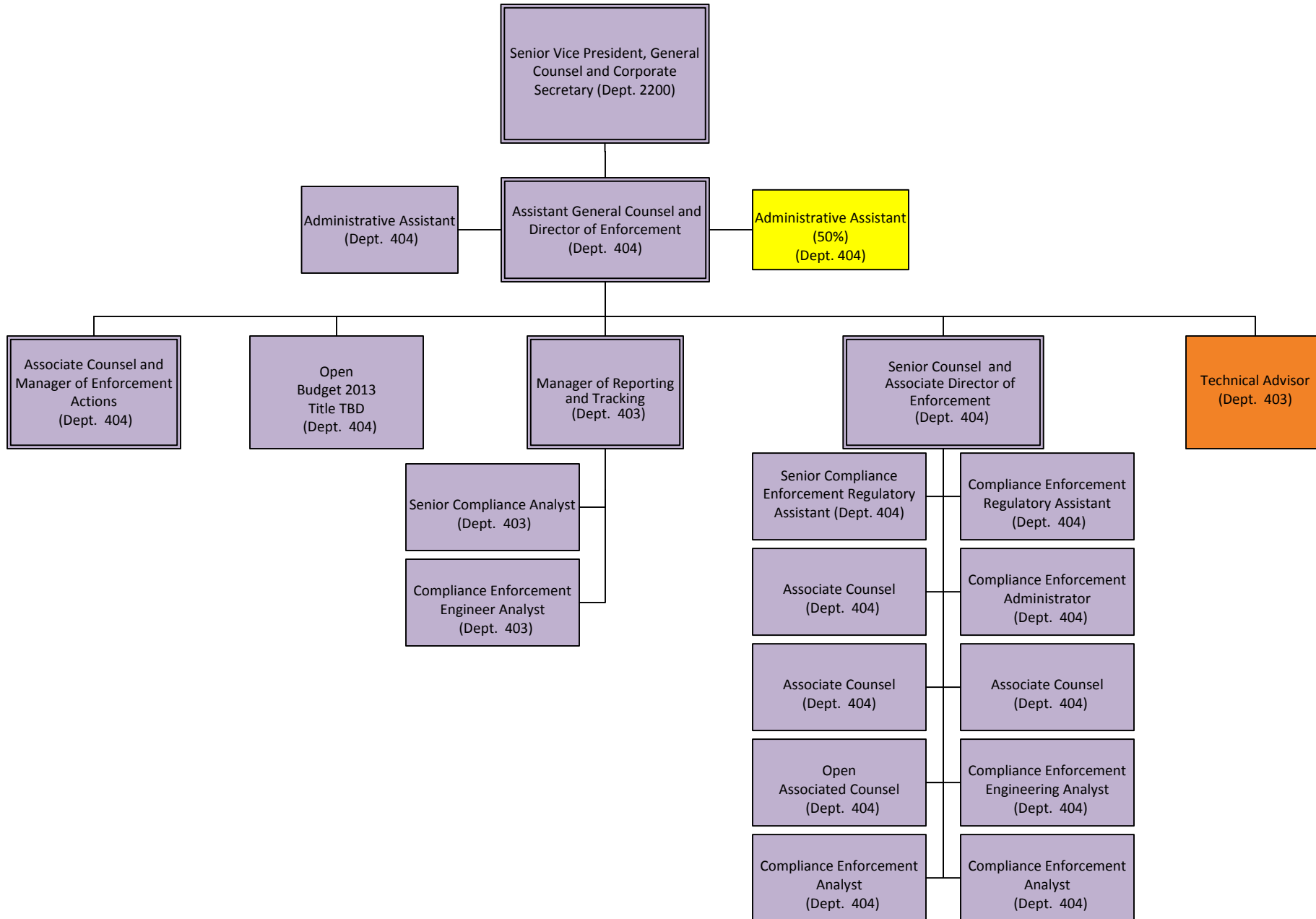
- Telecommuter
- Atlanta
- Washington, DC
- 2014 Proposed Budget

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



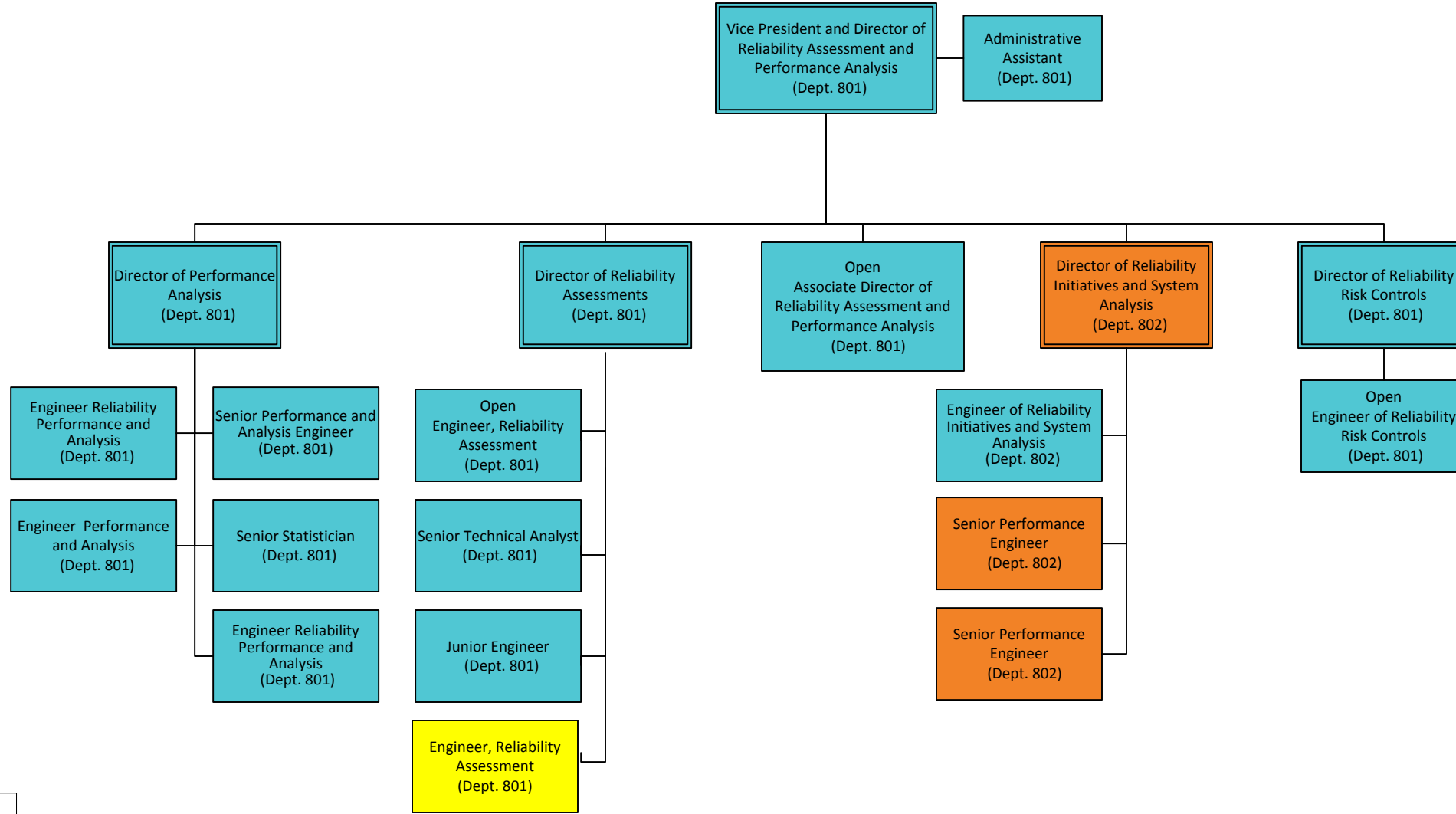
- Telecommuter
- Atlanta
- Washington, DC
- 2014 Proposed Budget

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



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

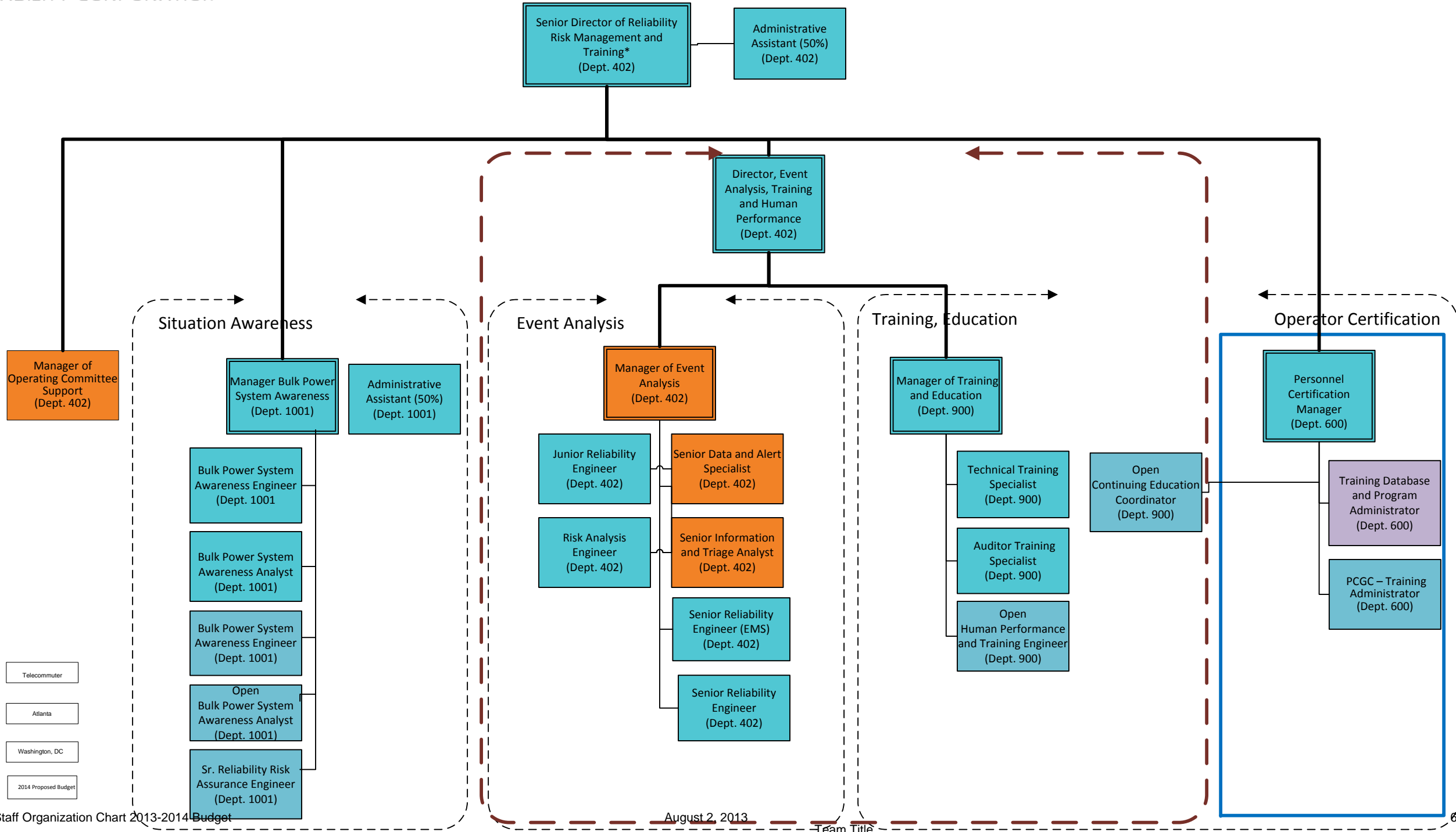
# Reliability Assessment and Performance Analysis 2013-2014 (Dept. 801, 802)



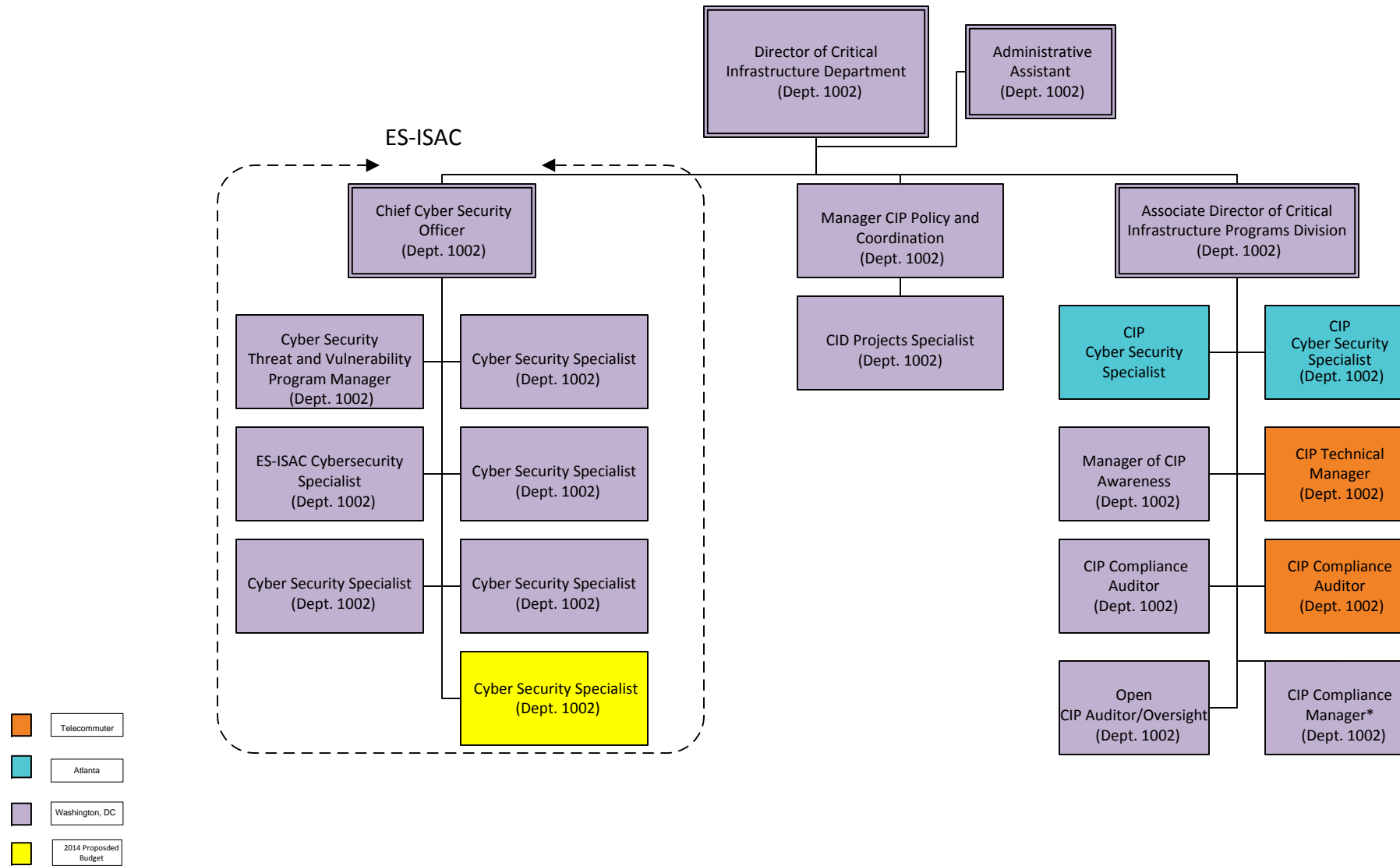
- Telecommuter
- Atlanta
- Washington, DC
- 2014 Proposed Budget



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

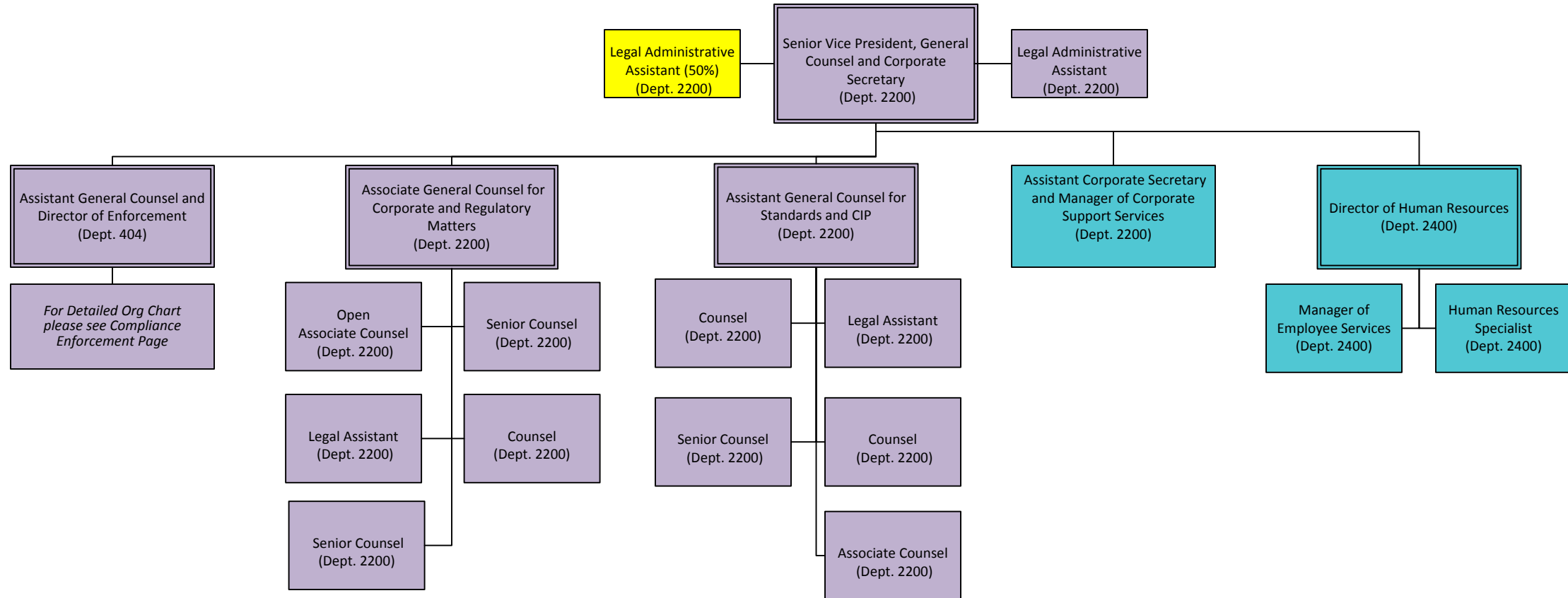


## Critical Infrastructure Department 2013-2014 (Dept. 1002)



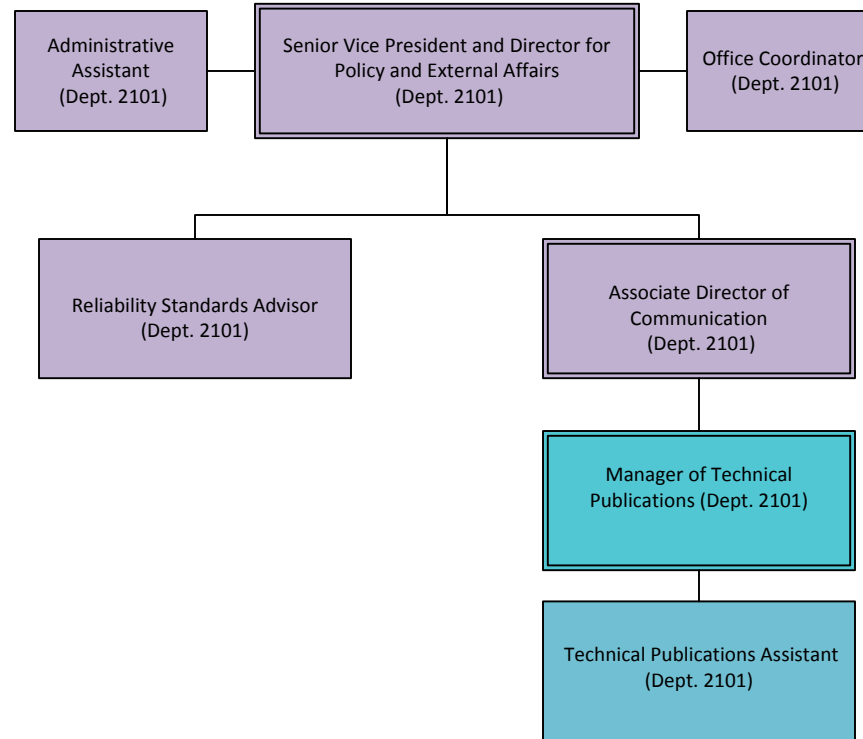
\* Also performs CIP Compliance Audit Function

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



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

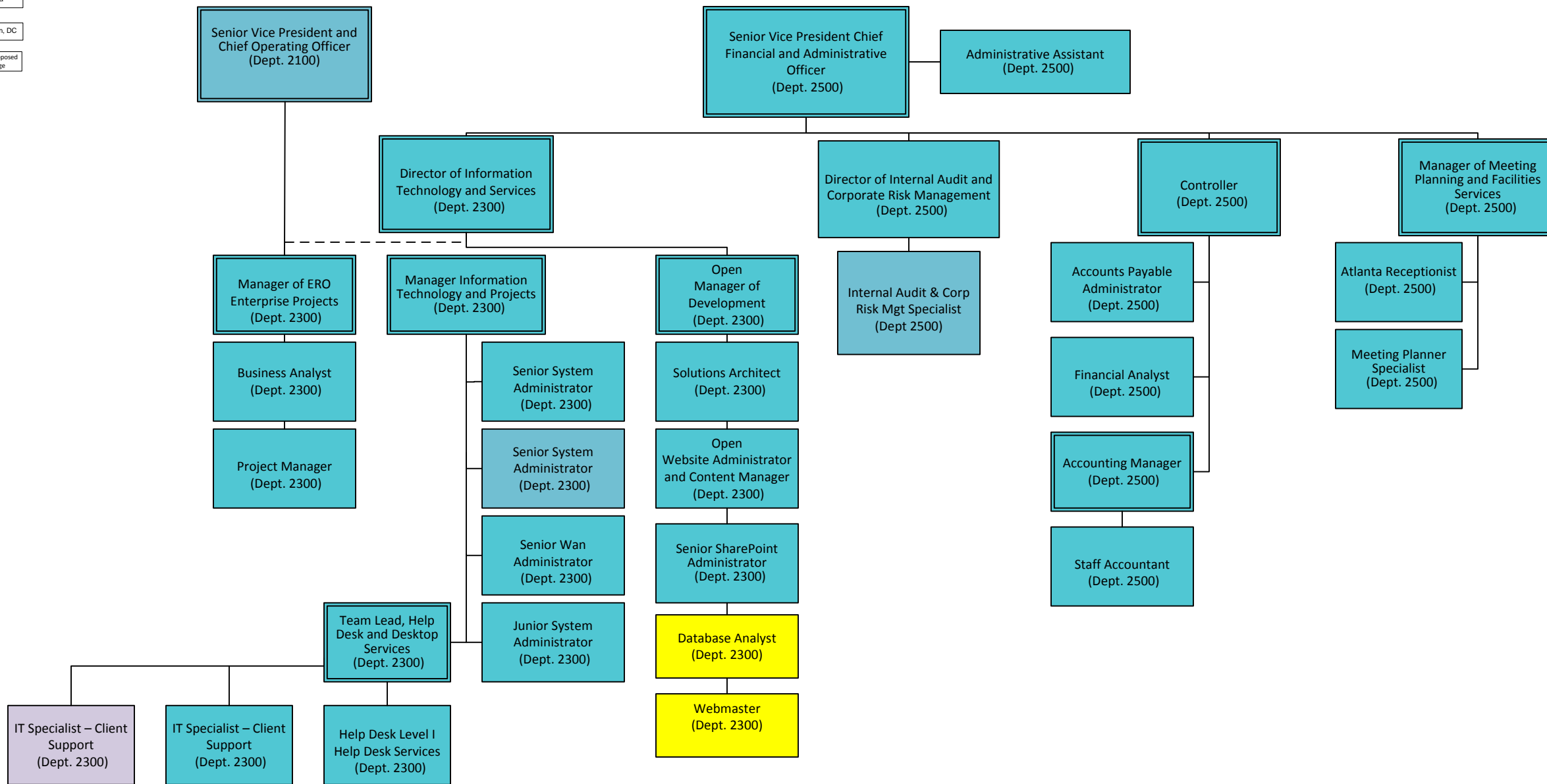
## Governmental Relations 2013-2014 (Dept. 2101)



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

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

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





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

APPENDIX 2-A

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2012	MRO	1477	Central Minnesota Municipal Power Agency (CMMPA)	U.S.	473,293	473,293	-	-	0.166%	0.166%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2012	MRO	1203	EsCANABA Municipal Electric Utility	U.S.	148,283	148,283	-	-	0.052%	0.052%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2012	MRO	1205	Falls City Water & Light Department	U.S.	56,341	56,341	-	-	0.020%	0.020%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	MRO	1206	Fremont Department of Utilities	U.S.	442,533	442,533	-	-	0.156%	0.156%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2012	MRO	1208	Geneseo Municipal Utilities	U.S.	66,582	66,582	-	-	0.023%	0.023%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2012	MRO	1209	Grand Island Utilities Department	U.S.	763,967	763,967	-	-	0.269%	0.269%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2012	MRO	1606	Harlan Municipal Utilities	U.S.	25,428	25,428	-	-	0.009%	0.009%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	MRO	1211	Hastings Utilities	U.S.	424,638	424,638	-	-	0.149%	0.149%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2012	MRO	1212	Hearthland Consumers Power District	U.S.	850,082	850,082	-	-	0.299%	0.299%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2012	MRO	1213	Hutchinson Utilities Commission	U.S.	292,815	292,815	-	-	0.103%	0.103%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.007%
2012	MRO	1215	Lincoln Electric System	U.S.	3,242,212	3,242,212	-	-	1.140%	1.140%	0.000%	0.000%	0.072%	0.072%	0.000%	0.000%	0.082%
2012	MRO	1218	Manitowoc Public Utilities	U.S.	539,052	539,052	-	-	0.189%	0.189%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2012	MRO	1223	Missouri River Energy Services	U.S.	2,303,805	2,303,805	-	-	0.810%	0.810%	0.000%	0.000%	0.051%	0.051%	0.000%	0.000%	0.058%
2012	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	1,518,670	1,518,670	-	-	0.534%	0.534%	0.000%	0.000%	0.034%	0.034%	0.000%	0.000%	0.038%
2012	MRO	1607	Montezuma Municipal Light & Power	U.S.	32,779	32,779	-	-	0.012%	0.012%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	1,165,080	1,165,080	-	-	0.409%	0.409%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.029%
2012	MRO	1228	Muscatine Power and Water	U.S.	866,487	866,487	-	-	0.305%	0.305%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2012	MRO	1229	Nebraska City Utilities	U.S.	174,149	174,149	-	-	0.061%	0.061%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2012	MRO	1234	Rochester Public Utilities	U.S.	10,000	10,000	-	-	0.004%	0.004%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	2,947,896	2,947,896	-	-	1.036%	1.036%	0.000%	0.000%	0.066%	0.066%	0.000%	0.000%	0.075%
2012	MRO	1241	Willmar Municipal Utilities	U.S.	261,951	261,951	-	-	0.092%	0.092%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2012	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	5,477,966	5,477,966	-	-	1.925%	1.925%	0.000%	0.000%	0.122%	0.122%	0.000%	0.000%	0.139%
			<b>TOTAL MRO</b>		<b>284,519,075</b>	<b>239,585,401</b>	<b>44,933,674</b>	<b>-</b>	<b>100.00%</b>	<b>84.207%</b>	<b>15.793%</b>	<b>0.000%</b>	<b>6.356%</b>	<b>5.352%</b>	<b>1.004%</b>	<b>0.000%</b>	<b>6.066%</b>
2012	NPCC	1336	New England	U.S.	128,081,000	128,081,000	-	-	19.970%	19.970%	0.000%	0.000%	2.861%	2.861%	0.000%	0.000%	3.243%
2012	NPCC	1339	New York	U.S.	162,842,000	162,842,000	-	-	25.389%	25.389%	0.000%	0.000%	3.638%	3.638%	0.000%	0.000%	4.123%
2012	NPCC	1337	Ontario	Canada	141,287,000	-	141,287,000	-	22.029%	0.000%	22.029%	0.000%	3.156%	0.000%	3.156%	0.000%	
2012	NPCC	1341	Quebec	Canada	184,822,000	-	184,822,000	-	28.816%	0.000%	28.816%	0.000%	4.129%	0.000%	4.129%	0.000%	
2012	NPCC	1338	New Brunswick	Canada	13,906,000	-	13,906,000	-	2.168%	0.000%	2.168%	0.000%	0.311%	0.000%	0.311%	0.000%	
2012	NPCC	1340	Nova Scotia	Canada	10,444,000	-	10,444,000	-	1.628%	0.000%	1.628%	0.000%	0.233%	0.000%	0.233%	0.000%	
			<b>TOTAL NPCC</b>		<b>641,382,000</b>	<b>290,923,000</b>	<b>350,459,000</b>	<b>-</b>	<b>100.000%</b>	<b>45.359%</b>	<b>54.641%</b>	<b>0.000%</b>	<b>14.327%</b>	<b>6.499%</b>	<b>7.829%</b>	<b>0.000%</b>	<b>7.366%</b>
2012	RFC	1104	Bay City	U.S.	334,465	334,465	-	-	0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	RFC	1102	Cannelton Utilities	U.S.	15,656	15,656	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	RFC	1105	City of Chelsea	U.S.	101,400	101,400	-	-	0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2012	RFC	1106	City of Croswell	U.S.	42,103	42,103	-	-	0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	RFC	1108	City of Eaton Rapids	U.S.	98,372	98,372	-	-	0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	RFC	1111	City of Hart	U.S.	46,421	46,421	-	-	0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	RFC	1490	City of Lansing	U.S.	2,279,706	2,279,706	-	-	0.253%	0.253%	0.000%	0.000%	0.051%	0.051%	0.000%	0.000%	0.058%
2012	RFC	1112	City of Marquette Board of Light & Power	U.S.	325,870	325,870	-	-	0.036%	0.036%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	RFC	1114	City of Portland	U.S.	37,089	37,089	-	-	0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	RFC	1116	City of St. Louis	U.S.	39,700	39,700	-	-	0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	RFC	1118	City of Wyandotte	U.S.	215,374	215,374	-	-	0.024%	0.024%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2012	RFC	1120	Cloverland Electric Cooperative	U.S.	875,650	875,650	-	-	0.097%	0.097%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.022%
2012	RFC	1122	CMS ERM Michigan LLC	U.S.	180,553	180,553	-	-	0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2012	RFC	1124	Constellation New Energy (MECS-CONS)	U.S.	1,099,317	1,099,317	-	-	0.122%	0.122%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2012	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	1,120,458	1,120,458	-	-	0.124%	0.124%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2012	RFC	1126	Consumers Energy Company	U.S.	33,756,264	33,756,264	-	-	3.742%	3.742%	0.000%	0.000%	0.754%	0.754%	0.000%	0.000%	0.855%
2012	RFC	1128	Detroit Edison Company	U.S.	46,541,661	46,541,661	-	-	5.159%	5.159%	0.000%	0.000%	1.040%	1.040%	0.000%	0.000%	1.178%
2012	RFC	1166	Duke Energy Indiana	U.S.	30,297,309	30,297,309	-	-	3.358%	3.358%	0.000%	0.000%	0.677%	0.677%	0.000%	0.000%	0.767%
2012	RFC	1135	Ferdinand Municipal Light & Water	U.S.	45,590	45,590	-	-	0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	RFC	1646	FirstEnergy Solutions (MECS-CONS)	U.S.	173,025	173,025	-	-	0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2012	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	2,252,597	2,252,597	-	-	0.250%	0.250%	0.000%	0.000%	0.050%	0.050%	0.000%	0.000%	0.057%
2012	RFC	1612	Glacial Energy (MECS-DET)	U.S.	284,554	284,554	-	-	0.032%	0.032%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2012	RFC	1144	Holland Board of Public Works	U.S.	960,951	960,951	-	-	0.107%	0.107%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%
2012	RFC	1145	Hoosier Energy	U.S.	7,194,744	7,194,744	-	-	0.798%	0.798%	0.000%	0.000%	0.161%	0.161%	0.000%	0.000%	0.182%











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

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

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



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

APPENDIX 2-A

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2012	WECC		Puget Sound Energy, Inc.	U.S.	24,346,006	24,346,006			2.809%	2,809%	0.000%	0.000%	0.544%	0.544%	0.000%	0.000%	0.616%
2012	WECC		Raft River Electric Cooperative	U.S.	85	85			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Roosevelt Irrigation District - APS	U.S.	41,177	41,177			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Sacramento Municipal Utility District	U.S.	11,239,860	11,239,860			1.297%	0.000%	1.297%	0.000%	0.251%	0.251%	0.000%	0.000%	0.285%
2012	WECC		Salem Electric	U.S.	323,230	323,230			0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2012	WECC		Salt River Project	U.S.	28,531,895	28,531,895			3.292%	0.000%	0.000%	3.292%	0.637%	0.637%	0.000%	0.000%	0.722%
2012	WECC		San Carlos Indian Irrigation Project	U.S.	59	59			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Seattle City Light	U.S.	10,068,899	10,068,899			1.162%	1.162%	0.000%	0.000%	0.225%	0.225%	0.000%	0.000%	0.255%
2012	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	9,038,551	9,038,551			1.043%	1.043%	0.000%	0.000%	0.202%	0.202%	0.000%	0.000%	0.229%
2012	WECC		Southern Montana Electric Generation & Transmission	U.S.	628,240	628,240			0.072%	0.072%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2012	WECC		Southern Nevada Water Authority	U.S.	679,028	679,028			0.078%	0.078%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2012	WECC		Southwest Transmission Cooperative, Inc.	U.S.	2,624,888	2,624,888			0.303%	0.000%	0.303%	0.000%	0.059%	0.000%	0.059%	0.000%	0.066%
2012	WECC		Springfield Utility Board	U.S.	840,678	840,678			0.097%	0.097%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.021%
2012	WECC		Surprise Valley Electrification Corporation	U.S.	38,293	38,293			0.004%	0.000%	0.000%	0.004%	0.001%	0.000%	0.000%	0.001%	0.001%
2012	WECC		Tanner Electric Cooperative	U.S.	95,182	95,182			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		The Incorporated County of Los Alamos	U.S.	383,796	383,796			0.044%	0.044%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2012	WECC		Tillamook People's Utility District	U.S.	372,060	372,060			0.043%	0.043%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2012	WECC		Tohono O'Odham Utility Authority	U.S.	67,825	67,825			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Tonopah Irrigation District - APS	U.S.	26,197	26,197			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Town of Fredonia	U.S.	776	776			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Town of Steilacoom	U.S.	41,343	41,343			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Town of Wickenburg	U.S.	27,250	27,250			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	21,787	21,787			0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	2,118,103	2,118,103			0.244%	0.244%	0.000%	0.000%	0.047%	0.047%	0.000%	0.000%	0.054%
2012	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	7,531,559	7,531,559			0.869%	0.869%	0.000%	0.000%	0.168%	0.168%	0.000%	0.000%	0.191%
2012	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	2,774,540	2,774,540			0.320%	0.320%	0.000%	0.000%	0.062%	0.062%	0.000%	0.000%	0.070%
2012	WECC		Truckee Donner Public Utility District	U.S.	148,646	148,646			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2012	WECC		Tucson Electric Power Company	U.S.	14,155,948	14,155,948			1.633%	1.633%	0.000%	0.000%	0.316%	0.316%	0.000%	0.000%	0.358%
2012	WECC		Turlock Irrigation District	U.S.	2,112,514	2,112,514			0.244%	0.244%	0.000%	0.000%	0.047%	0.047%	0.000%	0.000%	0.053%
2012	WECC		U.S. Army Yuma Proving Ground	U.S.	20,743	20,743			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2012	WECC		U.S. BOR Columbia Basin	U.S.	30,459	30,459			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	3,306	3,306			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		U.S. Bor Spokane Indian Development'	U.S.	3,126	3,126			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		U.S. BOR The Dalles Project	U.S.	18,193	18,193			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		U.S. DOE National Energy Technology Laboratory	U.S.	4,555	4,555			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Umatilla Electric Cooperative Association	U.S.	1,021,091	1,021,091			0.118%	0.118%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2012	WECC		Unit B Irrigation District	U.S.	23	23			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		US Air Force Base, Fairchild	U.S.	50,233	50,233			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2012	WECC		US Dept of Energy - Kirtland AFB	U.S.	425,159	425,159			0.049%	0.049%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2012	WECC		USDOE Richland	U.S.	182,352	182,352			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2012	WECC		USN Naval Station, Bremerton	U.S.	274,291	274,291			0.032%	0.032%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2012	WECC		USN Naval Station, Everett	U.S.	10,447	10,447			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		USN Submarine Base, Bangor	U.S.	174,768	174,768			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2012	WECC		Valley Electric Association, Inc.	U.S.	473,273	473,273			0.055%	0.055%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2012	WECC		Vera Water and Power	U.S.	230,012	230,012			0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2012	WECC		Vigilante Electric Cooperative, Inc.	U.S.	15,801	15,801			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Wasco Electric Cooperative	U.S.	94,790	94,790			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2012	WECC		Wells Rural Electric Cooperative	U.S.	667,128	667,128			0.077%	0.077%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2012	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	7,129	7,129			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		West Oregon Electric Cooperative, Inc.	U.S.	12,706	12,706			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2012	WECC		Western Area Power - Loveland, CO	U.S.	239,860	239,860			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2012	WECC		Western Area Power - Loveland, CO	U.S.	1,590,635	1,590,635			0.184%	0.184%	0.000%	0.000%	0.036%	0.036%	0.000%	0.000%	0.040%
2012	WECC		Western Area Power Administration - CRSP	U.S.	1,367,212	1,367,212			0.158%	0.158%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%
2012	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	1,557,395	1,557,395			0.180%	0.180%	0.000%	0.000%	0.035%	0.035%	0.000%	0.000%	0.039%
2012	WECC		Western Area Power Administration-Desert Southwest Regio	U.S.	2,159,853	2,159,853			0.249%	0.249%	0.000%	0.000%	0.048%	0.048%	0.000%	0.000%	0.055%
2012	WECC		Western Area Power Administration-Upper Great Plains Regi	U.S.	7,448	7,448			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

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



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

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

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

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE, RCCo, & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB & RCCo Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2012	MRO	1209	Grand Island Utilities Department	U.S.	32,438	32,438	-	-	9,035	9,035	-	-	23,403	23,403	-	-
2012	MRO	1606	Harlan Municipal Utilities	U.S.	1,080	1,080	-	-	301	301	-	-	779	779	-	-
2012	MRO	1211	Hastings Utilities	U.S.	18,030	18,030	-	-	5,022	5,022	-	-	13,008	13,008	-	-
2012	MRO	1212	Heartland Consumers Power District	U.S.	36,094	36,094	-	-	10,053	10,053	-	-	26,041	26,041	-	-
2012	MRO	1213	Hutchinson Utilities Commission	U.S.	12,433	12,433	-	-	3,463	3,463	-	-	8,970	8,970	-	-
2012	MRO	1215	Lincoln Electric System	U.S.	137,663	137,663	-	-	38,342	38,342	-	-	99,321	99,321	-	-
2012	MRO	1218	Manitowoc Public Utilities	U.S.	22,888	22,888	-	-	6,375	6,375	-	-	16,513	16,513	-	-
2012	MRO	1223	Missouri River Energy Services	U.S.	97,819	97,819	-	-	27,245	27,245	-	-	70,574	70,574	-	-
2012	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	64,482	64,482	-	-	17,960	17,960	-	-	46,522	46,522	-	-
2012	MRO	1607	Montezuma Municipal Light & Power	U.S.	1,392	1,392	-	-	388	388	-	-	1,004	1,004	-	-
2012	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	49,469	49,469	-	-	13,778	13,778	-	-	35,691	35,691	-	-
2012	MRO	1228	Muscatine Power and Water	U.S.	36,791	36,791	-	-	10,247	10,247	-	-	26,544	26,544	-	-
2012	MRO	1229	Nebraska City Utilities	U.S.	7,394	7,394	-	-	2,059	2,059	-	-	5,335	5,335	-	-
2012	MRO	1234	Rochester Public Utilities	U.S.	425	425	-	-	118	118	-	-	306	306	-	-
2012	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	125,167	125,167	-	-	34,862	34,862	-	-	90,305	90,305	-	-
2012	MRO	1241	Willmar Municipal Utilities	U.S.	11,122	11,122	-	-	3,098	3,098	-	-	8,024	8,024	-	-
2012	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	232,592	232,592	-	-	64,783	64,783	-	-	167,810	167,810	-	-
<b>TOTAL MRO</b>					<b>12,109,471</b>	<b>10,172,705</b>	<b>1,936,766</b>	<b>-</b>	<b>3,368,027</b>	<b>2,833,341</b>	<b>534,686</b>	<b>-</b>	<b>8,741,444</b>	<b>7,339,364</b>	<b>1,402,080</b>	<b>-</b>
2012	NPCC	1336	New England	U.S.	5,124,983	5,124,983	-	-	1,514,688	1,514,688	-	-	3,610,295	3,610,295	-	-
2012	NPCC	1339	New York	U.S.	6,763,398	6,763,398	-	-	1,925,772	1,925,772	-	-	4,837,626	4,837,626	-	-
2012	NPCC	1337	Ontario	Canada	3,112,929	-	3,112,929	-	1,084,277	-	1,084,277	-	2,028,651	-	2,028,651	-
2012	NPCC	1341	Quebec	Canada	4,068,944	-	4,068,944	-	1,539,741	-	1,539,741	-	2,529,203	-	2,529,203	-
2012	NPCC	1338	New Brunswick	Canada	485,103	-	485,103	-	105,191	-	105,191	-	379,911	-	379,911	-
2012	NPCC	1340	Nova Scotia	Canada	350,472	-	350,472	-	124,278	-	124,278	-	226,194	-	226,194	-
<b>TOTAL NPCC</b>					<b>19,905,829</b>	<b>11,888,382</b>	<b>8,017,447</b>	<b>-</b>	<b>6,293,948</b>	<b>3,440,461</b>	<b>2,853,487</b>	<b>-</b>	<b>13,611,881</b>	<b>8,447,921</b>	<b>5,163,960</b>	<b>-</b>
2012	RFC	1104	Bay City	U.S.	9,576	9,576	-	-	3,955	3,955	-	-	5,620	5,620	-	-
2012	RFC	1102	Cannelton Utilities	U.S.	448	448	-	-	185	185	-	-	263	263	-	-
2012	RFC	1105	City of Chelsea	U.S.	2,903	2,903	-	-	1,199	1,199	-	-	1,704	1,704	-	-
2012	RFC	1106	City of Croswell	U.S.	1,205	1,205	-	-	498	498	-	-	708	708	-	-
2012	RFC	1108	City of Eaton Rapids	U.S.	2,816	2,816	-	-	1,163	1,163	-	-	1,653	1,653	-	-
2012	RFC	1111	City of Hart	U.S.	1,329	1,329	-	-	549	549	-	-	780	780	-	-
2012	RFC	1490	City of Lansing	U.S.	65,269	65,269	-	-	26,960	26,960	-	-	38,309	38,309	-	-
2012	RFC	1112	City of Marquette Board of Light & Power	U.S.	9,330	9,330	-	-	3,854	3,854	-	-	5,476	5,476	-	-
2012	RFC	1114	City of Portland	U.S.	1,062	1,062	-	-	439	439	-	-	623	623	-	-
2012	RFC	1116	City of St. Louis	U.S.	1,137	1,137	-	-	469	469	-	-	667	667	-	-
2012	RFC	1118	City of Wyandotte	U.S.	6,166	6,166	-	-	2,547	2,547	-	-	3,619	3,619	-	-
2012	RFC	1120	Cloverland Electric Cooperative	U.S.	25,070	25,070	-	-	10,355	10,355	-	-	14,715	14,715	-	-
2012	RFC	1122	CMS ERM Michigan LLC	U.S.	5,169	5,169	-	-	2,135	2,135	-	-	3,034	3,034	-	-
2012	RFC	1124	Constellation New Energy (MECS-CONS)	U.S.	31,474	31,474	-	-	13,001	13,001	-	-	18,473	18,473	-	-
2012	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	32,079	32,079	-	-	13,251	13,251	-	-	18,829	18,829	-	-
2012	RFC	1126	Consumers Energy Company	U.S.	966,456	966,456	-	-	399,202	399,202	-	-	567,254	567,254	-	-
2012	RFC	1128	Detroit Edison Company	U.S.	1,332,507	1,332,507	-	-	550,403	550,403	-	-	782,104	782,104	-	-
2012	RFC	1166	Duke Energy Indiana	U.S.	867,424	867,424	-	-	358,297	358,297	-	-	509,128	509,128	-	-
2012	RFC	1135	Ferdinand Municipal Light & Water	U.S.	1,305	1,305	-	-	539	539	-	-	766	766	-	-
2012	RFC	1646	FirstEnergy Solutions (MECS-CONS)	U.S.	4,954	4,954	-	-	2,046	2,046	-	-	2,908	2,908	-	-
2012	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	64,493	64,493	-	-	26,639	26,639	-	-	37,854	37,854	-	-
2012	RFC	1612	Glacial Energy (MECS-DET)	U.S.	8,147	8,147	-	-	3,365	3,365	-	-	4,782	4,782	-	-
2012	RFC	1144	Holland Board of Public Works	U.S.	27,512	27,512	-	-	11,364	11,364	-	-	16,148	16,148	-	-
2012	RFC	1145	Hoosier Energy	U.S.	205,988	205,988	-	-	85,085	85,085	-	-	120,903	120,903	-	-
2012	RFC	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	86,922	86,922	-	-	35,904	35,904	-	-	51,018	51,018	-	-
2012	RFC	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	12,241	12,241	-	-	5,056	5,056	-	-	7,185	7,185	-	-
2012	RFC	1486	Indiana Municipal Power Agency (SIGE)	U.S.	16,957	16,957	-	-	7,004	7,004	-	-	9,953	9,953	-	-
2012	RFC	1149	Indianapolis Power & Light Co.	U.S.	426,304	426,304	-	-	176,088	176,088	-	-	250,216	250,216	-	-
2012	RFC	1553	Integrus Energy Services (MECS-CONS)	U.S.	19,537	19,537	-	-	8,070	8,070	-	-	11,467	11,467	-	-
2012	RFC	1554	Integrus Energy Services (MECS-DET)	U.S.	12,864	12,864	-	-	5,314	5,314	-	-	7,551	7,551	-	-
2012	RFC	1614	Just Energy (MECS-DET)	U.S.	435	435	-	-	180	180	-	-	255	255	-	-
2012	RFC	1154	Michigan Public Power Agency	U.S.	36,217	36,217	-	-	14,960	14,960	-	-	21,258	21,258	-	-
2012	RFC	1155	Michigan South Central Power Agency	U.S.	17,454	17,454	-	-	7,209	7,209	-	-	10,244	10,244	-	-

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

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE, RCO, & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB & RCO Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2012	RFC	1158	MidAmerican Energy Company Retail	U.S.	2,758	2,758	-	-	1,139	1,139	-	-	1,619	1,619	-	-
2012	RFC	1163	Northern Indiana Public Service Co.	U.S.	503,412	503,412	-	-	207,938	207,938	-	-	295,474	295,474	-	-
2012	RFC	1164	Ontonagon County Rural Electrification Assoc.	U.S.	820	820	-	-	339	339	-	-	481	481	-	-
2012	RFC	1265	PJM Interconnection, LLC	U.S.	19,696,610	19,696,610	-	-	8,135,840	8,135,840	-	-	11,560,770	11,560,770	-	-
2012	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	29,491	29,491	-	-	12,182	12,182	-	-	17,310	17,310	-	-
2012	RFC	1171	Sempra Energy Solutions (MECS-DET)	U.S.	24,290	24,290	-	-	10,033	10,033	-	-	14,257	14,257	-	-
2012	RFC	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CONS)	U.S.	321	321	-	-	133	133	-	-	188	188	-	-
2012	RFC	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	9,090	9,090	-	-	3,755	3,755	-	-	5,335	5,335	-	-
2012	RFC	1581	Spartan Renewable Energy	U.S.	1,990	1,990	-	-	822	822	-	-	1,168	1,168	-	-
2012	RFC	1180	Thumb Electric Cooperative	U.S.	4,893	4,893	-	-	2,021	2,021	-	-	2,872	2,872	-	-
2012	RFC	1662	Ohio Valley Electric Corporation	U.S.	16,507	16,507	-	-	6,819	6,819	-	-	9,689	9,689	-	-
2012	RFC	1181	Vectren Energy Delivery of IN	U.S.	165,642	165,642	-	-	68,420	68,420	-	-	97,223	97,223	-	-
2012	RFC	1183	Village of Sebawaing	U.S.	1,176	1,176	-	-	486	486	-	-	690	690	-	-
2012	RFC	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	76,859	76,859	-	-	31,747	31,747	-	-	45,112	45,112	-	-
2012	RFC	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	47,667	47,667	-	-	19,689	19,689	-	-	27,978	27,978	-	-
2012	RFC	1185	Wisconsin Electric Power Co.	U.S.	835,469	835,469	-	-	345,097	345,097	-	-	490,372	490,372	-	-
2012	RFC	1189	Wolverine Power Marketing Cooperative	U.S.	30,462	30,462	-	-	12,582	12,582	-	-	17,879	17,879	-	-
2012	RFC	1191	Wolverine Power Supply Cooperative	U.S.	74,255	74,255	-	-	30,671	30,671	-	-	43,583	43,583	-	-
2012	RFC	1190	Wolverine Power Marketing Cooperative	U.S.	3,949	3,949	-	-	1,631	1,631	-	-	2,318	2,318	-	-
TOTAL RELIABILITYFIRST					25,828,414	25,828,414	-	-	10,668,630	10,668,630	-	-	15,159,784	15,159,784	-	-
2012	SERC	1267	Alabama Municipal Electric Authority	U.S.	86,882	86,882	-	-	40,598	40,598	-	-	46,284	46,284	-	-
2012	SERC	1268	Alabama Power Company	U.S.	1,436,359	1,436,359	-	-	671,177	671,177	-	-	765,182	765,182	-	-
2012	SERC	1269	Ameren - Illinois	U.S.	1,095,803	1,095,803	-	-	512,043	512,043	-	-	583,760	583,760	-	-
2012	SERC	1271	Ameren - Missouri	U.S.	1,053,285	1,053,285	-	-	492,175	492,175	-	-	561,110	561,110	-	-
2012	SERC	1272	APGI - Yadkin Division	U.S.	582	582	-	-	272	272	-	-	310	310	-	-
2012	SERC	1660	APGI - Tapoco Division (ALCOA)	U.S.	8	8	-	-	4	4	-	-	5	5	-	-
2012	SERC	1273	Associated Electric Cooperative Inc.	U.S.	482,775	482,775	-	-	225,590	225,590	-	-	257,186	257,186	-	-
2012	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	27,260	27,260	-	-	12,738	12,738	-	-	14,522	14,522	-	-
2012	SERC	1462	Benton Utility District	U.S.	7,292	7,292	-	-	3,407	3,407	-	-	3,885	3,885	-	-
2012	SERC	1274	Big Rivers Electric Corporation	U.S.	285,166	285,166	-	-	133,251	133,251	-	-	151,915	151,915	-	-
2012	SERC	1275	Black Warrior EMC	U.S.	10,482	10,482	-	-	4,898	4,898	-	-	5,584	5,584	-	-
2012	SERC	1276	Blue Ridge EMC	U.S.	34,373	34,373	-	-	16,062	16,062	-	-	18,311	18,311	-	-
2012	SERC	1628	Brazos Electric Power Cooperative, Inc.	U.S.	10,196	10,196	-	-	4,764	4,764	-	-	5,432	5,432	-	-
2012	SERC	1463	Canton, MS	U.S.	3,216	3,216	-	-	1,503	1,503	-	-	1,713	1,713	-	-
2012	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	390,945	390,945	-	-	182,679	182,679	-	-	208,265	208,265	-	-
2012	SERC	1278	City of Blountstown FL	U.S.	979	979	-	-	458	458	-	-	522	522	-	-
2012	SERC	1279	City of Camden SC	U.S.	4,759	4,759	-	-	2,224	2,224	-	-	2,535	2,535	-	-
2012	SERC	1280	City of Collins MS	U.S.	1,124	1,124	-	-	525	525	-	-	599	599	-	-
2012	SERC	1281	City of Columbia MO	U.S.	30,217	30,217	-	-	14,120	14,120	-	-	16,097	16,097	-	-
2012	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	26,733	26,733	-	-	12,492	12,492	-	-	14,241	14,241	-	-
2012	SERC	1284	City of Evergreen AL	U.S.	1,412	1,412	-	-	660	660	-	-	752	752	-	-
2012	SERC	1285	City of Hampton GA	U.S.	754	754	-	-	352	352	-	-	402	402	-	-
2012	SERC	1286	City of Hartford AL	U.S.	813	813	-	-	380	380	-	-	433	433	-	-
2012	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	15,748	15,748	-	-	7,359	7,359	-	-	8,389	8,389	-	-
2012	SERC	1288	City of North Little Rock AR (DENL)	U.S.	25,033	25,033	-	-	11,697	11,697	-	-	13,336	13,336	-	-
2012	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	18,796	18,796	-	-	8,783	8,783	-	-	10,013	10,013	-	-
2012	SERC	1290	City of Robertsdale AL	U.S.	2,067	2,067	-	-	966	966	-	-	1,101	1,101	-	-
2012	SERC	1291	City of Ruston LA (DERS)	U.S.	7,139	7,139	-	-	3,336	3,336	-	-	3,803	3,803	-	-
2012	SERC	1292	City of Seneca SC	U.S.	3,852	3,852	-	-	1,800	1,800	-	-	2,052	2,052	-	-
2012	SERC	1115	City of Springfield (CWLP)	U.S.	46,466	46,466	-	-	21,712	21,712	-	-	24,753	24,753	-	-
2012	SERC	1465	City of Thayer, MO	U.S.	500	500	-	-	234	234	-	-	266	266	-	-
2012	SERC	1293	City of Troy AL	U.S.	10,239	10,239	-	-	4,784	4,784	-	-	5,455	5,455	-	-
2012	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	10,388	10,388	-	-	4,854	4,854	-	-	5,534	5,534	-	-
2012	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	16,660	16,660	-	-	7,785	7,785	-	-	8,875	8,875	-	-
2012	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	6,706	6,706	-	-	3,134	3,134	-	-	3,572	3,572	-	-
2012	SERC	1283	Dalton Utilities	U.S.	36,715	36,715	-	-	17,156	17,156	-	-	19,559	19,559	-	-
2012	SERC	1585	Dixie Electric Membership Corporation	U.S.	56,939	56,939	-	-	26,606	26,606	-	-	30,333	30,333	-	-
2012	SERC	1295	Dominion Virginia Power	U.S.	2,112,370	2,112,370	-	-	987,061	987,061	-	-	1,125,309	1,125,309	-	-
2012	SERC	1296	Duke Energy Carolinas, LLC	U.S.	2,071,636	2,071,636	-	-	968,027	968,027	-	-	1,103,609	1,103,609	-	-

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

APPENDIX 2-B

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



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

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

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

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

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

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



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

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

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

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

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

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2012	FRCC	1074	Alachua, City of	U.S.	1,449	1,449	-	-	1,415	1,415	-	-	(9)	(9)	43	43	-	-
2012	FRCC	1075	Bartow, City of	U.S.	3,245	3,245	-	-	3,168	3,168	-	-	(20)	(20)	97	97	-	-
2012	FRCC	1076	Chattahoochee, City of	U.S.	452	452	-	-	441	441	-	-	(3)	(3)	13	13	-	-
2012	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	8,065	8,065	-	-	7,875	7,875	-	-	(50)	(50)	240	240	-	-
2012	FRCC	1078	Florida Power & Light Co.	U.S.	1,284,716	1,284,716	-	-	1,254,387	1,254,387	-	-	(7,976)	(7,976)	38,305	38,305	-	-
2012	FRCC	1079	Florida Public Utilities Company	U.S.	4,429	4,429	-	-	4,324	4,324	-	-	(27)	(27)	132	132	-	-
2012	FRCC	1080	Gainesville Regional Utilities	U.S.	20,974	20,974	-	-	20,479	20,479	-	-	(130)	(130)	625	625	-	-
2012	FRCC	1081	Homestead, City of	U.S.	6,055	6,055	-	-	5,912	5,912	-	-	(38)	(38)	181	181	-	-
2012	FRCC	1082	JEA	U.S.	142,324	142,324	-	-	138,964	138,964	-	-	(884)	(884)	4,244	4,244	-	-
2012	FRCC	1083	Lakeland Electric	U.S.	33,976	33,976	-	-	33,174	33,174	-	-	(211)	(211)	1,013	1,013	-	-
2012	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	43,182	43,182	-	-	42,162	42,162	-	-	(268)	(268)	1,287	1,287	-	-
2012	FRCC	1661	City of Lake Worth	U.S.	5,001	5,001	-	-	4,883	4,883	-	-	(31)	(31)	149	149	-	-
2012	FRCC	1084	Mount Dora, City of	U.S.	1,056	1,056	-	-	1,032	1,032	-	-	(7)	(7)	31	31	-	-
2012	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	4,482	4,482	-	-	4,376	4,376	-	-	(28)	(28)	134	134	-	-
2012	FRCC	1086	Orlando Utilities Commission	U.S.	67,297	67,297	-	-	65,708	65,708	-	-	(418)	(418)	2,007	2,007	-	-
2012	FRCC	1087	Progress Energy Florida	U.S.	466,130	466,130	-	-	455,126	455,126	-	-	(2,894)	(2,894)	13,898	13,898	-	-
2012	FRCC	1088	Quincy, City of	U.S.	1,558	1,558	-	-	1,522	1,522	-	-	(10)	(10)	46	46	-	-
2012	FRCC	1089	Reedy Creek Improvement District	U.S.	14,274	14,274	-	-	13,937	13,937	-	-	(89)	(89)	426	426	-	-
2012	FRCC	1090	St. Cloud, City of (OUC)	U.S.	7,001	7,001	-	-	6,836	6,836	-	-	(43)	(43)	209	209	-	-
2012	FRCC	1091	Tallahassee, City of	U.S.	32,049	32,049	-	-	31,292	31,292	-	-	(199)	(199)	956	956	-	-
2012	FRCC	1092	Tampa Electric Company	U.S.	227,627	227,627	-	-	222,254	222,254	-	-	(1,413)	(1,413)	6,787	6,787	-	-
2012	FRCC	1603	City of Vero Beach	U.S.	8,680	8,680	-	-	8,475	8,475	-	-	(54)	(54)	259	259	-	-
2012	FRCC	1093	Wauchula, City of	U.S.	729	729	-	-	712	712	-	-	(5)	(5)	22	22	-	-
2012	FRCC	1094	Williston, City of	U.S.	393	393	-	-	384	384	-	-	(2)	(2)	12	12	-	-
2012	FRCC	1095	Winter Park, City of	U.S.	5,183	5,183	-	-	5,061	5,061	-	-	(32)	(32)	155	155	-	-
2012	FRCC	1072	Florida Municipal Power Agency	U.S.	65,522	65,522	-	-	63,975	63,975	-	-	(407)	(407)	1,954	1,954	-	-
2012	FRCC	1073	Seminole Electric Cooperative	U.S.	153,965	153,965	-	-	150,331	150,331	-	-	(956)	(956)	4,591	4,591	-	-
TOTAL FRCC					2,609,814	2,609,814	-	-	2,548,204	2,548,204	-	-	(16,204)	(16,204)	77,814	77,814	-	-
-					-	-	-	-	-	-	-	-	-	-	-	-	-	-
2012	MRO	1199	Basin Electric Power Cooperative	U.S.	151,539	151,539	-	-	147,961	147,961	-	-	(941)	(941)	4,518	4,518	-	-
2012	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	32,619	32,619	-	-	31,849	31,849	-	-	(203)	(203)	973	973	-	-
2012	MRO	1204	Corn Belt Power Cooperative	U.S.	20,783	20,783	-	-	20,293	20,293	-	-	(129)	(129)	620	620	-	-
2012	MRO	1207	Dairyland Power Cooperative	U.S.	61,973	61,973	-	-	60,510	60,510	-	-	(385)	(385)	1,848	1,848	-	-
2012	MRO	1210	Great River Energy	U.S.	159,645	159,645	-	-	155,877	155,877	-	-	(991)	(991)	4,760	4,760	-	-
2012	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	47,634	47,634	-	-	46,510	46,510	-	-	(296)	(296)	1,420	1,420	-	-
2012	MRO	1230	Nebraska Public Power District	U.S.	160,311	160,311	-	-	156,526	156,526	-	-	(995)	(995)	4,780	4,780	-	-
2012	MRO	1232	Omaha Public Power District	U.S.	134,703	134,703	-	-	131,523	131,523	-	-	(836)	(836)	4,016	4,016	-	-
2012	MRO	1237	Southern Montana Generation and Transmission	U.S.	62	62	-	-	61	61	-	-	(0)	(0)	2	2	-	-
2012	MRO	1240	Western Area Power Administration (UM)	U.S.	113,369	113,369	-	-	110,693	110,693	-	-	(704)	(704)	3,380	3,380	-	-
2012	MRO	1239	Western Area Power Administration (LM)	U.S.	1,501	1,501	-	-	1,465	1,465	-	-	(9)	(9)	45	45	-	-
2012	MRO	1217	Manitoba Hydro	CAN	271,363	-	271,363	-	263,322	-	263,322	-	-	-	8,041	-	8,041	-
2012	MRO	1235	SaskPower	CAN	263,323	-	263,323	-	255,520	-	255,520	-	-	-	7,803	-	7,803	-
2012	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	340,859	340,859	-	-	332,813	332,813	-	-	(2,116)	(2,116)	10,163	10,163	-	-
2012	MRO	1216	Madison, Gas and Electric	U.S.	41,060	41,060	-	-	40,090	40,090	-	-	(255)	(255)	1,224	1,224	-	-
2012	MRO	1220	MidAmerican Energy Company	U.S.	328,054	328,054	-	-	320,310	320,310	-	-	(2,037)	(2,037)	9,781	9,781	-	-
2012	MRO	1221	Minnesota Power	U.S.	155,887	155,887	-	-	152,207	152,207	-	-	(968)	(968)	4,648	4,648	-	-
2012	MRO	1226	Montana-Dakota Utilities Co.	U.S.	34,529	34,529	-	-	33,714	33,714	-	-	(214)	(214)	1,030	1,030	-	-
2012	MRO	1231	NorthWestern Energy	U.S.	17,756	17,756	-	-	17,337	17,337	-	-	(110)	(110)	529	529	-	-
2012	MRO	1233	Otter Tail Power Company	U.S.	50,910	50,910	-	-	49,708	49,708	-	-	(316)	(316)	1,518	1,518	-	-
2012	MRO	1243	Integrus Energy Group (WPS and UPPCO)	U.S.	159,370	159,370	-	-	155,608	155,608	-	-	(989)	(989)	4,752	4,752	-	-
2012	MRO	1244	Xcel Energy Company (NSP)	U.S.	538,668	538,668	-	-	525,952	525,952	-	-	(3,344)	(3,344)	16,061	16,061	-	-
2012	MRO	1196	Ames Municipal Electric System	U.S.	9,029	9,029	-	-	8,816	8,816	-	-	(56)	(56)	269	269	-	-
2012	MRO	1604	Atlantic Municipal Utilities	U.S.	886	886	-	-	865	865	-	-	(5)	(5)	26	26	-	-
2012	MRO	1476	Badger Power Marketing Authority of Wisconsin, Inc.	U.S.	4,854	4,854	-	-	4,740	4,740	-	-	(30)	(30)	145	145	-	-
2012	MRO	1200	Cedar Falls Municipal Utilities	U.S.	6,173	6,173	-	-	6,028	6,028	-	-	(38)	(38)	184	184	-	-
2012	MRO	1477	Central Minnesota Municipal Power Agency (CMMPPA)	U.S.	5,597	5,597	-	-	5,465	5,465	-	-	(35)	(35)	167	167	-	-
2012	MRO	1203	Escanaba Municipal Electric Utility	U.S.	1,754	1,754	-	-	1,712	1,712	-	-	(11)	(11)	52	52	-	-
2012	MRO	1205	Falls City Water & Light Department	U.S.	666	666	-	-	651	651	-	-	(4)	(4)	20	20	-	-
2012	MRO	1206	Fremont Department of Utilities	U.S.	5,233	5,233	-	-	5,110	5,110	-	-	(32)	(32)	156	156	-	-
2012	MRO	1208	Geneseo Municipal Utilities	U.S.	787	787	-	-	769	769	-	-	(5)	(5)	23	23	-	-

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

APPENDIX 2-C

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2012	MRO	1209	Grand Island Utilities Department	U.S.	9,035	9,035	-	-	8,821	8,821	-	-	(56)	(56)	269	269	-	-
2012	MRO	1606	Harlan Municipal Utilities	U.S.	301	301	-	-	294	294	-	-	(2)	(2)	9	9	-	-
2012	MRO	1211	Hastings Utilities	U.S.	5,022	5,022	-	-	4,903	4,903	-	-	(31)	(31)	150	150	-	-
2012	MRO	1212	Heartland Consumers Power District	U.S.	10,053	10,053	-	-	9,816	9,816	-	-	(62)	(62)	300	300	-	-
2012	MRO	1213	Hutchinson Utilities Commission	U.S.	3,463	3,463	-	-	3,381	3,381	-	-	(21)	(21)	103	103	-	-
2012	MRO	1215	Lincoln Electric System	U.S.	38,342	38,342	-	-	37,437	37,437	-	-	(238)	(238)	1,143	1,143	-	-
2012	MRO	1218	Manitowoc Public Utilities	U.S.	6,375	6,375	-	-	6,224	6,224	-	-	(40)	(40)	190	190	-	-
2012	MRO	1223	Missouri River Energy Services	U.S.	27,245	27,245	-	-	26,602	26,602	-	-	(169)	(169)	812	812	-	-
2012	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	17,960	17,960	-	-	17,536	17,536	-	-	(112)	(112)	535	535	-	-
2012	MRO	1607	Montezuma Municipal Light & Power	U.S.	388	388	-	-	378	378	-	-	(2)	(2)	12	12	-	-
2012	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	13,778	13,778	-	-	13,453	13,453	-	-	(86)	(86)	411	411	-	-
2012	MRO	1228	Muscatine Power and Water	U.S.	10,247	10,247	-	-	10,005	10,005	-	-	(64)	(64)	306	306	-	-
2012	MRO	1229	Nebraska City Utilities	U.S.	2,059	2,059	-	-	2,011	2,011	-	-	(13)	(13)	61	61	-	-
2012	MRO	1234	Rochester Public Utilities	U.S.	118	118	-	-	115	115	-	-	(1)	(1)	4	4	-	-
2012	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	34,862	34,862	-	-	34,039	34,039	-	-	(216)	(216)	1,039	1,039	-	-
2012	MRO	1241	Willmar Municipal Utilities	U.S.	3,098	3,098	-	-	3,025	3,025	-	-	(19)	(19)	92	92	-	-
2012	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	64,783	64,783	-	-	63,253	63,253	-	-	(402)	(402)	1,932	1,932	-	-
			TOTAL MRO		3,368,027	2,833,341	534,686	-	3,285,296	2,766,454	518,842	-	(17,591)	(17,591)	100,322	84,478	15,844	-
2012	NPCC	1336	New England	U.S.	1,514,688	1,514,688	-	-	1,478,931	1,478,931	-	-	(9,404)	(9,404)	45,162	45,162	-	-
2012	NPCC	1339	New York	U.S.	1,925,772	1,925,772	-	-	1,880,310	1,880,310	-	-	(11,957)	(11,957)	57,419	57,419	-	-
2012	NPCC	1337	Ontario	Canada	1,084,277	-	1,084,277	-	1,631,418	-	1,631,418	-	-	-	(547,141)	-	(547,141)	-
2012	NPCC	1341	Quebec	Canada	1,539,741	-	1,539,741	-	2,134,110	-	2,134,110	-	-	-	(594,369)	-	(594,369)	-
2012	NPCC	1338	New Brunswick	Canada	105,191	-	105,191	-	160,570	-	160,570	-	-	-	(55,379)	-	(55,379)	-
2012	NPCC	1340	Nova Scotia	Canada	124,278	-	124,278	-	120,595	-	120,595	-	-	-	3,683	-	3,683	-
			TOTAL NPCC		6,293,948	3,440,461	2,853,487	-	7,405,935	3,359,241	4,046,694	-	(21,361)	(21,361)	(1,090,626)	102,580	(1,193,206)	-
2012	RFC	1104	Bay City	U.S.	3,955	3,955	-	-	3,862	3,862	-	-	(25)	(25)	118	118	-	-
2012	RFC	1102	Cannelton Utilities	U.S.	185	185	-	-	181	181	-	-	(1)	(1)	6	6	-	-
2012	RFC	1105	City of Chelsea	U.S.	1,199	1,199	-	-	1,171	1,171	-	-	(7)	(7)	36	36	-	-
2012	RFC	1106	City of Crosswell	U.S.	498	498	-	-	486	486	-	-	(3)	(3)	15	15	-	-
2012	RFC	1108	City of Eaton Rapids	U.S.	1,163	1,163	-	-	1,136	1,136	-	-	(7)	(7)	35	35	-	-
2012	RFC	1111	City of Hart	U.S.	549	549	-	-	536	536	-	-	(3)	(3)	16	16	-	-
2012	RFC	1490	City of Lansing	U.S.	26,960	26,960	-	-	26,323	26,323	-	-	(167)	(167)	804	804	-	-
2012	RFC	1112	City of Marquette Board of Light & Power	U.S.	3,854	3,854	-	-	3,763	3,763	-	-	(24)	(24)	115	115	-	-
2012	RFC	1114	City of Portland	U.S.	439	439	-	-	428	428	-	-	(3)	(3)	13	13	-	-
2012	RFC	1116	City of St. Louis	U.S.	469	469	-	-	458	458	-	-	(3)	(3)	14	14	-	-
2012	RFC	1118	City of Wyandotte	U.S.	2,547	2,547	-	-	2,487	2,487	-	-	(16)	(16)	76	76	-	-
2012	RFC	1120	Cloverland Electric Cooperative	U.S.	10,355	10,355	-	-	10,111	10,111	-	-	(64)	(64)	309	309	-	-
2012	RFC	1122	CMS ERM Michigan LLC	U.S.	2,135	2,135	-	-	2,085	2,085	-	-	(13)	(13)	64	64	-	-
2012	RFC	1124	Constellation New Energy (MECS-CONS)	U.S.	13,001	13,001	-	-	12,694	12,694	-	-	(81)	(81)	388	388	-	-
2012	RFC	1123	Constellation New Energy (MECS-DET)	U.S.	13,251	13,251	-	-	12,938	12,938	-	-	(82)	(82)	395	395	-	-
2012	RFC	1126	Consumers Energy Company	U.S.	399,202	399,202	-	-	389,778	389,778	-	-	(2,479)	(2,479)	11,903	11,903	-	-
2012	RFC	1128	Detroit Edison Company	U.S.	550,403	550,403	-	-	537,409	537,409	-	-	(3,417)	(3,417)	16,411	16,411	-	-
2012	RFC	1166	Duke Energy Indiana	U.S.	358,297	358,297	-	-	349,838	349,838	-	-	(2,225)	(2,225)	10,683	10,683	-	-
2012	RFC	1135	Ferdinand Municipal Light & Water	U.S.	539	539	-	-	526	526	-	-	(3)	(3)	16	16	-	-
2012	RFC	1646	FirstEnergy Solutions (MECS-CONS)	U.S.	2,046	2,046	-	-	1,998	1,998	-	-	(13)	(13)	61	61	-	-
2012	RFC	1549	FirstEnergy Solutions (MECS-DET)	U.S.	26,639	26,639	-	-	26,010	26,010	-	-	(165)	(165)	794	794	-	-
2012	RFC	1612	Glacial Energy (MECS-DET)	U.S.	3,365	3,365	-	-	3,286	3,286	-	-	(21)	(21)	100	100	-	-
2012	RFC	1144	Holland Board of Public Works	U.S.	11,364	11,364	-	-	11,096	11,096	-	-	(71)	(71)	339	339	-	-
2012	RFC	1145	Hoosier Energy	U.S.	85,085	85,085	-	-	83,077	83,077	-	-	(528)	(528)	2,537	2,537	-	-
2012	RFC	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	35,904	35,904	-	-	35,056	35,056	-	-	(223)	(223)	1,071	1,071	-	-
2012	RFC	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	5,056	5,056	-	-	4,937	4,937	-	-	(31)	(31)	151	151	-	-
2012	RFC	1486	Indiana Municipal Power Agency (SIGE)	U.S.	7,004	7,004	-	-	6,839	6,839	-	-	(43)	(43)	209	209	-	-
2012	RFC	1149	Indianapolis Power & Light Co.	U.S.	176,088	176,088	-	-	171,931	171,931	-	-	(1,093)	(1,093)	5,250	5,250	-	-
2012	RFC	1553	Integrus Energy Services (MECS-CONS)	U.S.	8,070	8,070	-	-	7,880	7,880	-	-	(50)	(50)	241	241	-	-
2012	RFC	1554	Integrus Energy Services (MECS-DET)	U.S.	5,314	5,314	-	-	5,188	5,188	-	-	(33)	(33)	158	158	-	-
2012	RFC	1614	Just Energy (MECS-DET)	U.S.	180	180	-	-	175	175	-	-	(1)	(1)	5	5	-	-
2012	RFC	1154	Michigan Public Power Agency	U.S.	14,960	14,960	-	-	14,607	14,607	-	-	(93)	(93)	446	446	-	-
2012	RFC	1155	Michigan South Central Power Agency	U.S.	7,209	7,209	-	-	7,039	7,039	-	-	(45)	(45)	215	215	-	-
2012	RFC	1158	MidAmerican Energy Company Retail	U.S.	1,139	1,139	-	-	1,112	1,112	-	-	(7)	(7)	34	34	-	-
2012	RFC	1163	Northern Indiana Public Service Co.	U.S.	207,938	207,938	-	-	203,030	203,030	-	-	(1,291)	(1,291)	6,200	6,200	-	-
2012	RFC	1164	Ontonagon County Rural Electrification Assoc.	U.S.	339	339	-	-	331	331	-	-	(2)	(2)	10	10	-	-
2012	RFC	1265	PJM Interconnection, LLC	U.S.	8,135,840	8,135,840	-	-	7,943,776	7,943,776	-	-	(50,513)	(50,513)	242,577	242,577	-	-
2012	RFC	1172	Sempra Energy Solutions (MECS-CONS)	U.S.	12,182	12,182	-	-	11,894	11,894	-	-	(76)	(76)	363	363	-	-



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

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



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

APPENDIX 2-C

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2011	TRE	1019	ERCOT	U.S.	-	-	-	-	3,751,103	3,751,103	-	-	(23,853)	(23,853)	114,546	114,546	-	-
					3,841,797	3,841,797	-	-	3,751,103	3,751,103	-	-	(23,853)	(23,853)	114,546	114,546	-	-
2012	WECC		Alberta Electric System Operator	Canada	443,202	-	443,202	-	684,021	-	684,021	-	-	-	(240,819)	-	(240,819)	-
2012	WECC		British Columbia Hydro & Power Authority	Canada	723,192	-	723,192	-	701,763	-	701,763	-	-	-	21,430	-	21,430	-
2012	WECC		Comision Federal de Electricidad	Mexico	138,116	-	-	138,116	134,023	-	134,023	-	-	-	4,093	-	-	4,093
2012	WECC		Aguiila Irrigation District - APS	U.S.	515	515	-	-	503	503	-	-	(3)	(3)	15	15	-	-
2012	WECC		Aha Macav Power Service	U.S.	325	325	-	-	317	317	-	-	(2)	(2)	10	10	-	-
2012	WECC		Ajo Improvement District	U.S.	162	162	-	-	158	158	-	-	(1)	(1)	5	5	-	-
2012	WECC		Ak-Chin	U.S.	424	424	-	-	414	414	-	-	(3)	(3)	13	13	-	-
2012	WECC		Alcoa Inc	U.S.	40,170	40,170	-	-	39,222	39,222	-	-	(249)	(249)	1,198	1,198	-	-
2012	WECC		Arizona Public Service Company	U.S.	356,328	356,328	-	-	347,916	347,916	-	-	(2,212)	(2,212)	10,624	10,624	-	-
2012	WECC		Arkansas River Power Authority (ARPA)	U.S.	3,581	3,581	-	-	3,496	3,496	-	-	(22)	(22)	107	107	-	-
2012	WECC		Avista Corporation	U.S.	771	771	-	-	753	753	-	-	(5)	(5)	23	23	-	-
2012	WECC		Avista Corporation	U.S.	110,089	110,089	-	-	107,491	107,491	-	-	(684)	(684)	3,282	3,282	-	-
2012	WECC		Barrick Goldstrike Mines Inc.	U.S.	14,578	14,578	-	-	14,234	14,234	-	-	(91)	(91)	435	435	-	-
2012	WECC		Basin Electric Power Cooperative	U.S.	734	734	-	-	717	717	-	-	(5)	(5)	22	22	-	-
2012	WECC		Basin Electric Power Cooperative	U.S.	37,805	37,805	-	-	36,913	36,913	-	-	(235)	(235)	1,127	1,127	-	-
2012	WECC		Benton REA	U.S.	6,430	6,430	-	-	6,278	6,278	-	-	(40)	(40)	192	192	-	-
2012	WECC		Big Bend Electric Cooperative, Inc.	U.S.	1,585	1,585	-	-	1,548	1,548	-	-	(10)	(10)	47	47	-	-
2012	WECC		Big Bend Electric Cooperative, Inc.	U.S.	1,643	1,643	-	-	1,604	1,604	-	-	(10)	(10)	49	49	-	-
2012	WECC		Big Bend Electric Cooperative, Inc.	U.S.	4,137	4,137	-	-	4,039	4,039	-	-	(26)	(26)	123	123	-	-
2012	WECC		Blachly-Lane Electric Cooperative	U.S.	1,958	1,958	-	-	1,912	1,912	-	-	(12)	(12)	58	58	-	-
2012	WECC		Black Hills Power	U.S.	22,798	22,798	-	-	22,260	22,260	-	-	(142)	(142)	680	680	-	-
2012	WECC		Black Hills Power/Cheyenne Light Fuel & Power	U.S.	44,076	44,076	-	-	43,036	43,036	-	-	(274)	(274)	1,314	1,314	-	-
2012	WECC		Black Hills State University South Dakota	U.S.	232	232	-	-	226	226	-	-	(1)	(1)	7	7	-	-
2012	WECC		Bonneville Power Administration	U.S.	79	79	-	-	77	77	-	-	(0)	(0)	2	2	-	-
2012	WECC		Bonneville Power Administration	U.S.	220	220	-	-	215	215	-	-	(1)	(1)	7	7	-	-
2012	WECC		Bonneville Power Administration	U.S.	9,071	9,071	-	-	8,857	8,857	-	-	(56)	(56)	270	270	-	-
2012	WECC		Bonneville Power Administration	U.S.	21,191	21,191	-	-	20,691	20,691	-	-	(132)	(132)	632	632	-	-
2012	WECC		Bonneville Power Administration	U.S.	54,738	54,738	-	-	53,446	53,446	-	-	(340)	(340)	1,632	1,632	-	-
2012	WECC		BPA - Big Bend/Schrag Load	U.S.	450	450	-	-	440	440	-	-	(3)	(3)	13	13	-	-
2012	WECC		BPA - USBR Load	U.S.	86	86	-	-	84	84	-	-	(1)	(1)	3	3	-	-
2012	WECC		Buckeye Water Conservation and Drainage District - APS	U.S.	242	242	-	-	237	237	-	-	(2)	(2)	7	7	-	-
2012	WECC		Bureau of Reclamation (Desalter) - c/o DSW EMMO	U.S.	9	9	-	-	9	9	-	-	(0)	(0)	0	0	-	-
2012	WECC		Bureau of Reclamation (Wellfield) - c/o DSW EMMO	U.S.	60	60	-	-	59	59	-	-	(0)	(0)	2	2	-	-
2012	WECC		Burlington	U.S.	389	389	-	-	380	380	-	-	(2)	(2)	12	12	-	-
2012	WECC		California Independent System Operator	U.S.	2,774,979	2,774,979	-	-	2,709,469	2,709,469	-	-	(17,229)	(17,229)	82,738	82,738	-	-
2012	WECC		Canby Public Utility Board	U.S.	2,097	2,097	-	-	2,048	2,048	-	-	(13)	(13)	63	63	-	-
2012	WECC		Central Arizona Water Conservation District	U.S.	58,756	58,756	-	-	57,369	57,369	-	-	(365)	(365)	1,752	1,752	-	-
2012	WECC		Central Electric Cooperative	U.S.	5,912	5,912	-	-	5,772	5,772	-	-	(37)	(37)	176	176	-	-
2012	WECC		Central Lincoln PUD	U.S.	15,909	15,909	-	-	15,534	15,534	-	-	(99)	(99)	474	474	-	-
2012	WECC		Central Montana Electric Power Cooperative	U.S.	4,196	4,196	-	-	4,097	4,097	-	-	(26)	(26)	125	125	-	-
2012	WECC		City of Aztec Electric Dept	U.S.	445	445	-	-	434	434	-	-	(3)	(3)	13	13	-	-
2012	WECC		City of Bandon	U.S.	802	802	-	-	783	783	-	-	(5)	(5)	24	24	-	-
2012	WECC		City of Blaine	U.S.	920	920	-	-	898	898	-	-	(6)	(6)	27	27	-	-
2012	WECC		City of Bonners Ferry	U.S.	821	821	-	-	802	802	-	-	(5)	(5)	24	24	-	-
2012	WECC		City of Boulder City	U.S.	1,980	1,980	-	-	1,933	1,933	-	-	(12)	(12)	59	59	-	-
2012	WECC		City of Cascade Locks	U.S.	224	224	-	-	219	219	-	-	(1)	(1)	7	7	-	-
2012	WECC		City of Centralia	U.S.	3,207	3,207	-	-	3,132	3,132	-	-	(20)	(20)	96	96	-	-
2012	WECC		City of Cheney	U.S.	1,701	1,701	-	-	1,661	1,661	-	-	(11)	(11)	51	51	-	-
2012	WECC		City of Chewelah	U.S.	282	282	-	-	275	275	-	-	(2)	(2)	8	8	-	-
2012	WECC		City of Drain	U.S.	195	195	-	-	190	190	-	-	(1)	(1)	6	6	-	-
2012	WECC		City of Ellensburg	U.S.	2,467	2,467	-	-	2,408	2,408	-	-	(15)	(15)	74	74	-	-
2012	WECC		City of Fallon	U.S.	1,452	1,452	-	-	1,418	1,418	-	-	(9)	(9)	43	43	-	-
2012	WECC		City of Farmington	U.S.	3,266	3,266	-	-	3,189	3,189	-	-	(20)	(20)	97	97	-	-
2012	WECC		City of Forest Grove	U.S.	2,859	2,859	-	-	2,791	2,791	-	-	(18)	(18)	85	85	-	-
2012	WECC		City of Gallup	U.S.	2,342	2,342	-	-	2,286	2,286	-	-	(15)	(15)	70	70	-	-
2012	WECC		City of Henderson	U.S.	502	502	-	-	490	490	-	-	(3)	(3)	15	15	-	-



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

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

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

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

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

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

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

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











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

Table with columns for Data Year, Regional Entity, ID, Entity, Country, and various assessment categories: Total Regional Entity Assessments (Including WRAB & RCO Assessments), Regional Entity NEL Assessments, Penalty Sanctions - US Only, NPCC True Up of 2012 and 2013 Assessments, NPCC CORC Program, WECC Compliance Assessments (ex.AESO), WRAB Assessments, and RCO Assessments. Each category contains sub-columns for Total, US Total, Canada Total, and Mexico Total.



**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 3**

**FLORIDA RELIABILITY COORDINATING COUNCIL**

**PROPOSED 2014 BUSINESS PLAN AND BUDGET**



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

---

## **2014 Business Plan and Budget**

**Florida Reliability Coordinating Council, Inc.**

**Approved**

**DATE: June 26, 2013**

## Table of Contents

Introduction.....	3
Organizational Overview .....	3
Membership and Governance .....	4
Statutory Functional Scope .....	5
2014 Goals and Key Deliverables (Regional Entity Division).....	5
2013 Statutory Budget and Projection and 2014 Budget Comparisons.....	13
<b>Section A – Statutory Programs .....</b>	<b>14</b>
Reliability Standards Development Program.....	15
Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program.....	19
Reliability Assessment and Performance Analysis Program.....	24
Training, Education, and Operator Certification Program.....	29
Situation Awareness and Infrastructure Security Program.....	33
General and Administrative .....	36
<b>Section B – Supplemental Financial Information .....</b>	<b>40</b>
Reserve Balance.....	41
Breakdown by Statement of Activity Sections .....	42
<b>Section C – Non-Statutory Activities.....</b>	<b>48</b>
2013 Member Services Budget and Projection and 2014 Budget Comparisons .....	55
<b>Section D – Additional Consolidated Financial Statements.....</b>	<b>58</b>

## Introduction

<b>TOTAL RESOURCES</b> (in whole dollars)				
	<b>2014 Budget</b>	<b>U.S.</b>	<b>Canada</b>	<b>Mexico</b>
Statutory FTEs	30.40			
Non-statutory FTEs	16.84			
<b>Total FTEs</b>	47.24			
Statutory Expenses	\$ 6,822,608			
Non-Statutory Expenses	\$ 7,454,381			
<b>Total Expenses</b>	\$ 14,276,989			
Statutory Inc(Dec) in Fixed Assets	\$ (27,676)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ 1,614			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (26,062)			
Statutory Working Capital Requirement*	(849,875)			
Non-Statutory Working Capital Requirement**	(261,814)			
<b>Total Working Capital Requirement</b>	(1,111,689)			
Total Statutory Funding Requirement	\$ 5,945,057			
Total Non-Statutory Funding Requirement	\$ 7,194,181			
<b>Total Funding Requirement</b>	\$ 13,139,238			
<b>Statutory Funding Assessments</b>	\$ 5,488,057	\$ 5,488,057		
<b>Non-Statutory Fees</b>	\$ 6,916,762	\$ 6,916,762		
NEL	220,684,100	220,684,100		
NEL%				

\*Refer to Table B-1 on page 41 in Section B.

\*\*Refer to the Reserve Analysis on page 57 in Section C.

## Organizational Overview

The Florida Reliability Coordinating Council (FRCC) is a Florida not-for-profit corporation that was formed in 1996 and is one of the eight regions of the North American Electric Reliability Corporation (NERC). The FRCC's mission is to ensure and enhance the reliability and adequacy of the Bulk Electric System (BES) in Florida now and into the future. The FRCC's Web site is [www.frcc.com](http://www.frcc.com). The FRCC Region is comprised of all of Florida east of the Apalachicola River. Florida's unique geography and its highly integrated transmission system coupled with its single interface boundary to the rest of the Eastern Interconnection required the development of a reliability focus in the FRCC Region. Membership in the FRCC's Regional Entity Division is open to any entity, without cost, that has a material interest in the reliability of the BES in the FRCC Region. Currently there are 70 Registered Entities within the FRCC Region. The FRCC is governed by a balanced stakeholder Board of Directors, and accomplishes

---

its activities through qualified professional staff and standing committees which also have balanced stakeholder governance.

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

The FRCC Regional Entity Division works to enhance the reliability of the BES in the FRCC Region pursuant to the approved Regional Delegation Agreement with NERC, as the Electric Reliability Organization (“ERO”), under the authority of the FERC. The functions performed by the FRCC Regional Entity Division include regional reliability standards development, compliance monitoring and enforcement of reliability standards, reliability assessment and performance analysis, event analysis and reliability improvement, training and education, situation awareness and infrastructure security.

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

The FRCC standing committees actively participate in the development and approval of their committee’s budget. The budgets reflect activities of each committee’s responsibilities, such as reliability coordination, resource adequacy, stability studies, transmission studies, reliability assessments, operations tools, system operator training, telecommunication tools and infrastructure. Each year, the total FRCC budget is presented to the FRCC Board of Directors in the second quarter for informational purposes prior to final approval in June. This process gives all FRCC members advanced indication of the funding level, both statutory and non-statutory, which will be required for the coming fiscal year (January 1 – December 31). This allows for timely inclusion of each member’s funding responsibility in their individual budgeting process. The final budget is presented for approval to the FRCC Board of Directors in June of each year and is then submitted to NERC for approval by the NERC Board of Trustees and then by FERC.

## **Membership and Governance**

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

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

- Non-Investor Owned Utility Wholesale
- Load Serving Entity

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

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

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

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

## **Statutory Functional Scope**

The FRCC carries out its delegated functions as outlined and detailed in Exhibits A, B, C, D and E of the delegation agreement. These delegated functions as defined by the NERC Rules of Procedures include:

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

## **2014 Goals and Key Deliverables (Regional Entity Division)**

- Support NERC’s goals to develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner. Standards developed will be clear and responsive to reliability and security risks.
- Continue to work closely with NERC and the industry to ensure all existing and new standards meet NERC’s quality and results-based criteria. Continue to work to ensure that reliability standards establish threshold requirements for ensuring the Bulk Electric System (“BES”) is designed, planned, operated and maintained in a manner that



---

minimizes risks of cascading failures, avoids damage to major equipment or limits interruptions of bulk power supply.

- Work with NERC to develop NERC's bulk power system risk profile and assess standards compared to the profile and address the most important risk gaps.
- Work with NERC and the other Regional Entities, to continue refinement, improvement and prioritization of risk based compliance monitoring efforts. NERC and the Regional Entities will retain and refine their ability to use standards enforcement when warranted and impose penalties and sanctions commensurate with risk.
- Work with NERC and the other Regional Entities to register entities commensurate with risk to the Bulk Power System (BPS) and ensure that all key reliability entities are certified to have essential capabilities. This will include the development and implementation of a BES exception process, framework and criteria for registration based on risk to the BPS, and the development of a common and consistent registration process among the regions.
- Work with NERC and the other Regional Entities to hold the industry accountable for violations that create serious risk to the BPS. This will include the development and implementation of an ERO Reliability Assurance Initiative (RAI), development and implementation of new RAI enforcement strategies and tools for monitoring caseload and mitigation aging and performance.
- Support an ERO culture of reliability excellence. Work with NERC and the other Regional Entities to facilitate a learning environment throughout the industry. Work to improve event causal analysis, communication of lessons learned, tracking of recommendations, and implementation of best practices. Continue to improve consistency, quality, timeliness and cost effectiveness of NERC and Regional Entity data collection, analysis systems and capabilities through process improvements and more effective coordination and collaboration.
- Support NERC's efforts to move toward and implement an outcome based approach in Reliability Assessments to achieve measureable improvements in the BES reliability. Risks will be identified and prioritized based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.
- Work closely with the other Regional Entities and NERC to ensure that the delegated functions are implemented consistently and rationally and to promote the success of the ERO as a collaborative enterprise. Perform delegated functions with independence, without conflict of interest, with objectivity and fairness and with increased transparency.
- Support the ERO in addressing and mitigating reliability risks. Work with NERC and the other Regional Entities and the industry to effectively address security vulnerabilities and threats. During crisis situations, support ERO sharing of information among industry, Regions, and government.

## 2014 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions (see Exhibit A of the 2014 NERC Business Plan and Budget) developed jointly by NERC and

---

the Regional Entities as part of the annual business plan and budget process. The significant assumptions underlying FRCC's 2014 business plan include:

1. NERC and the Regional Entities are expected to continue to work under the existing regulatory framework governing the establishment and enforcement of reliability standards for the BPS established in the United States and Canada, as well as the authorizations contained in FERC's order approving NERC as the ERO.
2. The framework for delegation to Regional Entities is expected to remain relatively constant over the next three (3) years and the terms of the existing delegation agreements will continue to apply over the planning period. The Regional Entities are expected to have the primary responsibility for interactions with Registered Entities. NERC and the Regional Entities will work to refine and revise procedures and processes to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency and to achieve measurable reliability outcomes.
3. Cost pressures may affect stakeholder resources available to participate in NERC and Regional Entity activities. However, the assumption of continued industry participation in support of key program areas such as event analysis, reliability assessments and standards development is included in this business plan and budget.
4. For planning purposes, NERC and the Regional Entities assume an implementation date of CIP V5 of January 2016. The need for a smooth transition between V3 to V4 to V5 may require additional resources to provide industry guidance. However these resources are expected to be largely off-set with increased efficiencies and effectiveness from execution of the standards development process.
5. Implementation of a BES exception process will increase resource requirements, but the long-term impact cannot be fully assessed at this time as the resource requirements will be based on the number and type of exception requests received.
6. Implementation of the BES definition is not expected to place large resource demands in the Registration area for the FRCC region but there may be significant resource demands in the Reliability Assessment area processing exception requests depending upon the number of requests. If a high number of BES exceptions are requested, the potential for a backlog situation in the first years of implementation is possible.
7. NERC will continue to budget and incur costs to operate and maintain the situation awareness tool for FERC, NERC, Regional Entities ("SAFNR") and stakeholder needs. However, NERC will continue to review the appropriateness of continued funding of existing reliability tools, with any proposed changes thereto subject to review and input from the Regional Entities, appropriate NERC Committees and working groups, and other affected parties.
8. NERC and the eight (8) Regional Entities (using an executive management group known as the ERO EMG) will continue to concentrate on developing information technology enterprise-wide applications to improve efficiency and consistency. These will be managed by a single Project Management Office (PMO) at NERC.
9. The number of "qualified system events" as defined in the NERC Events Analysis Process, is expected to remain steady (approximately 10 per month across North America). Greater collaboration with the region and the registered entity is leading to

more detailed analysis and supporting the identification of reliability issues and challenges.

10. The number of non-CIP violations discovered is expected to decrease as most registered entities have now been audited at least once and the standards and their application has matured.
11. The number of CIP violations is not expected to decrease and may increase over the planning period until a measure of stability in the standards is reached.
12. Maintaining budgeted qualified compliance and enforcement staff will continue to be a challenge driven by a limited pool of qualified people and an aging work force. Investments in training less experienced personnel are likely to increase.
13. Improvements in consistency among the Regional Entities will increase workload as consistent procedures are developed but are expected to facilitate more efficient resource allocation within the compliance and enforcement areas, as well as potentially reduce compliance costs for some registered entities.
14. As risk-based monitoring activities increase, strong consideration will be given to modifying the current three and six year audit cycles for registered entities. Changes to the audit cycle requirements will require a change to the Rules of Procedure. The rigor, scope, depth and recurrence of audits and spot checks will be driven by reliability risk and not on a predetermined schedule. These changes will be developed during the planning period, however implementation will likely occur after the planning period.
15. Integration of the assessment of registered entity internal controls programs as part of the compliance monitoring program will allow NERC and the Regional Entities to further prioritize risk based compliance monitoring activities. Greater emphasis on internal controls provide positive incentives for industry to demonstrate effective management of compliance programs that are focused on reliability, as well as place downward pressure on compliance resource requirements for industry, NERC and the Regional Entities.
16. While additional or different resources will be required for certain training initiatives, it is not clear at this time whether these needs will translate into a significant increase in NERC's or any of the Regional Entities' budgets. The general sense at this point is that improvement with minimal budgetary impact can be achieved through better coordination, planning and management of training programs with the possible exception in the area of additional resources needed to support auditor training as mentioned above.
17. Improved disaster recovery mechanisms and improved IT security procedures will increase capital and operating costs at the Regional Entities.

## 2014 Overview of Cost Impacts

The FRCC's proposed 2014 Statutory Expense Budget (see page 3) is \$6,794,931, which is a \$263,149 or 4.0% increase over the 2013 budget. The major drivers of this increase are the net effect of:

- Addition of one (1) position for a Manager of CIP Audits in the Compliance Monitoring and Enforcement program.
- Software maintenance for needed portal efficiencies and program intervention.

- Decrease in legal fees due to in house legal support.

## Statutory Accounting Methodology

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

- ERO assessments needed to fund working capital are reflected in the General and Administrative Program within Administrative Services.
- The majority of the Operating Expenses are accounted for within their related department's budget. If an expense cannot be specifically linked to a department, it is included in the General and Administrative Program, within Administrative Services.
- All expenses for the Administrative Services Programs, referred to as indirect expenses for 2014, are allocated to the delegated program areas by their respective FTEs and are shown on one line of each delegated program area Statement of Activities as "Indirect Expenses".
- Capital expenditures are broken out as fixed assets at the end of each statement of activities rather than being included in their related lines in the operating expenses section.
- Expenses include depreciation, but since funding is not being requested for depreciation expense, it has been deducted from the funding requirement for capital expenditures.

## 2014 Key Deliverables by Program

In 2014, FRCC will achieve the following key deliverables:

- **Reliability Standards Development** — Continue support of NERC in its efforts to complete standards development governance and process reforms utilizing a NERC Board of Trustee endorsed process with consideration of FERC directives to address those projects with the most positive impact for reliability of the BES. Support NERC in its efforts to evaluate significant BPS events (Category 3 and above) to identify gaps in standards and address any gaps identified. Ensure all existing and new standards meet quality and results based criteria within five years with subsequent review every five years thereafter. Develop regional reliability standards as needed to support NERC's prioritized work plan and provide increased coordination of standards development activities.
- **Compliance Monitoring and Enforcement** — Continue to monitor Registered Entities for compliance with mandatory reliability standards, in accordance with the established periodicity identified in the CMEP and NERC Rules of Procedure ("ROP") for the near term while working with NERC and the other Regional Entities to further refine the risk-based approach to compliance monitoring and enforcement. Continue to support the ERO as it develops and implements the Reliability Assurance Initiative. Continue to be a strong enforcement authority that is independent, without conflict of interest, objective and fair, using standards enforcement when warranted and imposing penalties and sanctions that are commensurate with risk. Ensure timely and thorough mitigation of all violations of mandatory reliability standards with the most focus on those violations that create serious risk to the Bulk Electric System. Promote a strong culture of compliance

excellence, reliability improvement, and risk-based methods among all registered entities in the FRCC Region.

- **Event Analysis** — Continue to support improved reliability through reporting and categorizing of system events and security incidents. Consistently analyze events and system performance for sequence, cause, and remediation to identify reliability risks and trend, and to inform standards, compliance, and other programs. Work to ensure that the industry is well informed of system events, emerging trends, risk analysis, lessons learned and expected actions. Provide timely written lessons learned and recommendations from events and provide all BPS system event reports to the industry through a secure portal.
- **Critical Infrastructure Protection and Cyber Security** — Facilitate, educate and support Registered Entities in complying with CIP reliability standards and responding to cyber security alerts. Facilitate a proactive action plan by industry that demonstrates effective identification and mitigation of security risks, including safeguarding of assets, developing mitigation alternatives, and preparing and testing recovery plans. Assist Registered Entities with the transition from CIP V3 to V4 to V5.
- **Reliability Assessments** — Provide annual, seasonal, post-seasonal, probabilistic, scenario and special reliability assessments of the reliability of the FRCC BES in accordance with definitions and requirements. Work with NERC and the other Regional Entities to develop and demonstrate BES performance metrics for the purpose of analyzing and trending reliability improvements and benefits, as well as risk/severity based methods. Work with NERC and the other Regional Entities to support the exception process for the evaluation of Exception Requests as permitted by the revised definition of the BES.
- **Situation Awareness** — Continue to support NERC in maintaining and enhancing the current and future situation awareness capabilities that include near real-time information and communications protocols that meet the needs of FERC, NERC, and applicable Registered Entities. Issue and track security recommendation to protect the Bulk Power System. Share information learned in Situation Awareness with the Events Analysis program to develop relevant lessons learned.
- **Effective Financial Controls** — Continue to provide rigorous cost controls and efficient management of resources to remain an efficient provider of ERO delegated functions.

## Long Term Business Planning

NERC and the Regional Entities continue to work together to improve the overall ERO business planning and budgeting process, including long-term resource and financial planning. The 2014 Business Plan and Budget process builds upon the improvements made over the past several years including face-to-face meetings, conference calls and exchanges of documentation among senior management and staff of NERC and Regional Entities regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness. As an important first step in the development of a long-term business plan and budgeting process, the Common Business Plan and Budget Assumptions (attachment Exhibit A of the 2014 NERC Business Plan and Budget) incorporate assumptions affecting resource demands through the 2017 planning horizon. NERC and the Regional Entities continue to work together to develop, strengthen and improve an integrated long term ERO business plan and budget that leverages and builds on the combined strengths and resources of NERC and the Regional Entities to improve

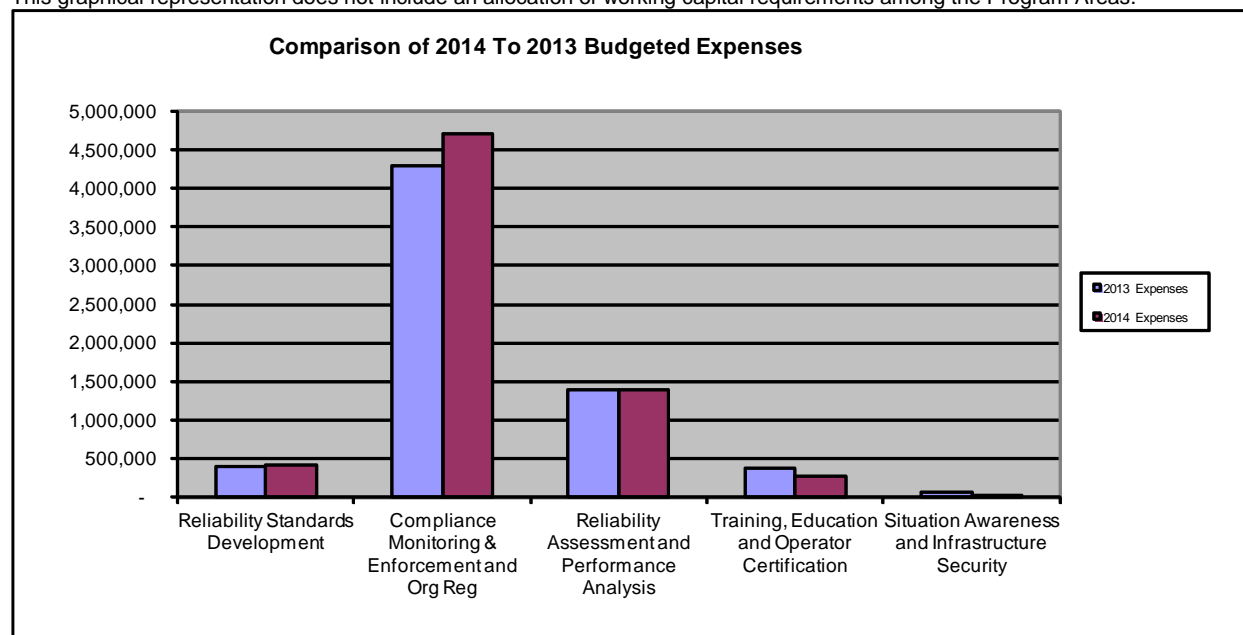
the overall effectiveness and efficiency of ERO operations and improve the reliability of the BES of North America.

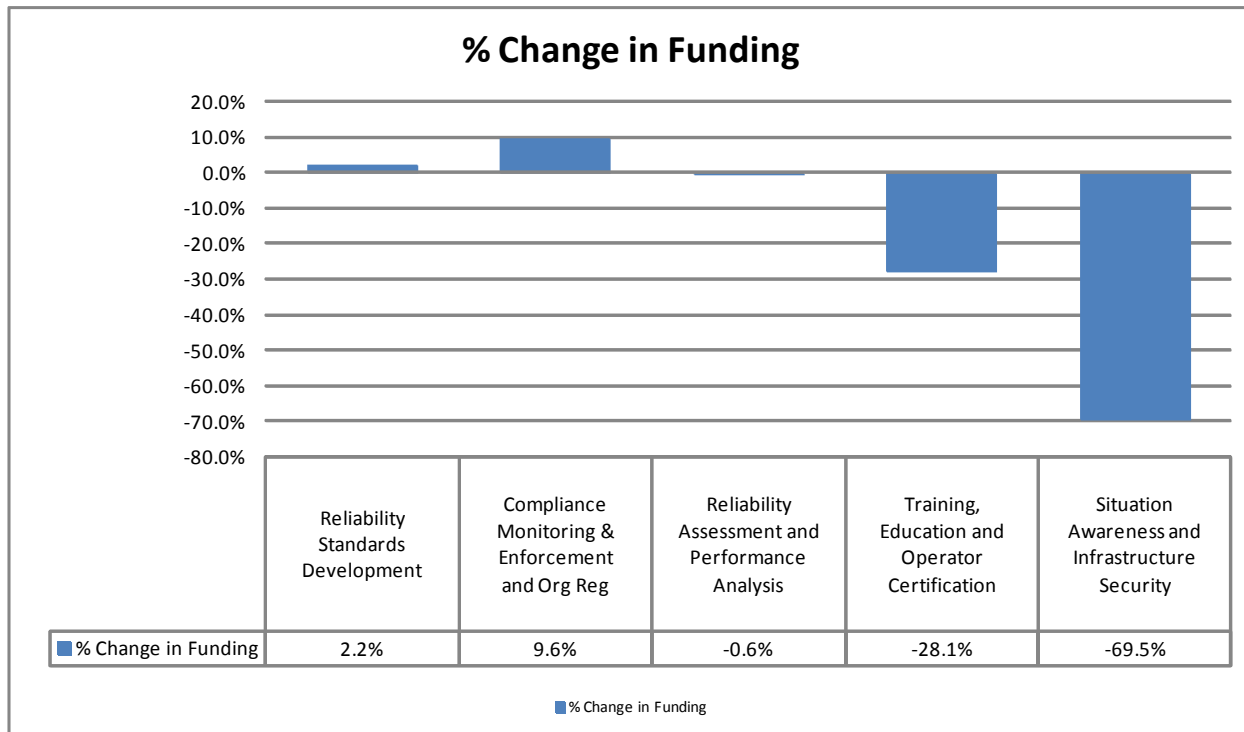
### Detailed Business Plans and Budgets by Program

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

Funding by Program	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Reliability Standards Development	400,675	400,675	409,591	8,916	2.2%
Compliance Monitoring & Enforcement and Org Reg	4,289,553	4,289,553	4,702,351	412,798	9.6%
Reliability Assessment and Performance Analysis	1,398,999	1,399,649	1,391,299	(7,700)	-0.6%
Training, Education and Operator Certification	378,953	378,953	272,310	(106,643)	-28.1%
Situation Awareness and Infrastructure Security	63,601	63,601	19,380	(44,221)	-69.5%
Total Funding All Sources	6,531,781	6,532,431	6,794,932	263,151	4.0%

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





Total FTE's by Program Area	Budget	Projection	Direct	Shared	Total FTEs	Change
	2013	2013	FTEs 2014 Budget	FTEs <sup>1</sup> 2014 Budget	2014 Budget	from 2013 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards Development	1.65	1.09	1.33	0.41	1.74	0.09
Compliance Monitoring & Enforcement and Org Reg	17.93	16.88	19.26		19.26	1.33
Reliability Assessment and Performance Analysis	5.43	4.89		5.29	5.29	-0.14
Training, Education and Operator Certification	1.11	0.60		0.67	0.67	-0.44
Situation Awareness and Infrastructure Security	0.25	0.04		0.08	0.08	-0.17
<b>Total FTEs Operational Programs</b>	<b>26.37</b>	<b>23.50</b>	<b>20.59</b>	<b>6.45</b>	<b>27.04</b>	<b>0.67</b>
<b>Administrative Programs</b>						
General & Administrative	3.75	3.21		3.36	3.36	-0.39
<b>Total FTEs Administrative Programs</b>	<b>3.75</b>	<b>3.21</b>	<b>0.00</b>	<b>3.36</b>	<b>3.36</b>	<b>-0.39</b>
<b>Total FTEs</b>	<b>30.12</b>	<b>26.71</b>	<b>20.59</b>	<b>9.81</b>	<b>30.40</b>	<b>0.28</b>

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

## 2013 Statutory Budget and Projection and 2014 Budget Comparisons

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>STATUTORY</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 5,957,970	\$ 5,957,970	\$ -	5,488,057	\$ (469,913)
Penalty Sanctions	304,500	304,500	-	343,000	38,500
<b>Total ERO Funding</b>	<b>\$ 6,262,470</b>	<b>\$ 6,262,470</b>	<b>\$ -</b>	<b>\$ 5,831,057</b>	<b>\$ (431,413)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	22,000	22,650	650	24,000	2,000
Workshops	90,000	90,000	-	90,000	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 6,374,470</b>	<b>\$ 6,375,120</b>	<b>\$ 650</b>	<b>\$ 5,945,057</b>	<b>\$ (429,413)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,741,113	3,359,296	\$ (381,817)	\$ 3,806,631	\$ 65,518
Payroll Taxes	240,656	213,062	(27,594)	239,599	(1,057)
Benefits	533,629	515,922	(17,707)	657,255	123,626
Retirement Costs	526,863	478,511	(48,352)	602,881	76,018
<b>Total Personnel Expenses</b>	<b>\$ 5,042,261</b>	<b>\$ 4,566,791</b>	<b>\$ (475,470)</b>	<b>\$ 5,306,366</b>	<b>\$ 264,105</b>
<b>Meeting Expenses</b>					
Meetings	\$ 83,259	\$ 118,089	\$ 34,830	\$ 80,930	\$ (2,329)
Travel	232,363	177,195	(55,168)	167,209	(65,154)
Conference Calls	19,347	19,322	(25)	18,771	(576)
<b>Total Meeting Expenses</b>	<b>\$ 334,969</b>	<b>\$ 314,606</b>	<b>\$ (20,363)</b>	<b>\$ 266,910</b>	<b>\$ (68,059)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 176,977	\$ 304,160	\$ 127,183	\$ 348,768	\$ 171,791
Office Rent	572,285	539,797	(32,488)	555,089	(17,196)
Office Costs	199,513	99,738	(99,775)	118,343	(81,170)
Professional Services	176,538	26,221	(150,317)	116,642	(59,896)
Miscellaneous	-	-	-	-	-
Depreciation	93,493	106,680	13,187	110,490	16,997
<b>Total Operating Expenses</b>	<b>\$ 1,218,806</b>	<b>\$ 1,076,596</b>	<b>\$ (142,210)</b>	<b>\$ 1,249,332</b>	<b>\$ 30,526</b>
<b>Total Direct Expenses</b>	<b>\$ 6,596,036</b>	<b>\$ 5,957,993</b>	<b>\$ (638,043)</b>	<b>\$ 6,822,608</b>	<b>\$ 226,572</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ 0</b>	<b>\$ (0)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 6,596,036</b>	<b>\$ 5,957,993</b>	<b>\$ (638,043)</b>	<b>\$ 6,822,608</b>	<b>\$ 226,572</b>
<b>Change in Assets</b>	<b>\$ (221,566)</b>	<b>\$ 417,127</b>	<b>\$ 638,693</b>	<b>\$ (877,551)</b>	<b>\$ (655,985)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (93,493)	\$ (106,680)	\$ (13,187)	\$ (110,490)	\$ (16,997)
Total Fixed Asset Purchases	29,239	132,391	103,152	82,814	53,575
<b>Change in Fixed Assets</b>	<b>64,254</b>	<b>(25,711)</b>	<b>(89,965)</b>	<b>27,676</b>	<b>(36,578)</b>
<b>TOTAL BUDGET</b>	<b>\$ 6,531,782</b>	<b>\$ 5,983,704</b>	<b>\$ (548,078)</b>	<b>\$ 6,794,932</b>	<b>\$ 263,150</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (157,312)</b>	<b>\$ 391,416</b>	<b>\$ 548,728</b>	<b>\$ (849,875)</b>	<b>\$ (692,563)</b>
FTEs	30.12	26.71	(3.41)	30.40	0.28



## **Section A – Statutory Programs**

# **2014 Business Plan and Budget**

## Reliability Standards Development Program

<b>Reliability Standards Development Program</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.65	1.74	0.09
Direct Expenses	\$ 359,836	\$ 369,582	\$ 9,746
Indirect Expenses	\$ 41,958	\$ 40,021	\$ (1,937)
Inc(Dec) in Fixed Assets	\$ (1,119)	\$ (12)	\$ 1,107
Total Funding Requirement	\$ 400,675	\$ 409,591	\$ 8,916

### Program Scope and Functional Description

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

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

FRCC Regional Reliability Standards uphold NERC's Reliability Principles and Market Interface Principles. Each FRCC Regional Reliability Standard shall enable or support one or more of NERC's Reliability Principles and must accommodate competitive electricity markets by being consistent with NERC's Market Interface Principles.

FRCC staff follows and participates in NERC's Standards Development Process. This includes FRCC standards staff participation in the NERC Standards Committee, the NERC Standards Committee Process Subcommittee, the NERC Standards Committee Communication and Planning Subcommittee and NERC standards drafting teams as appropriate.

### 2014 Key Assumptions

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

1. NERC will continue to complete standards development governance and process reforms including the continued implementation of the Results-Based Standards initiative. NERC will work to increase a project management discipline which it believes is necessary to satisfy standards development goals and priorities, including the assurance of a requisite level of quality.

2. The number of projects contained in NERC's Reliability Standards Development Plan is expected to increase over the planning period reflecting the transformation of standards to a steady-state. However, the scope of these projects is expected to be somewhat narrower than would otherwise exist in the absence of the results-based standards initiative.
3. The number of interpretation and guidance requests is expected to decrease over time, reflecting the initiative to transform the current standards to a body of high quality, results-based standards and improved execution of the standards development process.
4. For planning purposes, NERC and the Regional Entities assume an implementation date of CIP V5 of January 2016. The need for a smooth transition between V3 to V4 to V5 may require additional resources to provide industry guidance. However these resources are expected to be largely off-set with increased efficiencies and effectiveness from execution of the standards development process.
5. FRCC will continue to keep several regional standards development projects on hold while NERC development, on standards addressing the same reliability issues, proceeds to a conclusion. However, with NERC's improved execution and focus on results-based standards, the need for activity associated with regional standards development is expected to decrease. Increased engagement by the regions with the ERO is expected to support the development of continent-wide standards.
6. NERC and the Regional Entities will continue communication and outreach opportunities with stakeholders, will continue project level communications and will continue education and training for new or revised standards.
7. The FRCC standards staff will lead the implementation of the NERC ROP BES Exception Process. This will include coordination with other FRCC departments and committees (Compliance, Reliability Assessment, Planning and Operations Committees).

## 2014 Goals and Key Deliverables

The Standards Program objectives for 2014 are outlined below:

- Continue to follow and participate in NERC's Standards Development Process. This includes FRCC standards staff participation in the NERC Standards Committee, the NERC Standards Committee Process Subcommittee, the NERC Standards Committee Communication and Planning Subcommittee and NERC standards drafting teams as appropriate.
- Continue to monitor the need for development of Regional Reliability Standards that are required by NERC Reliability Standards or are needed for reliability within the FRCC region.
- Implement the NERC ROP for the BES Exception Process. This will include coordinating with other FRCC departments and committees (Compliance, Reliability Assessment, Planning and Operations Committees for example).
- Participate in the development and approval of NERC Reliability Standards.

- Assist the FRCC members and registered entities in following and understanding NERC standards development activities by increasing education and outreach programs to include:
  - Development and presentation at Standards Workshops, Webinars and committee meetings to address continent-wide and regional reliability issues.
  - Develop and deliver project level communications, education and training for new or revised reliability standards.
  - Review, analyze and identify potential Regional concerns associated with NERC Reliability Standards under development.
  - Establish a stronger relationship with the FRCC standing committees to fully vet the concerns and assist in articulating the concern to support regional communication efforts between functional entities within the region.

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

- **Personnel Expenses** – Primarily the result of training and education expenses being reclassified to personnel expenses from being budgeted in travel. An increase in retirement costs is attributed to the implementation of a Plan 457(b) to reduce the impact of qualified plan IRS limits on executives, increases in salaries and additional FTEs.
  
- **Operating Expenses** – Less travel required partially offset by increased office rent for a full year versus a partial year.

## Reliability Standards Development Program

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
Reliability Standards Development					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 381,622	\$ 381,622	\$ -	\$ 387,520	\$ 5,898
Penalty Sanctions	\$ 19,053	\$ 19,053		22,072	3,019
<b>Total ERO Funding</b>	<b>\$ 400,675</b>	<b>\$ 400,675</b>	<b>\$ -</b>	<b>\$ 409,591</b>	<b>\$ 8,916</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 400,675</b>	<b>\$ 400,675</b>	<b>\$ -</b>	<b>\$ 409,591</b>	<b>\$ 8,916</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 204,940	\$ 138,345	\$ (66,595)	\$ 217,880	\$ 12,940
Payroll Taxes	13,183	8,775	(4,408)	13,714	531
Benefits	34,059	23,074	(10,985)	33,809	(250)
Retirement Costs	28,862	19,759	(9,103)	34,595	5,733
<b>Total Personnel Expenses</b>	<b>\$ 281,044</b>	<b>\$ 189,953</b>	<b>\$ (91,091)</b>	<b>\$ 299,998</b>	<b>\$ 18,954</b>
<b>Meeting Expenses</b>					
Meetings	\$ 1,002	\$ 917	\$ (85)	\$ 2,080	\$ 1,078
Travel	35,721	22,808	(12,913)	24,913	(10,808)
Conference Calls	767	754	(13)	174	(593)
<b>Total Meeting Expenses</b>	<b>\$ 37,490</b>	<b>\$ 24,479</b>	<b>\$ (13,011)</b>	<b>\$ 27,167</b>	<b>\$ (10,323)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ 1,512	\$ 1,512	\$ 4,529	\$ 4,529
Office Rent	18,690	15,739	(2,951)	23,230	4,540
Office Costs	9,136	4,869	(4,267)	6,324	(2,812)
Professional Services	12,134	1,227	(10,907)	7,482	(4,652)
Miscellaneous	-	-	-	-	-
Depreciation	1,342	1,264	(78)	852	(490)
<b>Total Operating Expenses</b>	<b>\$ 41,302</b>	<b>\$ 24,611</b>	<b>\$ (16,691)</b>	<b>\$ 42,417</b>	<b>\$ 1,115</b>
<b>Total Direct Expenses</b>	<b>\$ 359,836</b>	<b>\$ 239,043</b>	<b>\$ (120,793)</b>	<b>\$ 369,582</b>	<b>\$ 9,746</b>
<b>Indirect Expenses</b>	<b>\$ 41,958</b>	<b>\$ 27,529</b>	<b>\$ (14,429)</b>	<b>\$ 40,021</b>	<b>\$ (1,937)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 401,794</b>	<b>\$ 266,572</b>	<b>\$ (135,222)</b>	<b>\$ 409,603</b>	<b>\$ 7,809</b>
<b>Change in Assets</b>	<b>\$ (1,119)</b>	<b>\$ 134,103</b>	<b>\$ 135,222</b>	<b>\$ (12)</b>	<b>\$ 1,107</b>
<b>Fixed Assets</b>					
Depreciation	\$ (1,342)	\$ (1,264)	\$ 78	\$ (852)	\$ 490
Total Fixed Asset Purchases	223	6,569	6,346	840	617
<b>Change in Fixed Assets</b>	<b>\$ 1,119</b>	<b>\$ (5,305)</b>	<b>\$ (6,424)</b>	<b>\$ 12</b>	<b>\$ (1,107)</b>
<b>TOTAL BUDGET</b>	<b>\$ 400,675</b>	<b>\$ 271,877</b>	<b>\$ (128,798)</b>	<b>\$ 409,591</b>	<b>\$ 8,916</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ 0</b>	<b>\$ 128,798</b>	<b>\$ 128,798</b>	<b>\$ -</b>	<b>\$ (0)</b>
FTEs	1.65	1.09	(0.56)	1.74	0.09

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

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	17.93	19.26	1.33
Direct Expenses	\$ 3,887,367	\$ 4,281,909	\$ 394,542
Indirect Expenses	\$ 455,943	\$ 442,994	\$ (12,949)
Inc(Dec) in Fixed Assets	\$ (53,757)	\$ (22,552)	\$ 31,205
Total Funding Requirement	\$ 4,289,553	\$ 4,702,351	\$ 412,798

### Program Scope and Functional Description

Monitoring, evaluating, investigating and enforcing compliance with Reliability Standards by owners, operators and users of the BES, as well as the development and adoption of the reliability standards themselves, are at the core of FRCC's mission. Compliance and Enforcement activities are carried out by the FRCC compliance staff and are independent of all users, owners and operators of the BES. Compliance activities are governed by the delegation agreement between the North American Electric Reliability Corporation (NERC) and the FRCC. Portions of NERC's authority as the Electric Reliability Organization (ERO) have been delegated under Section 215 of the Federal Power Act, to FRCC (the "FRCC/NERC Delegation Agreement").

Through a rigorous program of monitoring, evaluating and enforcing, and if necessary, the imposition of penalties and sanctions for noncompliance with Reliability Standards, FRCC will strive to increase the level of reliable operation of the BES in the FRCC Region. Reliable operation of the BES is in the public interest, because it will benefit all owners, operators and users of the BES, and, ultimately, all users and consumers of electric power in the FRCC Region.

The NERC Compliance Monitoring and Enforcement Program (CMEP) is the program used by the FRCC to monitor, assess, and enforce compliance with Reliability Standards within the FRCC Region. The FRCC compliance staff works with the compliance staff of the other Regional Entities and with NERC to achieve as much consistency and transparency as possible in the implementation of the CMEP.

### 2014 Highlights Compliance Monitoring and Enforcement Processes

In 2014 the FRCC will monitor, assess and enforce compliance with Reliability Standards using seven (7) monitoring processes (Compliance Audits, Self-Certifications, Spot Checking, Compliance Investigations, Self-Reporting, Periodic Data Submittals, and Complaints) to collect information in order to make assessments of compliance to Reliability Standards. However as risk based monitoring activities increase, strong consideration will be given by NERC and the Regions to modifying the current three (3) and six (6) year audit cycles for registered entities.

---

The rigor, scope, depth and recurrence of audits and spot checks will be assessed by the reliability risk and not a predetermined schedule.

### **Registration and Certification**

The FRCC has registered the organizations responsible for complying with Reliability Standards in accordance with Section 500 of the NERC Rules of Procedure. Currently there are 70 Registered Entities with a total of 244 registered functions. In addition, there are three (3) Joint Registration Organization (JRO) registrations covering TO, DP and GO functions. Maintaining a complete and accurate database will be an ongoing activity. The FRCC will develop, maintain and provide to NERC accurate information on entity registration within the FRCC Region with updates as changes occur. While expectations of increased activity are associated with the implementation of the BES Exception Process, we do not expect significant increases in activity associated with registration and certification of registered entities.

### **Enforcement and Mitigation**

Enforcement actions taken by FRCC through the CMEP may include the imposition of remedial action directives, sanctions and penalties, when applicable, which shall be based on the schedule of penalties and sanctions approved for implementation by FERC. Mitigation of violations of the approved Reliability Standards remains central to the FRCC's CMEP. Registered Entities found in violation of a Reliability Standard will be required to fully mitigate the violation regardless of any enforcement actions taken. The year 2013 continued to bring significant advances in enforcement discretion of violations with minimal impact to the reliability of the BES. This additional discretion will continue in 2014 through the development and implementation of the NERC Reliability Assurance Initiative allowing for more focus being placed on those violations that pose more of a risk to the reliability of the BES.

### **2014 Key Assumptions**

- Audits will continue under the schedule to complete BA, TOP, and RC audits every three years and other entities at least every six years in the planning period as NERC and the Regional Entities transition to a more risk-based approach to compliance monitoring. Reliability risk profiles for all registered entities will be developed and audit scopes will be tailored to the risk profiles which may increase the depth and complexity of some audits and require an increased number of unscheduled audits or spot checks. Entities with a higher risk profile will be audited more often while an entity with a lower one will be audited less often.
- The approval of CIP V5 is anticipated to significantly increase the compliance monitoring activities. For planning purposes, NERC and the Regional Entities assume an implementation date of CIP V5 of January 2016. The need for a smooth transition between V3 to V4 to V5 may require additional resources to provide industry guidance.
- Results of the implementation of the Find Fix and Track (FFT) process over the planning period will lead to continued refinement, improvement and prioritization of risk-based compliance monitoring efforts. However, resources required may increase slightly in support of the Reliability Assurance Initiative.
- The number of CIP violations is not expected to decrease and may increase over the planning period until a measure of stability in the standards is reached.
- The Technical Feasibility Exception (TFE) program will continue to require significant staffing resources at NERC and across the industry as the Regional Entities perform

---

reviews and gauge compensating measures. NERC and the Regional Entities have proposed changes in the TFE processing to improve efficiency and are awaiting response from FERC. Until such time, the level of resource needed will continue.

- Improvements in consistency among the Regional Entities, and registered entities is expected from an improved centralized compliance, registration, analysis and tracking system planned to be operational after the planning period. A significant multiyear investment will be required to develop and implement the system.
- The current trend of alleged violations is expected to continue during the planning period. The number of non-CIP violations is expected to decrease while an increase in CIP violations is expected to continue until the CIP standards reach a level of stability.
- NERC will continue to provide increased training for auditors to increase understanding and promote consistency of audit practices and procedures. NERC and the Regional Entities will coordinate and expand registered entity training in the application of Reliability Standards in order to better prepare registered entities and improve compliance.
- Integration of the assessment of registered entity internal controls programs as part of the compliance monitoring program will allow NERC and the Regional Entities to further prioritize risk based compliance monitoring activities. Greater emphasis on internal controls provides positive incentives for industry to demonstrate effective management of compliance programs that are focused on reliability, as well as place downward pressure on compliance resource requirements for industry, NERC and the Regional Entities.

## 2014 Goals and Key Deliverables

The Compliance Monitoring and Enforcement Program objectives for 2014 are outlined below:

- Continue to assess and update entity registration and certification. The FRCC will maintain an accurate registration of all owners, operators, and users of the BES in the FRCC Region for compliance monitoring purposes.
- Enforce compliance with mandatory reliability standards in accordance with the CMEP and ROP while improving consistency, quality, timeliness and utilizing more enforcement discretion for those violations that have minimal impact to the reliability of the BES. Support development and implementation of NERC's Reliability Assurance Initiative.
- Develop and maintain reliability risk profiles of all registered entities in the FRCC Region for use in the continued transition to a more risk-based compliance monitoring.
- Work with NERC Compliance staff and other Regional Entity Compliance staff to modify compliance procedures to increase consistency in the determination of violations and penalties.
- Conduct periodic audits, spot checks, self-certifications, and compliance investigations as required by the NERC Compliance Monitoring and Enforcement Program.
- Ensure timely and thorough mitigation of all violations of mandatory reliability standards.
- Promote a culture of compliance excellence through education, transparency, information sharing and incentives.



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

- **Personnel Expenses** – The result of an additional 1.33 FTE for a Manager of CIP Audit. An increase in retirement costs is attributed to the implementation of a Plan 457(b) to reduce the impact of qualified plan IRS limits on executives, increases in salaries and additional FTEs. Additionally certain Seminar training for staff has in the past been budgeted as travel. However, when incurred the actual dollars associated with any courses have been charged as a personnel expense rather than travel. Thus in 2014, in order to track budget to actual, the budget for these seminars are being budgeted as Personnel costs. Additionally, in order to fill the additions to staff, moving and relocation expenses are being budgeted.
- **Operating Expenses** – Training and education of staff has been moved from travel to personnel expenses between the two budget years, actual expenses have been charged to Other Personnel, so in 2014 it is being moved in order to better track actual to budget. No Portal software maintenance was budgeted for 2013 (but is being expended) and is being budgeted for 2014. Additionally, Public Key Infrastructure (PKI) encryption software will be implemented for CIP sensitive data submission to CMEP.

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

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
Compliance Monitoring & Enforcement and Organization Registration & Certification					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 4,082,511	\$ 4,082,511	\$ -	\$ 4,458,040	\$ 375,529
Penalty Sanctions	207,042	207,042		244,311	37,269
<b>Total ERO Funding</b>	<b>\$ 4,289,553</b>	<b>\$ 4,289,553</b>	<b>\$ -</b>	<b>\$ 4,702,351</b>	<b>\$ 412,798</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 4,289,553</b>	<b>\$ 4,289,553</b>	<b>\$ -</b>	<b>\$ 4,702,351</b>	<b>\$ 412,798</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,227,031	\$ 2,122,985	\$ (104,046)	\$ 2,411,701	\$ 184,670
Payroll Taxes	143,260	134,649	(8,611)	151,798	8,538
Benefits	321,490	346,631	25,141	452,812	131,322
Retirement Costs	313,634	303,215	(10,419)	382,958	69,324
<b>Total Personnel Expenses</b>	<b>\$ 3,005,415</b>	<b>\$ 2,907,480</b>	<b>\$ (97,935)</b>	<b>\$ 3,399,269</b>	<b>\$ 393,854</b>
<b>Meeting Expenses</b>					
Meetings	\$ 6,501	\$ 6,558	\$ 57	\$ 4,915	\$ (1,586)
Travel	131,336	99,607	(31,729)	92,966	(38,370)
Conference Calls	3,285	3,294	9	4,565	1,280
<b>Total Meeting Expenses</b>	<b>\$ 141,122</b>	<b>\$ 109,459</b>	<b>\$ (31,663)</b>	<b>\$ 102,446</b>	<b>\$ (38,676)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 16,800	\$ 191,177	\$ 174,377	\$ 119,235	\$ 102,435
Office Rent	434,212	399,148	(35,064)	406,366	(27,846)
Office Costs	91,091	72,082	(19,009)	69,926	(21,165)
Professional Services	117,809	18,829	(98,980)	83,069	(34,740)
Miscellaneous	-	-	-	-	-
Depreciation	80,918	96,112	15,194	101,598	20,680
<b>Total Operating Expenses</b>	<b>\$ 740,830</b>	<b>\$ 777,348</b>	<b>\$ 36,518</b>	<b>\$ 780,194</b>	<b>\$ 39,364</b>
<b>Total Direct Expenses</b>	<b>\$ 3,887,367</b>	<b>\$ 3,794,287</b>	<b>\$ (93,080)</b>	<b>\$ 4,281,909</b>	<b>\$ 394,542</b>
<b>Indirect Expenses</b>	<b>\$ 455,943</b>	<b>\$ 422,418</b>	<b>\$ (33,525)</b>	<b>\$ 442,994</b>	<b>\$ (12,949)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 4,343,310</b>	<b>\$ 4,216,705</b>	<b>\$ (126,605)</b>	<b>\$ 4,724,903</b>	<b>\$ 381,593</b>
<b>Change in Assets</b>	<b>\$ (53,757)</b>	<b>\$ 72,848</b>	<b>\$ 126,605</b>	<b>\$ (22,552)</b>	<b>\$ 31,205</b>
<b>Fixed Assets</b>					
Depreciation	\$ (80,918)	\$ (96,112)	\$ (15,194)	\$ (101,598)	\$ (20,680)
Total Fixed Asset Purchases	27,161	107,950	80,789	79,046	51,885
<b>Change in Fixed Assets</b>	<b>\$ 53,757</b>	<b>\$ (11,838)</b>	<b>\$ (65,595)</b>	<b>\$ 22,552</b>	<b>\$ (31,205)</b>
<b>TOTAL BUDGET</b>	<b>\$ 4,289,553</b>	<b>\$ 4,228,543</b>	<b>\$ (61,010)</b>	<b>\$ 4,702,351</b>	<b>\$ 412,798</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ 0</b>	<b>\$ 61,010</b>	<b>\$ 61,010</b>	<b>\$ -</b>	<b>\$ (0)</b>
FTEs	17.93	16.88	(1.05)	19.26	1.33

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessment and Performance Analysis Program</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	5.43	5.29	(0.14)
Direct Expenses	\$ 1,265,546	\$ 1,270,439	\$ 4,893
Indirect Expenses	\$ 138,080	\$ 121,674	\$ (16,406)
Inc(Dec) in Fixed Assets	\$ (4,626)	\$ (814)	\$ 3,812
Total Funding Requirement	\$ 1,399,000	\$ 1,391,299	\$ (7,701)

### Program Scope and Functional Description

The FRCC will assess the reliability of the BES in the FRCC region and will continue to ensure that the planned system is robust, reliable and stable. The FRCC will participate in Event Analysis Teams to analyze any disturbances that may occur within the FRCC region and lead the Event Analysis Teams when disturbances occur within the FRCC region and are a category 3 or greater as defined in the Event Analysis Procedure.

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

- A long-term reliability assessment report
- A summer assessment report
- A winter assessment report
- Two (2) post seasonal assessment overviews
- A probabilistic long-term reliability assessment

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

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

System (DADS). In addition, the FRCC will work with NERC to gather data and/or complete analysis in support of U.S. Federal initiatives, including high impact/low frequency events such as geomagnetic disturbances, system frequency response analysis, climate change and other environmental regulations.

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

The FRCC Events Analysis Program will analyze or support the analysis of significant events that impact the BES within the FRCC Region. The FRCC will facilitate the identification of root causes of such events and any identified lessons learned as well as assess past reliability performance to identify trends and disseminate the findings of such analyses.

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

### 2014 Key Assumptions

- NERC will continue to incrementally improve the definitions, refine data reporting requirements from Registered Entities and review adequate level of reliability related metrics used in reliability assessments.
- NERC and Regional Entities will be requested to gather data or perform analysis in support of federal initiatives related to critical infrastructure protection including high impact/low frequency, climate change, environmental regulations, and/or renewable energy initiatives. Generation Availability Data System (GADS), Spare Equipment Database (SED) and Demand Response Data System (DADS) collection will continue to be mandatory in 2014.
- NERC and the Regional Entities are expected to provide independent reviews of assessments to assure a high level of technical rigor.
- Implementation of a BES exception process is expected to have a minimal impact on resource requirements, since we do not expect many requests and resource requirements will be driven by the number of exception requests received.
- To meet NERC's 3-year assessment commitments:
  - NERC will continue to vet metric development, collection and analysis with industry stakeholders through the Performance and Analysis Subcommittee (PAS).
  - NERC will provide quarterly updates of metric analysis results through NERC's website, NERC News, and via Webinars, and an annual report of the state-of-reliability in North America based on metric trends and technical analysis.

- 
- NERC will develop a centralized automated data collection, reporting and validation process and calculation tools to support reliability metrics.
  - NERC will issue reliability assessment reports:
    - One 10-year long-term reliability assessment
    - Two seasonal assessments: summer and winter
    - Two post-seasonal assessments overviews: winter and summer
    - Up to two additional special assessments or scenario analysis addressing key reliability issues
    - Additional reports addressing industry reliability concepts and emerging issues
  - NERC will sustain a Reliability Assessment and Performance Analysis team with representatives from the Regional Entities to review regional reliability assessment processes, criteria and methods improving consistency and leveraging existing practices.
  - NERC will continue to support the Spare Equipment Database (“SED”) to enumerate the availability of equipment during emergencies, such as Geomagnetic Disturbance (GMD), and support NERC’s situation awareness activities.

## 2014 Goals and Key Deliverables

The Reliability Assessment and Performance Analysis Objectives for 2014 are outlined below:

- Conduct comprehensive transmission planning studies of the BES within the FRCC Region to ensure that the planned system meets the existing and future needs of all users of the transmission system (e.g., utility generation, network generation, network loads, merchant generation, Independent Power Producers (IPPs) and Load Serving Entities (LSEs).
- Conduct inter-regional studies with the southeastern sub-region of SERC to ensure that ‘seams’ issues are properly coordinated in order to maintain system reliability.
- Support NERC in preparing its reliability assessment reports.
- Support the implementation of the BES exception process. This will include providing a technical review of exception requests that are submitted by the registered entities.
- Evaluate, track and assess severity/risk and reliability metrics and risk indices – including providing support to update reliability metrics and risk indices.
- Support data gathering and reporting efforts for the Generating Availability Data System (GADS), the Transmission Availability Data System (TADS), Spare Equipment Database (SED) and Demand Response Availability Data System (DADS).
- Strengthen data collection and validation processes by designing, creating, testing and implementing data checking systems to accommodate the increasing amount of data NERC collects for its long-term, seasonal, operational, scenarios and special reliability assessments along with the databases supporting reliability performance assessments.
- Review, investigate and/or analyze significant events that impact the FRCC BES and work with NERC to identify the root causes of events that may be precursors of potentially more serious events.

- Assess past reliability performance for potential lessons learned.
- Maintain relationships with NERC, regulatory and governmental organizations involved with BES reliability (e.g., Florida Public Service Commission (FPSC), Department of Energy (DOE), FERC, Energy Information Administration (EIA), etc.).
- Develop new and enhance existing regional reliability assessment processes, regional criteria, and methodologies to ensure BES reliability.
- Support NERC’s event analysis initiatives.
- Develop methods of sharing best practice for transmission planning to ensure reliability.
- Maintain a databank of power flow, short circuit and dynamic models to use in planning and evaluating future systems and current operating conditions.
- Work with ERAG Multi-Area Modeling Working Group (MMWG) to develop Eastern Interconnection steady-state and dynamics models and develop model validation processes.
- Conduct Loss of Load Probability and the Scenario Analysis studies as needed.

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

- **Personnel Expenses** – An increase in retirement costs is attributed to the implementation of a Plan 457(b) to reduce the impact of qualified plan IRS limits on executives, increases in salaries and additional FTEs. Otherwise, the program is remaining stable in costs.
- **Operating Expenses** – The expenses for ERAG were not budgeted for in 2013, but are included in the actual expenses and are being budgeted for in 2014. Additionally, certain software maintenance agreements were budgeted for as Equipment costs which are within “Office Costs” in 2013 and should have been budgeted for as Software Maintenance (a sub-account of Contracts and Consulting) where they are being charged and where they are being budgeted for in 2014.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 1,314,298	\$ 1,314,298	\$ -	\$ 1,300,196	\$ (14,102)
Penalty Sanctions	62,701	62,701		67,103	4,402
<b>Total ERO Funding</b>	<u>\$ 1,376,999</u>	<u>\$ 1,376,999</u>	<u>\$ -</u>	<u>\$ 1,367,299</u>	<u>\$ (9,700)</u>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	22,000	22,650	650	24,000	2,000
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ 1,398,999</u>	<u>\$ 1,399,649</u>	<u>\$ 650</u>	<u>\$ 1,391,299</u>	<u>\$ (7,700)</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 674,444	\$ 615,012	\$ (59,432)	\$ 662,404	\$ (12,040)
Payroll Taxes	43,385	39,007	(4,378)	41,693	(1,692)
Benefits	97,086	84,958	(12,128)	99,378	2,292
Retirement Costs	94,982	87,837	(7,145)	105,185	10,203
<b>Total Personnel Expenses</b>	<u>\$ 909,897</u>	<u>\$ 826,814</u>	<u>\$ (83,083)</u>	<u>\$ 908,660</u>	<u>\$ (1,237)</u>
<b>Meeting Expenses</b>					
Meetings	\$ 4,810	\$ 4,764	\$ (46)	\$ 6,674	\$ 1,864
Travel	49,865	48,135	(1,730)	43,265	(6,600)
Conference Calls	10,387	10,380	(7)	8,543	(1,844)
<b>Total Meeting Expenses</b>	<u>\$ 65,062</u>	<u>\$ 63,279</u>	<u>\$ (1,783)</u>	<u>\$ 58,482</u>	<u>\$ (6,580)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 115,177	\$ 104,500	\$ (10,677)	\$ 192,989	\$ 77,812
Office Rent	61,504	69,967	8,463	70,623	9,119
Office Costs	71,379	13,291	(58,088)	13,480	(57,899)
Professional Services	37,218	5,448	(31,770)	22,829	(14,389)
Miscellaneous	-	-	-	-	-
Depreciation	5,309	4,178	(1,131)	3,376	(1,933)
<b>Total Operating Expenses</b>	<u>\$ 290,587</u>	<u>\$ 197,384</u>	<u>\$ (93,203)</u>	<u>\$ 303,297</u>	<u>\$ 12,710</u>
<b>Total Direct Expenses</b>	<u>\$ 1,265,546</u>	<u>\$ 1,087,477</u>	<u>\$ (178,069)</u>	<u>\$ 1,270,439</u>	<u>\$ 4,893</u>
<b>Indirect Expenses</b>	<u>\$ 138,080</u>	<u>\$ 122,232</u>	<u>\$ (15,848)</u>	<u>\$ 121,674</u>	<u>\$ (16,406)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 1,403,626</u>	<u>\$ 1,209,709</u>	<u>\$ (193,917)</u>	<u>\$ 1,392,113</u>	<u>\$ (11,513)</u>
<b>Change in Assets</b>	<u>\$ (4,627)</u>	<u>\$ 189,940</u>	<u>\$ 194,567</u>	<u>\$ (814)</u>	<u>\$ 3,813</u>
<b>Fixed Assets</b>					
Depreciation	\$ (5,309)	\$ (4,178)	\$ 1,131	\$ (3,376)	1,933
Total Fixed Asset Purchases	683	14,911	14,228	2,562	1,879
<b>Change in Fixed Assets</b>	<u>\$ 4,626</u>	<u>\$ (10,733)</u>	<u>\$ (15,359)</u>	<u>\$ 814</u>	<u>\$ (3,812)</u>
<b>TOTAL BUDGET</b>	<u>\$ 1,399,000</u>	<u>\$ 1,220,442</u>	<u>\$ (178,558)</u>	<u>\$ 1,391,299</u>	<u>\$ (7,701)</u>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<u>\$ (1)</u>	<u>\$ 179,207</u>	<u>\$ 179,208</u>	<u>\$ -</u>	<u>\$ 1</u>
FTEs	5.43	4.89	(0.54)	5.29	(0.14)

## Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.11	0.67	(0.44)
Direct Expenses	\$ 350,412	\$ 257,163	\$ (93,249)
Indirect Expenses	\$ 28,226	\$ 15,410	\$ (12,816)
Inc(Dec) in Fixed Assets	\$ 315	\$ (263)	\$ (578)
Total Funding Requirement	\$ 378,953	\$ 272,310	\$ (106,643)

### Program Scope and Functional Description

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

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

### System Operator Certification Program

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

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

### Compliance Workshops

Compliance workshops will be held in the spring and fall of 2014 consisting of four (4) sessions each. These workshops will be aimed at providing updates to the Registered Entities on compliance procedures, instructions on changes to FRCC compliance website, lessons learned



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

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

In addition to the face to face venues, in 2014 FRCC compliance staff projects holding six (6) webinars that will address specific topics that may be identified by registered entities or by emerging trends within the FRCC.

### **Standards Workshops**

The FRCC Standards Department will be supporting and participating in various FRCC sponsored workshops (e.g., FRCC Compliance Workshops and FRCC SOS seminars) throughout 2014. The Standards Department contribution to the workshops will be designed to promote stakeholder awareness of continent wide and Regional Reliability Standards activities as well as education and training for new or revised Reliability Standards. In addition, the FRCC Standards Department plans to hold two (2) workshops, one in the spring and one in the fall that will be three sessions each. These workshops will educate stakeholders on the NERC Reliability Standards Development Procedure, and specific changes to existing reliability standards or specifics on new reliability standards. To help encourage stakeholder participation at the continent-wide and regional levels, the workshops will provide stakeholders with updates on the progress of Regional Standards Development Projects and the associated NERC Reliability Standards Development Projects, while identifying areas that are in need of industry support.

In addition to supporting other FRCC workshops, the FRCC Standards Development program plans to hold at least one (1) webinar to increase education and understanding of reliability standards under development and to increase understanding of new or revised reliability standards that have been approved and will be subject to mandatory enforcement.

### **Critical Infrastructure Protection Workshops**

The FRCC will be conducting two Critical Infrastructure Protection (CIP) informational workshops during 2014. The workshops will be designed to inform FRCC Members and Registered Entities about current issues and expected changes related to protecting critical infrastructure by concentrating on lessons learned by Registered Entities within the region.

### **2014 Key Assumptions**

- No significant changes are expected in System Operator Certification CEH requirements through 2014.
- The System Operator Certification Program and Continuing Education Program will continue to be self-funded through a fee based structure for the exams and applications for approval of continuing education activities.

- Continued improvements will be made to the SOS database in 2014. The costs of these improvements by FRCC will be recovered through the fees received by the System Operator Certification Program and the Continuing Education Program.

### **2014 Goals and Key Deliverables**

The training, education and operator certification program objectives for 2014 are outlined below:

- Provide assistance to Regional Entity members in any issues they may have related to System Operator Certification.
- Conduct the annual system operator training seminars over a five (5) week period, with two (2) days each for the training. The training seminars involve from two (2) to four (4) FRCC staff members, as well as industry volunteers who participate as presenters. This activity is funded primarily through registration fees.
- Host a FRCC Critical Infrastructure Protection Workshop open to all interested industry participants to promote understanding and consistent implementation of the NERC CIP standards.
- Host FRCC Compliance Workshops and Webinars open to all interested industry participants aimed at providing updates to the Registered Entities on compliance procedures, instructions on changes to website submittal of self-certification, self-reports and periodic data and guidance on the providing of appropriate and sufficient evidence in a compliance audit.
- Host Reliability Standards Workshops and Webinars open to all interested industry participants aimed at providing updates concerning reliability standards under development, as well as new or revised approved reliability standards that will be subject to mandatory enforcement.
- Conduct FRCC Reliability Standards Department presentations to support multiple training objectives (i.e., FRCC Compliance Workshops and FRCC SOS Seminars) to promote stakeholder awareness of continent wide and regional standards activities.
- Work with NERC and the other Regional Entities to achieve improvements in the coordination, content and manner of internal and external training programs.

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

- **Personnel Expenses** – Mainly the result of less FTE count being allocated in 2014.
- **Operating Expenses** – In the past the SOS seminars have been budgeted as a split between Meetings and Contracts. In 2014 it is being budgeted by the individual accounts that the expenses will actually be charged to.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Training, Education and Operator Certification</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 276,136	\$ 276,136	\$ -	\$ 173,812	\$ (102,324)
Penalty Sanctions	12,817	12,817	-	8,499	(4,318)
<b>Total ERO Funding</b>	<b>\$ 288,953</b>	<b>\$ 288,953</b>	<b>\$ -</b>	<b>\$ 182,310</b>	<b>\$ (106,643)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	90,000	90,000	-	90,000	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 378,953</b>	<b>\$ 378,953</b>	<b>\$ -</b>	<b>\$ 272,310</b>	<b>\$ (106,643)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 137,870	\$ 75,462	\$ (62,408)	\$ 83,896	\$ (53,974)
Payroll Taxes	8,869	4,786	(4,083)	5,281	(3,588)
Benefits	18,009	9,572	(8,437)	11,616	(6,393)
Retirement Costs	19,416	10,777	(8,639)	13,325	(6,091)
<b>Total Personnel Expenses</b>	<b>\$ 184,164</b>	<b>\$ 100,597</b>	<b>\$ (83,567)</b>	<b>\$ 114,118</b>	<b>\$ (70,046)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 70,908	\$ 105,844	\$ 34,936	\$ 67,248	\$ (3,660)
Travel	12,228	6,597	(5,631)	5,996	(6,232)
Conference Calls	4,902	4,893	(9)	5,481	579
<b>Total Meeting Expenses</b>	<b>\$ 88,038</b>	<b>\$ 117,334</b>	<b>\$ 29,296</b>	<b>\$ 78,725</b>	<b>\$ (9,313)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 45,000	\$ 824	\$ (44,176)	\$ 29,259	\$ (15,741)
Office Rent	12,573	8,585	(3,988)	8,945	(3,628)
Office Costs	12,312	5,882	(6,430)	22,610	10,298
Professional Services	7,502	668	(6,834)	2,916	(4,586)
Miscellaneous	-	-	-	-	-
Depreciation	823	621	(202)	590	(233)
<b>Total Operating Expenses</b>	<b>\$ 78,210</b>	<b>\$ 16,580</b>	<b>\$ (61,630)</b>	<b>\$ 64,320</b>	<b>\$ (13,890)</b>
<b>Total Direct Expenses</b>	<b>\$ 350,412</b>	<b>\$ 234,511</b>	<b>\$ (115,901)</b>	<b>\$ 257,163</b>	<b>\$ (93,249)</b>
<b>Indirect Expenses</b>	<b>\$ 28,226</b>	<b>\$ 14,976</b>	<b>\$ (13,250)</b>	<b>\$ 15,410</b>	<b>\$ (12,816)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 378,638</b>	<b>\$ 249,487</b>	<b>\$ (129,151)</b>	<b>\$ 272,573</b>	<b>\$ (106,065)</b>
<b>Change in Assets</b>	<b>\$ 315</b>	<b>\$ 129,466</b>	<b>\$ 129,151</b>	<b>\$ (263)</b>	<b>\$ (578)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (823)	\$ (621)	\$ 202	\$ (590)	\$ 233
Total Fixed Asset Purchases	1,138	2,827	1,689	327	(811)
<b>Change in Fixed Assets</b>	<b>\$ (315)</b>	<b>\$ (2,206)</b>	<b>\$ (1,891)</b>	<b>\$ 263</b>	<b>\$ 578</b>
<b>TOTAL BUDGET</b>	<b>\$ 378,953</b>	<b>\$ 251,693</b>	<b>\$ (127,260)</b>	<b>\$ 272,310</b>	<b>\$ (106,643)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (0)</b>	<b>\$ 127,260</b>	<b>\$ 127,260</b>	<b>\$ -</b>	<b>\$ 0</b>
FTEs	1.11	0.60	(0.51)	0.67	(0.44)

## Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security Program</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.25	0.08	(0.17)
Direct Expenses	\$ 59,771	\$ 19,932	\$ (39,839)
Indirect Expenses	\$ 6,357	\$ 1,840	\$ (4,517)
Inc(Dec) in Fixed Assets	\$ (2,527)	\$ (2,392)	\$ 135
Total Funding Requirement	\$ 63,601	\$ 19,380	\$ (44,221)

### Program Scope and Functional Description

The FRCC Operating Committee (OC), which develops and monitors a budget made up of both statutory and non-statutory functions, relies on a hierarchy of subordinate committees, working groups and agents to achieve its regional reliability goals. The various reliability roles and functions are coordinated and monitored in accordance with the Reliability Process for the FRCC BES document and through established FRCC organizational processes and procedures. Two of the primary reliability goals of the FRCC OC are continuous improvement of the situation awareness of the operators within the FRCC and ensuring that adequate physical, operational and cyber security objectives are in place for the Regions' shared communications networks.

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

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

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

### 2014 Key Assumptions

- NERC's Critical Infrastructure Protection Program Area will have responsibility for the identification and management of the specialized critical infrastructure protection resources needed to support overall ERO CIP goals and objectives, as well as the specialized CIP resources needs of the other program areas (e.g., Standards, Compliance, Situation Awareness)
- NERC and the Regional Entities will face increased competition in attracting well-qualified staff to address expanding CIP challenges, particularly in cyber security.

- There will be increased need and demand for CIP-related training and workshops. CIP compliance activities are budgeted within compliance. FRCC will continue to support and facilitate the development of NERC's secure portal for the management of alerts and infrastructure security information.
- There will be an increased focus on detecting off-normal events to be analyzed by the responsible entity, FRCC or NERC.

### **2014 Goals and Key Deliverables**

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

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

- **Personnel Expenses** – Less time is being allocated to this program thus all expenses are down.
- **Operating Expenses** – Less time is being allocated to this program thus all expenses are down.

- **Situation Awareness and Infrastructure Security Program**

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	<b>2013 Budget</b>	<b>2013 Projection</b>	<b>Variance 2013 Projection v 2013 Budget Over(Under)</b>	<b>2014 Budget</b>	<b>Variance 2014 Budget v 2013 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 60,714	\$ 60,714	\$ -	\$ 18,365	\$ (42,349)
Penalty Sanctions	2,887	2,887	-	1,015	(1,872)
<b>Total ERO Funding</b>	<b>\$ 63,601</b>	<b>\$ 63,601</b>	<b>\$ -</b>	<b>\$ 19,380</b>	<b>\$ (44,221)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 63,601</b>	<b>\$ 63,601</b>	<b>\$ -</b>	<b>\$ 19,380</b>	<b>\$ (44,221)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 31,052	\$ 5,031	\$ (26,021)	\$ 10,017	\$ (21,035)
Payroll Taxes	1,997	319	(1,678)	631	(1,366)
Benefits	4,070	639	(3,431)	1,387	(2,683)
Retirement Costs	4,373	721	(3,652)	1,591	(2,782)
<b>Total Personnel Expenses</b>	<b>\$ 41,492</b>	<b>\$ 6,710</b>	<b>\$ (34,782)</b>	<b>\$ 13,626</b>	<b>\$ (27,866)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 38	\$ 6	\$ (32)	\$ 13	\$ (25)
Travel	3,213	48	(3,165)	69	(3,144)
Conference Calls	6	1	(5)	8	2
<b>Total Meeting Expenses</b>	<b>\$ 3,257</b>	<b>\$ 55</b>	<b>\$ (3,202)</b>	<b>\$ 90</b>	<b>\$ (3,167)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ 1,754	\$ 1,754	\$ 209	\$ 209
Office Rent	2,831	572	(2,259)	1,068	(1,763)
Office Costs	7,755	2,861	(4,894)	2,162	(5,593)
Professional Services	1,875	49	(1,826)	346	(1,529)
Miscellaneous	-	-	-	-	-
Depreciation	2,561	2,418	(143)	2,431	(130)
<b>Total Operating Expenses</b>	<b>\$ 15,022</b>	<b>\$ 7,654</b>	<b>\$ (7,368)</b>	<b>\$ 6,216</b>	<b>\$ (8,806)</b>
<b>Total Direct Expenses</b>	<b>\$ 59,771</b>	<b>\$ 14,419</b>	<b>\$ (45,352)</b>	<b>\$ 19,932</b>	<b>\$ (39,839)</b>
<b>Indirect Expenses</b>	<b>\$ 6,357</b>	<b>\$ 1,101</b>	<b>\$ (5,256)</b>	<b>\$ 1,840</b>	<b>\$ (4,517)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 66,128</b>	<b>\$ 15,520</b>	<b>\$ (50,608)</b>	<b>\$ 21,772</b>	<b>\$ (44,356)</b>
<b>Change in Assets</b>	<b>\$ (2,527)</b>	<b>\$ 48,081</b>	<b>\$ 50,608</b>	<b>\$ (2,392)</b>	<b>\$ 135</b>
<b>Fixed Assets</b>					
Depreciation	\$ (2,561)	\$ (2,418)	\$ 143	\$ (2,431)	\$ 130
Total Fixed Asset Purchases	34	134	100	39	5
<b>Change in Fixed Assets</b>	<b>\$ 2,527</b>	<b>\$ 2,284</b>	<b>\$ (243)</b>	<b>\$ 2,392</b>	<b>\$ (135)</b>
<b>TOTAL BUDGET</b>	<b>\$ 63,601</b>	<b>\$ 13,236</b>	<b>\$ (50,365)</b>	<b>\$ 19,380</b>	<b>\$ (44,221)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (0)</b>	<b>\$ 50,365</b>	<b>\$ 50,365</b>	<b>\$ -</b>	<b>\$ 0</b>
FTEs	0.25	0.04	(0.21)	0.08	(0.17)

## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.75	3.36	(0.39)
Expenses	\$ 673,104	\$ 623,583	\$ (49,521)
Inc(Dec) in Fixed Assets	\$ (2,540)	\$ (1,643)	\$ 897
Total Allocation to Statutory Programs	\$ 670,564	\$ 621,940	\$ (48,624)
Working Capital Requirement	\$ (157,311)	\$ (849,875)	\$ (692,564)

### Program Scope and Functional Description Background

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

### Legal and Regulatory Background

The FRCC has retained outside counsel in Washington DC to assist the FRCC in carrying out its delegated responsibilities. These attorneys will serve as chief legal advisor to the President and CEO, Board of Directors, staff and stakeholders on all legal and regulatory matters affecting the FRCC. Outside counsel may review items filed with governmental agencies for legal sufficiency and impact to FRCC.

### 2014 Goals and Key Deliverables

- Assist the FRCC in carrying out its delegated responsibilities for mandatory compliance and enforcement of Reliability Standards.
- Assist the FRCC in carrying out its delegated responsibilities for development of Reliability Standards.
- Serve as legal counsel to the FRCC on FERC related matters.

### Information Technology Background

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

Several years ago, NERC and the eight (8) Regional Entities formed an executive management group (known as the ERO EMG) which has, among other things, concentrated on developing enterprise-wide IT applications; thus, improving efficiency and consistency across NERC and the Regional Entities. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed through a single Project Management Office (PMO) at NERC. As an example, the ERO EMG collectively prioritized the bulk electric system (BES) exception project and developed an application that is a single interface for NERC and the Regional Entities, promoting consistency and reducing cost duplications.

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

### **2014 Goals and Key Deliverables**

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

### **Human Resources Background**

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

### **2014 Goals and Key Deliverables**

- Recruit successful employees
- Improve human resource policies and procedures
- Provide management and training programs
- Ensure competitive employee compensation and benefits



---

## Finance and Accounting Background

The FRCC will submit its annual budget for statutory and non-statutory activities to the FRCC Board of Directors for approval and then file the approved annual budget for statutory and non-statutory activities to NERC. This includes supporting materials such as a complete business plan and organizational chart (which can be found on the Company's website: [www.frcc.com](http://www.frcc.com)), and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures.

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

## 2014 Goals and Key Deliverables

- Prepare the 2014 statutory and non-statutory budgets
- Report budget variances to the FRCC Board and to NERC on a quarterly basis
- Evaluate and advise on the impact of long-range planning
- Provide on-going training to employees to ensure employees charge their time correctly

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

- **Personnel Expenses** – The program is remaining stable in costs.
- **Operating Expenses** – The program is remaining stable in costs.

## General and Administrative

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
General and Administrative					
Funding	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>ERO Funding</b>					
ERO Assessments	\$ (157,311)	\$ (157,311)	\$ -	\$ (849,875)	\$ (692,564)
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ (157,311)</b>	<b>\$ (157,311)</b>	<b>\$ -</b>	<b>\$ (849,875)</b>	<b>\$ (692,564)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ (157,311)</b>	<b>\$ (157,311)</b>	<b>\$ -</b>	<b>\$ (849,875)</b>	<b>\$ (692,564)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 465,776	\$ 402,461	\$ (63,315)	\$ 420,733	\$ (45,043)
Payroll Taxes	29,962	25,526	(4,436)	26,482	(3,480)
Benefits	58,915	51,048	(7,867)	58,253	(662)
Retirement Costs	65,596	56,202	(9,394)	65,227	(369)
<b>Total Personnel Expenses</b>	<b>\$ 620,249</b>	<b>\$ 535,237</b>	<b>\$ (85,012)</b>	<b>\$ 570,695</b>	<b>\$ (49,554)</b>
<b>Meeting Expenses</b>					
Meetings	-	-	-	-	-
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	-	\$ 4,393	\$ 4,393	\$ 2,547	\$ 2,547
Office Rent	42,475	45,786	3,311	44,857	2,382
Office Costs	7,840	753	(7,087)	3,841	(3,999)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	2,540	2,087	(453)	1,643	(897)
<b>Total Operating Expenses</b>	<b>\$ 52,855</b>	<b>\$ 53,019</b>	<b>\$ 164</b>	<b>\$ 52,888</b>	<b>\$ 33</b>
<b>Total Direct Expenses</b>	<b>\$ 673,104</b>	<b>\$ 588,256</b>	<b>\$ (84,848)</b>	<b>\$ 623,583</b>	<b>\$ (49,521)</b>
<b>Indirect Expenses</b>	<b>\$ (670,564)</b>	<b>\$ (588,256)</b>	<b>\$ 82,308</b>	<b>\$ (621,940)</b>	<b>\$ 48,624</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 2,540</b>	<b>\$ -</b>	<b>\$ (2,540)</b>	<b>\$ 1,643</b>	<b>\$ (897)</b>
<b>Change in Assets</b>	<b>\$ (159,851)</b>	<b>\$ (157,311)</b>	<b>\$ 2,540</b>	<b>\$ (851,518)</b>	<b>\$ (691,667)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (2,540)	\$ (2,087)	\$ 453	\$ (1,643)	\$ 897
Total Fixed Asset Purchases	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ 2,540</b>	<b>\$ 2,087</b>	<b>\$ (453)</b>	<b>\$ 1,643</b>	<b>\$ (897)</b>
<b>TOTAL BUDGET</b>	<b>\$ -</b>	<b>\$ (2,087)</b>	<b>\$ (2,087)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (157,311)</b>	<b>\$ (155,224)</b>	<b>\$ 2,087</b>	<b>\$ (849,875)</b>	<b>\$ (692,564)</b>
FTEs	3.75	3.21	(0.54)	3.36	(0.39)

**Section B – Supplemental Financial Information**  
**2014 Business Plan and Budget**

## Reserve Balance

Table B-1

<b>Working Capital Reserve Analysis 2013-2014</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2012</b>	1,367,703
Less: Penalty sanctions being held to be used as offset to 2014 assessments <sup>1</sup>	<b>(343,000)</b>
Plus: 2013 ERO Funding (from LSEs or designees)	5,957,970
Plus: Projected 2013 Other funding sources	112,650
Plus: Penalty Sanctions Applied	304,500
Less: 2013 Projected expenses & capital expenditures	<b>(5,983,704)</b>
<b>Projected Working Capital Reserve Surplus/(Deficit), December 31, 2013</b>	<b>1,416,119</b>
<b>Desired Working Capital Reserve, December 31, 2014</b>	<sup>2</sup> 566,244
Less: Projected Working Capital Reserve, December 31, 2013	<b>(1,416,119)</b>
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>(849,875)</b>
2014 Assessment for Expenses and Capital Expenditures	6,794,932
Less: Penalty Sanctions <sup>1</sup>	<b>(343,000)</b>
Less: Other Funding Sources	<b>(114,000)</b>
Adjustment to achieve desired Working Capital Reserve	<b>(849,875)</b>
<b>2014 Assessment</b>	<b>5,488,057</b>

<sup>1</sup> Represents collections prior to June 30, 2013.

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

### Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Table on page 13, of the 2014 FRCC Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

#### Penalty Sanctions

Penalty monies received prior to June 30, 2013 are to be used to offset assessments in the 2014 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

All penalties received prior to June 30, 2013 are detailed below.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2**

Penalty Sanctions Received On or Prior to June 30, 2013		
	Date Received	Amount Received
Penalty #1	10/25/2012	\$ 90,000
Penalty #2	12/6/2012	150,000
Penalty #3	3/7/2013	33,000
Penalty #4	3/22/2013	8,000
Penalty #5	6/4/2013	62,000
<b>Total Penalties Received</b>		<b>\$ 343,000</b>

## Supplemental Funding

Table B-3

Outside Funding Breakdown By Program	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
<b>Reliability Standards Development</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>Reliability Assessment and Performance Analysis</b>				
Services & Software Fees	\$ 22,000	\$ 22,650	\$ 24,000	\$ 2,000
Total	\$ 22,000	\$ 22,650	\$ 24,000	\$ 2,000
<b>Training, Education and Operator Certification</b>				
Workshops	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
Total	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
<b>Situation Awareness and Infrastructure Security</b>				
Total	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative*</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
<b>Total Outside Funding</b>	<b>\$ 112,000</b>	<b>\$ 112,650</b>	<b>\$ 114,000</b>	<b>\$ 2,000</b>

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

## Personnel Expenses

### Table B-4

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
<b>Salaries</b>					
Total Salaries	\$ 3,741,113	\$ 3,359,296	\$ 3,806,631	\$ 65,518	1.75%
Total Payroll Taxes	\$ 240,656	\$ 213,062	\$ 239,599	\$ (1,057)	-0.44%
<b>Benefits</b>					
Workers Compensation	\$ 10,849	\$ 9,742	\$ 10,241	\$ (608)	-5.60%
Medical, LTD, STD Insurances	442,191	394,448	483,409	41,218	9.32%
Employment Fees	-	-	-	-	-
Education	48,315	44,567	100,319	52,004	107.64%
Employee Welfare	32,274	22,165	18,936	(13,338)	-41.33%
Relocation	-	45,000	44,350	44,350	-
<b>Total Benefits</b>	<b>\$ 533,628</b>	<b>\$ 515,922</b>	<b>\$ 657,255</b>	<b>\$ 123,626</b>	<b>23.17%</b>
<b>Retirement</b>					
Retirement Costs	\$ 526,863	\$ 478,511	\$ 602,881	\$ 76,018	14.43%
<b>Total Retirement</b>	<b>\$ 526,863</b>	<b>\$ 478,511</b>	<b>\$ 602,881</b>	<b>\$ 76,018</b>	<b>14.43%</b>
<b>Total Personnel Costs</b>	<b>\$ 5,042,260</b>	<b>\$ 4,566,791</b>	<b>\$ 5,306,366</b>	<b>\$ 264,105</b>	<b>5.24%</b>
FTEs	30.12	26.71	30.40	0.3	0.93%
<b>Cost per FTE</b>					
Salaries	\$ 124,207	\$ 125,769	\$ 125,218	1,011	0.81%
Payroll Taxes	7,990	7,977	7,882	(108)	-1.36%
Benefits	17,717	19,316	21,620	3,903	22.03%
Retirement	17,492	17,915	19,832	2,339	13.37%
<b>Total Cost per FTE</b>	<b>\$ 167,406</b>	<b>\$ 170,977</b>	<b>\$ 174,552</b>	<b>\$ 7,146</b>	<b>4.27%</b>

## Consultants and Contracts

### Table B-5

Contracts & Consultants and Software & Licenses	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
<b>Contracts &amp; Consultants and Software &amp; Licenses</b>					
Reliability Standards Development	\$ -	\$ 1,512	\$ 4,529	\$ 4,529	-
Compliance Monitoring & Enforcement and Org Reg	16,800	191,177	119,235	102,435	609.73%
Reliability Assessment and Performance Analysis	115,177	104,500	192,989	77,812	67.56%
Training, Education and Operator Certification	45,000	824	29,259	(15,741)	-34.98%
Situation Awareness and Infrastructure Security	-	1,754	209	209	-
General and Administrative	-	4,393	2,547	2,547	-
<b>Total Contracts &amp; Consultants and Software &amp; Licenses</b>	<b>\$ 176,977</b>	<b>\$ 304,160</b>	<b>\$ 348,768</b>	<b>\$ 171,791</b>	<b>97.07%</b>

“The amount for Consultants & Contracts in the Compliance Monitoring and Enforcement Program includes \$15,000 in the 2013 budget, \$80,000 in the projected 2013 and \$16,000 in the 2014 budget estimated by SERC as the costs for SERC to perform compliance monitoring and enforcement responsibilities for the FRCC registered functions.”

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

<b>Office Rent</b>	<b>Budget 2013</b>	<b>Projection 2013</b>	<b>Budget 2014</b>	<b>Variance 2014 Budget v 2013 Budget</b>	<b>Variance %</b>
Office Rent	\$ 572,285	\$ 539,797	\$ 555,089	\$ (17,196)	-3.00%
<b>Total Office Rent</b>	<b>\$ 572,285</b>	<b>\$ 539,797</b>	<b>\$ 555,089</b>	<b>\$ (17,196)</b>	<b>-3.00%</b>

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

<b>Office Costs</b>	<b>Budget 2013</b>	<b>Projection 2013</b>	<b>Budget 2014</b>	<b>Variance 2014 Budget v 2013 Budget</b>	<b>Variance %</b>
Telephone	\$ 63,897	\$ 52,671	\$ 50,931	\$ (12,966)	-20.29%
Internet	7,124	2,590	2,618	\$ (4,506)	-63.25%
Office Supplies	6,914	6,500	14,172	\$ 7,258	104.98%
Computer Supplies	9,559	6,165	4,226	\$ (5,333)	-55.79%
Publications, Subscriptions & Dues	1,796	5,432	9,710	\$ 7,914	440.65%
Postage	1,619	1,542	1,558	\$ (61)	-3.77%
Equipment Maintenance	80,228	-	930	\$ (79,298)	-98.84%
Copying	9,181	-	-	\$ (9,181)	-100.00%
Printing	7,238	13,457	23,166	\$ 15,928	220.06%
Stationary Forms				\$ -	
Commerical Insurance	11,957	11,381	11,032	\$ (925)	-7.74%
Miscellaneous		-		\$ -	
<b>Total Office Costs</b>	<b>\$ 199,513</b>	<b>\$ 99,738</b>	<b>\$ 118,343</b>	<b>\$ (81,170)</b>	<b>-40.68%</b>

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

<b>Professional Services</b>	<b>Budget 2013</b>	<b>Projection 2013</b>	<b>Budget 2014</b>	<b>Variance 2014 Budget v 2013 Budget</b>	<b>Variance %</b>
Outside Legal	\$ 161,925	\$ 10,000	\$ 100,000	\$ (61,925)	-38.24%
Accounting & Auditing Fees	14,613	16,221	16,642	\$ 2,029	13.88%
<b>Total Services</b>	<b>\$ 176,538</b>	<b>\$ 26,221</b>	<b>\$ 116,642</b>	<b>\$ (59,896)</b>	<b>-33.93%</b>



## Other Non-Operating Expenses

Table B-9

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -		\$ -	-
Office Relocation	-	-		\$ -	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

## 2014, 2015 and 2016 Projections

Table B-10

<b>Statement of Activities and Capital Expenditures</b>										
<b>2014, 2015 and 2016 Projections</b>										
<b>STATUTORY</b>										
	<b>2013</b>	<b>2014</b>	<b>\$ Change</b>	<b>% Chg</b>	<b>2015</b>	<b>\$ Change</b>	<b>% Chg</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Chg</b>
	<b>Budget</b>	<b>Budget</b>	<b>2014:2013</b>	<b>2014:2013</b>	<b>Projection</b>	<b>2015:2014</b>	<b>2015:2014</b>	<b>Projection</b>	<b>2016:2015</b>	<b>2016:2015</b>
			<b>Over(Under)</b>	<b>Over(Under)</b>		<b>Over(Under)</b>	<b>Over(Under)</b>		<b>Over(Under)</b>	<b>Over(Under)</b>
<b>Funding</b>										
<b>ERO Funding</b>										
ERO Assessments	\$ 5,957,970	\$ 5,488,057	\$ (469,913)	-7.89%	\$ 6,833,070	\$ 1,345,013	24.51%	\$ 7,214,430	\$ 381,360	5.58%
Penalty Sanctions	304,500	343,000	38,500	0.00%	-	-	-100.00%	-	-	-
<b>Total ERO Funding</b>	<b>\$ 6,262,470</b>	<b>\$ 5,831,057</b>	<b>\$ (431,413)</b>	<b>-6.89%</b>	<b>\$ 6,833,070</b>	<b>\$ 1,345,013</b>	<b>17.18%</b>	<b>\$ 7,214,430</b>	<b>\$ 381,360</b>	<b>5.58%</b>
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	22,000	24,000	2,000	9.09%	24,000	-	0.00%	24,000	-	0.00%
Workshops	90,000	90,000	-	0.00%	90,000	-	0.00%	90,000	-	0.00%
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 6,374,470</b>	<b>\$ 5,945,057</b>	<b>\$ (429,413)</b>	<b>-6.74%</b>	<b>\$ 6,947,070</b>	<b>\$ 1,345,013</b>	<b>16.85%</b>	<b>\$ 7,328,430</b>	<b>\$ 381,360</b>	<b>5.49%</b>
<b>Expenses</b>										
<b>Personnel Expenses</b>										
Salaries	\$ 3,741,113	\$ 3,806,631	\$ 65,518	1.75%	\$ 3,920,830	\$ 114,199	3.00%	\$ 4,038,455	\$ 117,625	3.00%
Payroll Taxes	240,656	239,599	(1,057)	-0.44%	250,933	11,334	4.73%	258,461	7,528	3.00%
Benefits	533,629	657,255	123,626	23.17%	709,835	52,580	8.00%	745,327	35,492	5.00%
Retirement Costs	526,863	602,881	76,018	14.43%	663,169	60,288	10.00%	696,328	33,158	5.00%
<b>Total Personnel Expenses</b>	<b>\$ 5,042,261</b>	<b>\$ 5,306,366</b>	<b>\$ 264,105</b>	<b>5.24%</b>	<b>\$ 5,544,768</b>	<b>\$ 238,402</b>	<b>4.49%</b>	<b>\$ 5,738,571</b>	<b>\$ 193,803</b>	<b>3.50%</b>
<b>Meeting Expenses</b>										
Meetings	\$ 83,259	\$ 80,930	\$ (2,329)	-2.80%	\$ 83,358	\$ 2,428	3.00%	\$ 85,859	\$ 2,501	3.00%
Travel	232,363	167,209	(65,154)	-28.04%	172,225	5,016	3.00%	177,392	5,167	3.00%
Conference Calls	19,347	18,771	(576)	-2.98%	19,334	563	3.00%	19,914	580	3.00%
<b>Total Meeting Expenses</b>	<b>\$ 334,969</b>	<b>\$ 266,910</b>	<b>\$ (68,059)</b>	<b>-20.32%</b>	<b>\$ 274,917</b>	<b>\$ 8,007</b>	<b>3.00%</b>	<b>\$ 283,165</b>	<b>\$ 8,248</b>	<b>3.00%</b>
<b>Operating Expenses</b>										
Consultants & Contracts	\$ 176,977	\$ 348,768	\$ 171,791	97.07%	\$ 311,851	\$ (36,917)	-10.58%	\$ 499,694	\$ 187,843	60.23%
Office Rent	572,285	555,089	(17,196)	-3.00%	554,000	(1,089)	-0.20%	554,000	-	0.00%
Office Costs	199,513	118,343	(81,170)	-40.68%	121,893	3,550	3.00%	125,550	3,657	3.00%
Professional Services	176,538	116,642	(59,896)	-33.93%	68,641	(48,001)	-41.15%	70,700	2,059	3.00%
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	93,493	110,490	16,997	18.18%	138,805	28,315	25.63%	167,969	29,164	21.01%
<b>Total Operating Expenses</b>	<b>\$ 1,218,806</b>	<b>\$ 1,249,332</b>	<b>\$ 30,526</b>	<b>2.50%</b>	<b>\$ 1,195,190</b>	<b>\$ (54,142)</b>	<b>-4.33%</b>	<b>\$ 1,417,914</b>	<b>\$ 222,723</b>	<b>18.63%</b>
<b>Total Direct Expenses</b>	<b>\$ 6,596,036</b>	<b>\$ 6,822,608</b>	<b>\$ 226,572</b>	<b>3.43%</b>	<b>\$ 7,014,875</b>	<b>\$ 192,267</b>	<b>2.82%</b>	<b>\$ 7,439,649</b>	<b>\$ 424,774</b>	<b>6.06%</b>
<b>Indirect Expenses</b>	\$ -	\$ 0	\$ (0)	-	\$ 0	\$ 0	0.00%	\$ -	\$ 424,774	-100.00%
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
<b>Total Expenses</b>	<b>\$ 6,596,036</b>	<b>\$ 6,822,608</b>	<b>\$ 226,572</b>	<b>3.43%</b>	<b>\$ 7,014,875</b>	<b>\$ 192,267</b>	<b>2.82%</b>	<b>\$ 7,439,649</b>	<b>\$ 849,548</b>	<b>6.06%</b>
<b>Change in Assets</b>	<b>\$ (221,566)</b>	<b>\$ (877,551)</b>	<b>\$ (655,985)</b>	<b>296.07%</b>	<b>\$ (67,805)</b>	<b>\$ 1,152,746</b>	<b>-92.27%</b>	<b>\$ (111,219)</b>	<b>\$ (468,188)</b>	<b>64.03%</b>
<b>Fixed Assets</b>										
Depreciation	\$ (93,493)	\$ (110,490)	\$ (16,997)	18.18%	\$ (113,805)	\$ (3,315)	3.00%	\$ (117,219)	\$ (3,414)	3.00%
Total Fixed Asset Purchases	29,239	82,814	53,575	183.23%	46,000	(36,814)	-44.45%	6,000	(40,000)	-86.96%
<b>Change in Fixed Assets</b>	<b>\$ 64,254</b>	<b>\$ 27,676</b>	<b>\$ (36,578)</b>	<b>-56.93%</b>	<b>\$ 67,805</b>	<b>\$ 40,129</b>	<b>144.99%</b>	<b>\$ 111,219</b>	<b>\$ 43,414</b>	<b>64.03%</b>
<b>TOTAL BUDGET</b>	\$ 6,531,782	\$ 6,794,932	\$ 263,150	# 4.03%	\$ 6,947,070	\$ 152,138	2.24%	\$ 7,328,430	\$ 806,134	5.49%
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (157,312)</b>	<b>\$ (849,875)</b>	<b>\$ (692,563)</b>	<b>440.25%</b>	<b>\$ -</b>	<b>\$ 1,192,875</b>	<b>-100.00%</b>	<b>\$ -</b>	<b>\$ (424,774)</b>	
FTEs	30.12	30.40	0.28	0.93%	31.40	1.00	3.29%	33.40	2.0	6.37%

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

### **2014 Business Plan and Budget**

<b>Member Services Activities</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	14.7	16.8	2.1
Direct Expenses	6,507,411	7,192,567	685,156
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	54,564	1,614	(52,950)
<b>Total Funding Requirement</b>	<b>6,561,975</b>	<b>7,194,181</b>	<b>632,206</b>

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

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

### **Members' Services Objectives**

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

### **Membership and Governance**

The FRCC's Members in the Member Services Division include investor-owned utilities, cooperative utilities, municipal utilities, power marketers and independent power producers. Current membership is 23 FRCC Members in 2013 and is not expected to change in 2014.

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

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

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

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

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

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

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

### **Resource Working Group**

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

### **Stability Working Group**

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

### **Transmission Working Group**

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

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

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

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

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

The FRCC RC function is accountable to the FRCC MS-OC who has overall responsibility of the administration, development and implementation of operating procedures provided by the ORS for the NERC Operations & Planning (Non-CIP) Standards. The FRCC CIPS Subcommittee reviews, implements and supports the FRCC Internal Compliance Program (ICP) for all CIP-002 through CIP-009 NERC Reliability Standards that affect the FRCC RC.

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

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

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

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

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

electric system reliability data from the operating entities on a real-time basis and allows the data to be made available.

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

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

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

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

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

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

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

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

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

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

## **Member Services Compliance Committee (MS-CC) Functional Scope**

The MS-CC responsibilities include serving as a forum for members to share, review and coordinate activities related to complying with Reliability Standards, identifying best practices for complying with Reliability Standards and providing input to the FRCC PA and RC functions for compliance with the Reliability Standards.

## **Member Services Compliance Monitoring & Training Subcommittee (MS-CMTS)**

The Member Services Compliance Monitoring & Training Subcommittee (MS-CMTS) reports to the MS-CC, and monitors, tracks and reports on the FRCC Reliability Coordinator (RC) and Planning Authority (PA) functions. The CMTS is responsible for supporting the maintenance of the FRCC Internal Compliance Program (ICP) as well as the Member Services compliance training activities.

## **Major 2014 Cost Impacts**

The FRCC's proposed 2014 Members Services budgeted expenses are \$7,455,995, which is a \$894,020 or 13.6% increase over the 2013 budgeted expenses. The cost impacts by function of this increase are:

### **Member Services Planning Committee (MS-PC)**

The Member Services Planning Committee (MS-PC) expenses for 2014 are made up of the MS-PC Committee budget, as well as the administrative costs to provide support personnel for implementation of the FRCC Planning Authority (PA) functions and all other Member Services PC activities. In 2014, staff will spend additional time enhancing FRCC planning studies to meet requirements of the proposed NERC Planning Standard and enhancing the FRCC's PA Internal Compliance Program.

The 2014 MS-PC budget is developed based on the activities of the Resource Working Group (RWG), the Stability Working Group (SWG) and the Transmission Working Group (TWG). These budgets are primarily for the labor involved in coordination activities performed by member representatives, software and meeting costs.

### **Member Services Operating Committee (MS-OC)**

The Member Services Operating Committee (MS-OC) expenses for 2014 are made up of a 2014 MS-OC budget as well as the administrative costs to provide support personnel for implementation of the FRCC Reliability Coordinator (RC) functions and other Member Services OC activities. In 2014, staff will spend additional time coordinating activities with member companies to ensure continued reliability and compliance with changing NERC Reliability Standards.

The 2014 MS-OC budget is developed based primarily on the activities of the Operating Reliability Subcommittee (ORS), the System Operator Subcommittee (SOS), the Telecommunications Subcommittee (TS), the Fuel Reliability Working Group (FRWG) and the Critical Infrastructure Protection Subcommittee (CIPS). These budgets are related to, or in support of both the FRCC Reliability Coordinator (RC) and Member Services entity's reliability functions and includes consulting costs, contract costs, computer software purchases and



expenses to support the associated activities. These budgets do not include FRCC staff salaries or associated personnel costs.

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

#### **Member Services Compliance Committee (MS-CC)**

The Member Services Compliance Committee (MS-CC) expenses for 2014 are primarily made up of the administrative costs to provide support personnel for coordination activities and meeting costs. These costs are split between and accounted for in the MS-PC and the MS-OC budgets. In addition, the MS-CC has formed a group to support MS Compliance Activities. This group is the Member Services Compliance Monitoring & Training Subcommittee (MS-CMTS).

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

- **Personnel Expenses** – The result of an increase of 2.12 FTE's in staffing, relocation for the additions and training and education for current staff.
- **Operating Expenses** – Increased costs estimated by the RC Agent for the RC Function and additional costs associated with being in the new space for a full year versus a partial year in 2013.

## 2013 Member Services Budget and Projection and 2014 Budget Comparisons

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>NON-STATUTORY MEMBER SERVICES</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	\$ 6,250,975	6,250,975	\$ -	\$ 6,916,762	\$ 665,787
Testing Fees	-	-	-	-	-
Services & Software	311,000	269,619	(41,381)	277,419	(33,581)
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 6,561,975</b>	<b>\$ 6,520,594</b>	<b>\$ (41,381)</b>	<b>\$ 7,194,181</b>	<b>\$ 632,206</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,828,681	\$ 1,895,155	\$ 66,474	\$ 2,108,824	\$ 280,143
Payroll Taxes	117,635	120,199	2,564	132,734	15,099
Benefits	237,308	274,904	37,596	350,795	113,487
Retirement Costs	257,534	264,650	7,116	328,267	70,733
<b>Total Personnel Expenses</b>	<b>\$ 2,441,158</b>	<b>\$ 2,554,908</b>	<b>\$ 113,750</b>	<b>\$ 2,920,620</b>	<b>\$ 479,462</b>
<b>Meeting Expenses</b>					
Meetings	\$ 15,410	\$ 15,580	\$ 170	\$ 37,515	\$ 22,105
Travel	78,424	68,396	(10,028)	63,716	(14,708)
Conference Calls	23,196	25,221	2,025	27,108	3,912
<b>Total Meeting Expenses</b>	<b>\$ 117,030</b>	<b>\$ 109,197</b>	<b>\$ (7,833)</b>	<b>\$ 128,339</b>	<b>\$ 11,309</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 3,015,722	\$ 2,869,104	\$ (146,618)	\$ 3,657,668	\$ 641,946
Office Rent	166,759	215,604	48,845	224,835	58,076
Office Costs	496,879	419,953	(76,926)	419,112	(77,767)
Professional Services	245,966	34,899	(211,067)	79,910	(166,056)
Miscellaneous	-	125,000	125,000	-	-
Depreciation	23,897	23,043	(854)	23,897	-
<b>Total Operating Expenses</b>	<b>\$ 3,949,223</b>	<b>\$ 3,687,603</b>	<b>\$ (261,620)</b>	<b>\$ 4,405,422</b>	<b>\$ 456,199</b>
<b>Total Direct Expenses</b>	<b>\$ 6,507,411</b>	<b>\$ 6,351,708</b>	<b>\$ (155,703)</b>	<b>\$ 7,454,381</b>	<b>\$ 946,970</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (261,814)</b>	<b>\$ (261,814)</b>
<b>Total Expenses</b>	<b>\$ 6,507,411</b>	<b>\$ 6,351,708</b>	<b>\$ (155,703)</b>	<b>\$ 7,192,567</b>	<b>\$ 685,156</b>
<b>Change in Assets</b>	<b>\$ 54,564</b>	<b>\$ 168,886</b>	<b>\$ 114,322</b>	<b>\$ 1,614</b>	<b>\$ 52,950</b>
<b>Fixed Assets</b>					
Depreciation	\$ (23,897)	\$ (23,043)	\$ 854	\$ (23,897)	\$ -
Total Fixed Asset Purchases	78,461	53,722	(24,739)	25,511	(52,950)
<b>Change in Fixed Assets</b>	<b>\$ (54,564)</b>	<b>\$ (30,679)</b>	<b>\$ 23,885</b>	<b>\$ (1,614)</b>	<b>\$ 52,950</b>
<b>TOTAL BUDGET</b>	<b>\$ 6,561,975</b>	<b>\$ 6,382,387</b>	<b>\$ (179,588)</b>	<b>\$ 7,194,181</b>	<b>\$ 632,206</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ 138,207</b>	<b>\$ 138,207</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	14.72	15.07	0.35	16.84	2.12

Section C — 2014 Non-Statutory Business Plan and Budget

**Personnel Analysis**

Total FTE's by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs <sup>1</sup> 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
<b>NON-STATUTORY</b>						
<b>Operational Programs</b>						
Operations Committee	8.38	9.09		10.48	10.48	2.10
Planning Committee	3.00	3.03		3.27	3.27	0.27
<b>Total FTEs Operational Programs</b>	<b>11.38</b>	<b>12.12</b>	<b>0.00</b>	<b>13.75</b>	<b>13.75</b>	<b>2.37</b>
<b>Administrative Programs</b>						
General & Administrative	3.34	2.95		3.09	3.09	-0.25
<b>Total FTEs Administrative Programs</b>	<b>3.34</b>	<b>2.95</b>	<b>0.00</b>	<b>3.09</b>	<b>3.09</b>	<b>-0.25</b>
<b>Total FTEs</b>	<b>14.72</b>	<b>15.07</b>	<b>0.00</b>	<b>16.84</b>	<b>16.84</b>	<b>2.12</b>

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

## Member Services Reserve Analysis — 2013–2014

Working Capital Reserve Analysis 2013-2014	
NON-STATUTORY MEMBER SERVICES	
Beginning Working Capital Reserve (Deficit), December 31, 2012	744,940
	2013 Funding (from members) 6,250,975
	2013 Projected Other funding sources 269,619
<b>Total Cash Available 2013</b>	<b>7,265,534</b>
Cash Needed 2012	
Less: '2013 Projected expenses & capital expenditures	<b>(6,382,387)</b>
<b>Projected Working Capital Reserve Surplus/(Deficit), December 31, 2013</b>	<b>883,147</b>
Desired Working Capital Reserve, December 31, 2014	<sup>1</sup> 621,333
Less: Projected Working Capital Reserve, December 31, 2013	<b>(883,147)</b>
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>(261,814)</b>
2014 Funding for Expenses and Capital Expenditures	7,194,181
Less: Other Funding Sources	<b>(277,419)</b>
Adjustment to achieve desired Working Capital Reserve	<b>(261,814)</b>
<b>2014 Funding (reserve adjustment)</b>	<b>6,654,948</b>

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

## **Section D – Additional Consolidated Financial Statements**

### **2014 Business Plan and Budget**

Section D — 2014 Additional Consolidated Financial Information

Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement							Non-Statutory Functions						
				Statutory Total	Reliability Standards Development (Section 300)	Compliance Monitoring and Org Reg % Cert(Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Non-Statutory Total	Operating Committee	Planning Committee				
<b>Funding</b>																	
<b>ERO Funding</b>																	
ERO Assessments	\$ 5,488,057	\$ 5,488,057	\$ -	\$ 5,488,057	\$ 387,520	\$ 4,458,040	\$ 1,300,196	\$ 173,812	\$ 18,365	\$ (849,875)	\$ -	\$ -	\$ -				
Penalty Sanctions	343,000	343,000	-	343,000	22,072	244,311	67,103	8,499	1,015	-	-	-	-				
<b>Total ERO Funding</b>	<b>5,831,057</b>	<b>5,831,057</b>	<b>-</b>	<b>5,831,057</b>	<b>409,591</b>	<b>4,702,351</b>	<b>1,367,299</b>	<b>182,310</b>	<b>19,380</b>	<b>(849,875)</b>	<b>-</b>	<b>-</b>	<b>-</b>				
Membership Dues	\$ 6,916,762	\$ -	\$ 6,916,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,916,762	\$ 6,136,421	\$ 780,341				
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-				
Services & Software	301,419	24,000	277,419	24,000	-	-	24,000	-	-	-	277,419	277,419	-				
Workshops	90,000	90,000	-	90,000	-	-	-	90,000	-	-	-	-	-				
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-				
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-				
<b>Total Funding</b>	<b>\$ 13,139,238</b>	<b>\$ 5,945,057</b>	<b>\$ 7,194,181</b>	<b>\$ 5,945,057</b>	<b>\$ 409,591</b>	<b>\$ 4,702,351</b>	<b>\$ 1,391,299</b>	<b>\$ 272,310</b>	<b>\$ 19,380</b>	<b>\$ (849,875)</b>	<b>\$ 7,194,181</b>	<b>\$ 6,413,840</b>	<b>\$ 780,341</b>				
<b>Expenses</b>																	
<b>Personnel Expenses</b>																	
Salaries	\$ 5,915,455	\$ 3,806,631	\$ 2,108,824	\$ 3,806,631	\$ 217,880	\$ 2,411,701	\$ 662,404	\$ 83,896	\$ 10,017	\$ 420,733	\$ 2,108,824	\$ 1,606,810	\$ 502,014				
Payroll Taxes	372,333	239,599	132,734	239,599	13,714	151,798	41,693	5,281	631	26,482	132,734	101,136	31,598				
Benefits	1,008,050	657,255	350,795	657,255	33,809	452,812	99,378	11,616	1,387	58,253	350,795	275,623	75,172				
Retirement Costs	931,148	602,881	328,267	602,881	34,595	382,958	105,185	13,325	1,591	65,227	328,267	250,122	78,145				
<b>Total Personnel Expenses</b>	<b>\$ 8,226,986</b>	<b>\$ 5,306,366</b>	<b>\$ 2,920,620</b>	<b>\$ 5,306,366</b>	<b>\$ 299,998</b>	<b>\$ 3,399,269</b>	<b>\$ 908,660</b>	<b>\$ 114,118</b>	<b>\$ 13,626</b>	<b>\$ 570,695</b>	<b>\$ 2,920,620</b>	<b>\$ 2,233,691</b>	<b>\$ 686,929</b>				
<b>Meeting Expenses</b>																	
Meetings	\$ 118,445	\$ 80,930	\$ 37,515	\$ 80,930	\$ 2,080	\$ 4,915	\$ 6,674	\$ 67,248	\$ 13	\$ -	\$ 37,515	\$ 33,895	\$ 3,620				
Travel	230,925	167,209	63,716	167,209	24,913	92,966	43,265	5,996	69	-	63,716	54,514	9,202				
Conference Calls	45,879	18,771	27,108	18,771	174	4,565	8,543	5,481	8	-	27,108	21,235	5,873				
<b>Total Meeting Expenses</b>	<b>\$ 395,249</b>	<b>\$ 266,910</b>	<b>\$ 128,339</b>	<b>\$ 266,910</b>	<b>\$ 27,167</b>	<b>\$ 102,446</b>	<b>\$ 58,482</b>	<b>\$ 78,725</b>	<b>\$ 90</b>	<b>\$ -</b>	<b>\$ 128,339</b>	<b>\$ 109,644</b>	<b>\$ 18,695</b>				
<b>Operating Expenses</b>																	
Consultants & Contracts	\$ 4,006,436	\$ 348,768	\$ 3,657,668	\$ 348,768	\$ 4,529	\$ 119,235	\$ 192,989	\$ 29,259	\$ 209	\$ 2,547	\$ 3,657,668	\$ 3,611,978	\$ 45,690				
Office Rent	779,924	555,089	224,835	555,089	23,230	406,366	70,623	8,945	1,068	44,857	224,835	171,312	53,523				
Office Costs	537,455	118,343	419,112	118,343	6,324	69,926	13,480	22,610	2,162	3,841	419,112	403,743	15,369				
Professional Services	196,552	116,642	79,910	116,642	7,482	83,069	22,829	2,916	346	-	79,910	60,832	19,078				
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-				
Depreciation	134,387	110,490	23,897	110,490	852	101,598	3,376	590	2,431	1,643	23,897	18,886	5,011				
<b>Total Operating Expenses</b>	<b>\$ 5,654,754</b>	<b>\$ 1,249,332</b>	<b>\$ 4,405,422</b>	<b>\$ 1,249,332</b>	<b>\$ 42,417</b>	<b>\$ 780,194</b>	<b>\$ 303,297</b>	<b>\$ 64,320</b>	<b>\$ 6,216</b>	<b>\$ 52,888</b>	<b>\$ 4,405,422</b>	<b>\$ 4,266,751</b>	<b>\$ 138,671</b>				
<b>Total Direct Expenses</b>	<b>\$ 14,276,989</b>	<b>\$ 6,822,608</b>	<b>\$ 7,454,381</b>	<b>\$ 6,822,608</b>	<b>\$ 369,582</b>	<b>\$ 4,281,909</b>	<b>\$ 1,270,439</b>	<b>\$ 257,163</b>	<b>\$ 19,932</b>	<b>\$ 623,583</b>	<b>\$ 7,454,381</b>	<b>\$ 6,610,086</b>	<b>\$ 844,295</b>				
Indirect Expenses	-	-	-	-	40,021	442,994	121,674	15,410	1,840	(621,940)	-	-	-				
Other Non-Operating Expenses	(261,814)	-	(261,814)	-	-	-	-	-	-	-	(261,814)	(199,625)	(62,189)				
<b>Total Expenses</b>	<b>\$ 14,015,175</b>	<b>\$ 6,822,608</b>	<b>\$ 7,192,567</b>	<b>\$ 6,822,608</b>	<b>\$ 409,603</b>	<b>\$ 4,724,903</b>	<b>\$ 1,392,113</b>	<b>\$ 272,573</b>	<b>\$ 21,772</b>	<b>\$ 1,643</b>	<b>\$ 7,192,567</b>	<b>\$ 6,410,461</b>	<b>\$ 782,106</b>				
<b>Change in Assets</b>	<b>\$ (875,937)</b>	<b>\$ (877,551)</b>	<b>\$ 1,614</b>	<b>\$ (877,551)</b>	<b>\$ (12)</b>	<b>\$ (22,552)</b>	<b>\$ (814)</b>	<b>\$ (263)</b>	<b>\$ (2,392)</b>	<b>\$ (851,518)</b>	<b>\$ 1,614</b>	<b>\$ 3,379</b>	<b>\$ (1,765)</b>				
<b>Fixed Assets</b>																	
Depreciation	\$ (134,387)	\$ (110,490)	\$ (23,897)	\$ (110,490)	\$ (852)	\$ (101,598)	\$ (3,376)	\$ (590)	\$ (2,431)	\$ (1,643)	\$ (23,897)	\$ (18,886)	\$ (5,011)				
Total Fixed Asset Purchases	108,325	82,814	25,511	82,814	840	79,046	2,562	327	39	-	25,511	22,265	3,246				
<b>Change in Fixed Assets</b>	<b>\$ 26,062</b>	<b>\$ 27,676</b>	<b>\$ (1,614)</b>	<b>\$ 27,676</b>	<b>\$ 12</b>	<b>\$ 22,552</b>	<b>\$ 814</b>	<b>\$ 263</b>	<b>\$ 2,392</b>	<b>\$ 1,643</b>	<b>\$ (1,614)</b>	<b>\$ (3,379)</b>	<b>\$ 1,765</b>				
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ (849,875)</b>	<b>\$ (849,875)</b>	<b>\$ -</b>	<b>\$ (849,875)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ (849,875)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				

## Statement of Financial Position

**Statement of Financial Position**  
**2012 Audited, 2013 Projection, 2014 Budget and 2015 Projected**

**STATUTORY and NON-STATUTORY**

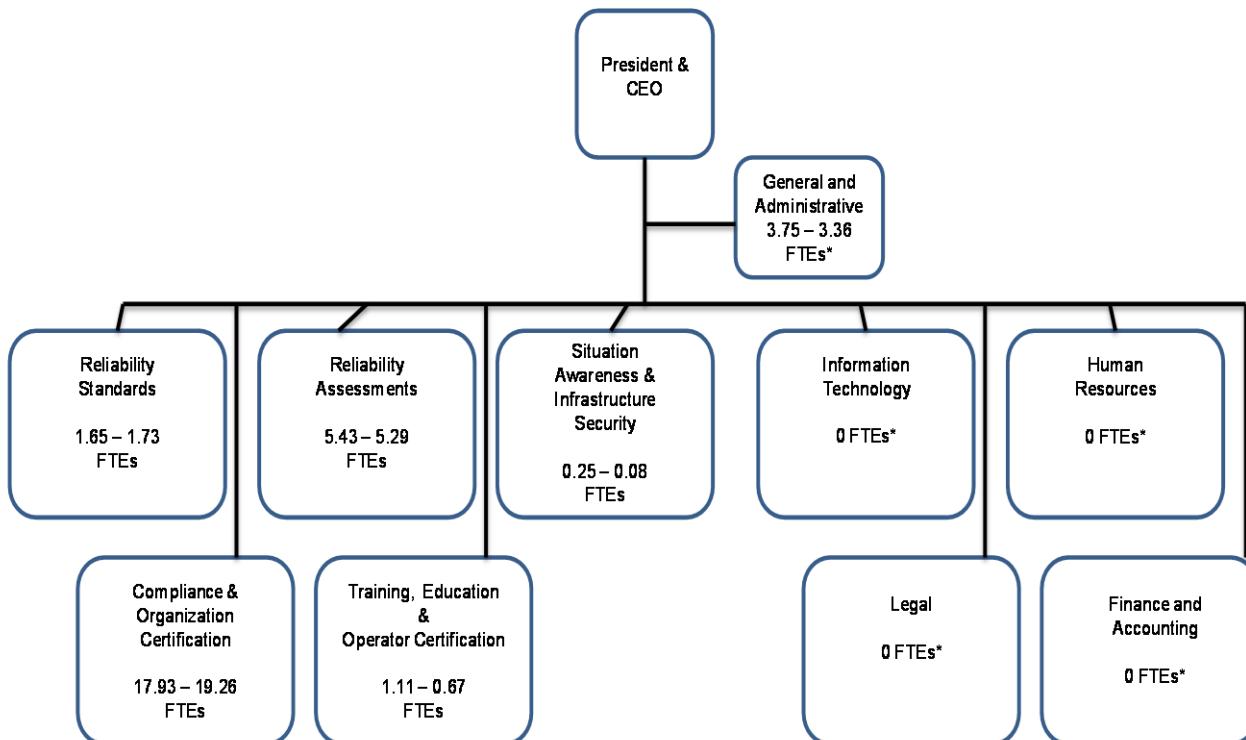
	(Per Audit) 12/31/2012	Projected 12/31/2013	Budget 12/31/2014	Projected 12/31/2015
<b>ASSETS</b>				
Cash	4,693,041	3,320,545	3,085,120	3,039,824
Accounts receivable	2,640,236	2,740,236	2,940,236	3,140,236
Other receivables	-	-	-	-
Prepaid expenses and other current assets	14,477	15,000	15,000	15,000
Other Assets	151,388	150,000	150,000	150,000
Property and equipment (net of depreciation)	278,483	300,000	300,000	300,000
Total Assets	<b>7,777,625</b>	<b>6,525,781</b>	<b>6,490,356</b>	<b>6,645,060</b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable and accrued expenses	1,223,329	1,751,275	1,800,000	1,900,000
Deferred income	3,055,986	3,186,955	3,521,719	3,611,472
Compliance Penalty Assessment	544,500	-	-	-
Accrued postretirement benefits obligation	841,167	883,225	927,387	973,756
Total Liabilities	<b>5,664,982</b>	<b>5,821,455</b>	<b>6,249,105</b>	<b>6,485,227</b>
Net Assets - unrestricted	2,112,643	812,360	-	-
Total Liabilities and Net Assets	<b>7,777,625</b>	<b>6,633,815</b>	<b>6,249,105</b>	<b>6,485,227</b>

**Statutory Organizational Chart**

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

2013 Budgeted FTEs 30.12

2014 Budgeted FTEs 30.40



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



**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 4**

**MIDWEST RELIABILITY ORGANIZATION**

**PROPOSED 2014 BUSINESS PLAN AND BUDGET**

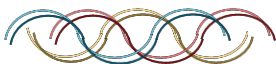


# MIDWEST RELIABILITY ORGANIZATION

## 2014 Business Plan and Budget

**Approved by:  
MRO Board of Directors**

**Date  
June 27, 2013**



---

---

## **Table of Contents**

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

---

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

## Summary of Financials and Resources

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

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

### 1. Organizational Overview

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

## 2. *Governance*

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

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

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

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

In addition, the Board has four standing committees:

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

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

## 3. *Statutory Functional Scope*

The primary purposes of MRO are to:

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

---

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

[http://www.midwestreliability.org/01\\_about\\_mro/overview/policies\\_procedures/PP3\\_%20Organizational%20Groups.pdf](http://www.midwestreliability.org/01_about_mro/overview/policies_procedures/PP3_%20Organizational%20Groups.pdf)

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

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

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

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

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

#### ***4. Budget, Accounting, and Recordkeeping***

##### **Budgeting**

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

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

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

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

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

#### **Accounting and Recordkeeping**

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

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

#### **5. *Organizational Structure and Staffing***

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



costs by NERC account.

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

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

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

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

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

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

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

## **6. *Financial Controls and Expense Approval***

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

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

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

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

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

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

**7. *Compensation Process***

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

**8. *Other Personnel Costs and Policies***

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

**9. *2014 Key Assumptions***

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

**10. *2014 Goals and Key Deliverables***

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

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

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

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

### **Long-Term Business Planning**

NERC and the Regional Entities are actively working together to improve the overall business planning and budgeting process, including long-term resource and financial planning. The 2014 Business Plan and Budget process included numerous face-to-face meetings, conference calls and exchanges of documentation among senior management and staff of NERC and Regional Entities regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness, including factors affecting resource needs beyond the 2014 planning horizon. As an important first step in the development of a long-term business plan and budgeting process, the Common Business Plan and Budget Assumptions attached as Exhibit A in the NERC 2014 Business Plan and Budget incorporate assumptions affecting resource demands through the 2016 planning horizon. NERC and the Regional Entities continue to work together to develop, strengthen and improve an integrated long-term business plan and budget that leverages and builds on the combined strengths and resources of NERC and the Regional Entities to improve the overall effectiveness and efficiency of operations.

### **11. 2014 Overview of Cost Impacts**

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

### **Operational Programs**

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

### **Standards and Organization Registration and Certification**

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

### **Compliance Monitoring and Enforcement Program**

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

#### **Compliance**

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

### **Risk Assessment and Mitigation**

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

### **Enforcement**

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

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

### **Reliability Assessment and Performance Analysis**

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

### **Training and Education**

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

### **Situation Awareness & Infrastructure Security Program**

#### **Situation Awareness**

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

### **Infrastructure Security Program**

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

### **Administrative Programs**

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

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

#### **General and Administrative**

The 2014 Budget includes no change in travel dollars, reflecting a stable trend of expense reimbursements for the MRO Board of Directors.

The 2014 Budget has no change in professional service expenses for the costs for independent MRO board members.

#### **Information Technology**

In 2014 MRO will continue to maintain the security of its IT systems and information, along with addressing any recommendations from external and internal evaluations. MRO uses independent third parties to provide periodic assessments of its infrastructure security. MRO subscribes to compliance and standards applications from a third party vendor; these applications are subject to independent third party audits and reside on a secure platform.

Greater efficiencies are budgeted with this third party vendor as additional regions expand the common IT platform increasing scale and reducing costs by spreading costs across the increased number of participating regions.

#### **Legal and Regulatory**

For 2014, MRO overall legal and regulatory costs will decrease due to the elimination of outside legal contingency dollars.

#### **Accounting / Human Resources**

##### ***Personnel Costs - Employee Paid Benefits***

The 2014 Budget has an increase in the number of FTEs from 3.01 to 3.30. The additional staff came from increased use of administrative support. MRO's overall FTE staffing has increased from 20.00 in 2007 to 40.75 in 2014 Budget. MRO does not include attrition/vacancy assumptions in personnel cost projections. In addition, the budget includes a slight decrease in building, rent and facilities costs to reflect stable lease costs in 2014 (MRO moved to new facilities in April 2012).

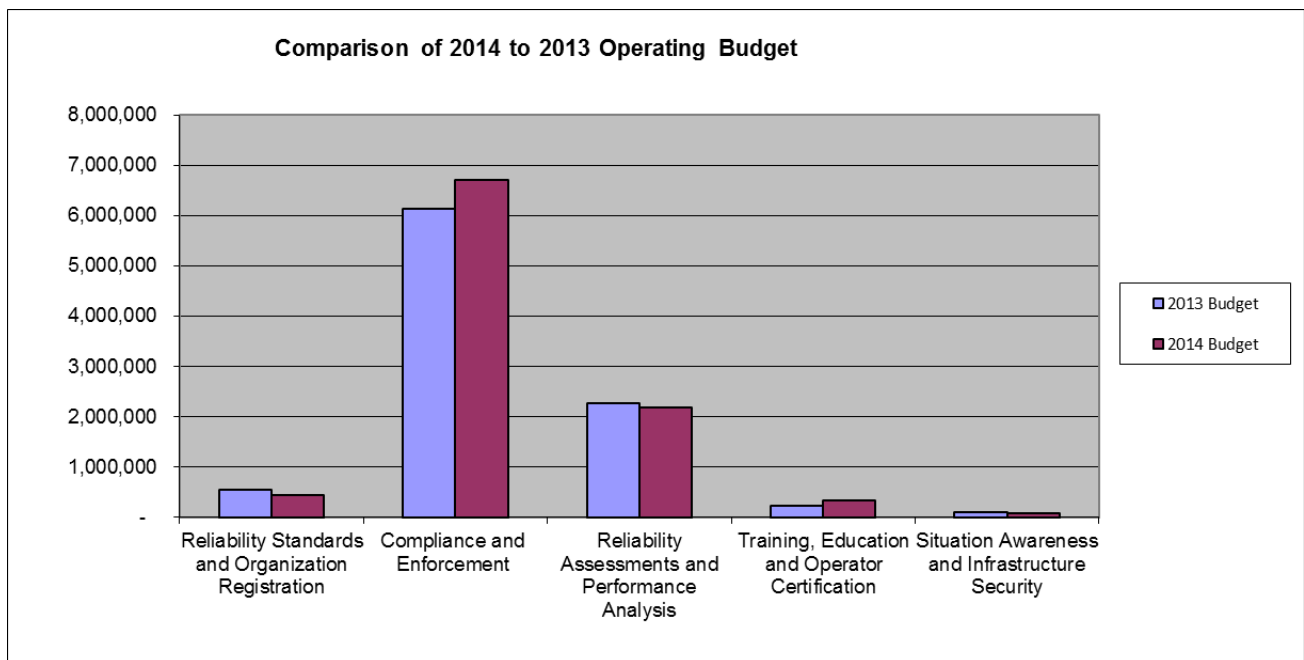
## Facility Impacts

MRO staff was given the authority to seek alternative facilities to address MRO's growing need for additional space for the higher number of FTEs and provide more opportunities to host meetings. The 2014 Budget continues to reflect lower per meeting costs with the new facility due to elimination of meeting room and audio visual rentals as well as lower catering costs.

## Other Non-Operating Expenses

None

Program	2013 Budget	2013 Projection	2014 Budget	Variance 2014 Budget v 2013 Budget	% of Change
Reliability Standards and Organization Registration	\$ 543,603	\$ 543,603	\$ 435,358	\$ (108,244)	-19.91%
Compliance Enforcement	6,135,726	6,135,726	6,697,593	561,868	9.16%
Reliability Assessments and Performance Analysis	2,277,446	2,277,446	2,194,427	(83,019)	-3.65%
Training, Education and Operator Certification	229,419	229,419	333,137	103,718	45.21%
Situation Awareness and Infrastructure Security	97,348	97,348	84,283	(13,065)	-13.42%
<b>TOTAL BUDGET</b>	<b>\$ 9,283,541</b>	<b>\$ 9,283,541</b>	<b>\$ 9,744,799</b>	<b>\$ 461,258</b>	<b>4.97%</b>



## Introduction

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs 2014 Budget <sup>1</sup>	Total FTEs 2014 Budget	Change from 2013 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards and Organization and Certification	1.51	1.51	1.17		1.17	(0.34)
Compliance	10.42	10.42	11.16		11.16	0.74
Compliance Risk Assessment and Mitigation	5.71	5.71	6.31		6.31	0.60
Compliance Enforcement	2.86	2.86	3.79		3.79	0.93
Training and Education	0.27	0.27	0.65		0.65	0.38
Reliability Assessment and Performance Analysis	6.68	6.68	6.49		6.49	(0.19)
Situation Awareness and Infrastructure Security	0.30	0.30	0.22		0.22	(0.08)
<b>Total FTEs Operational Programs</b>	<b>27.75</b>	<b>27.75</b>	<b>29.79</b>	<b>-</b>	<b>29.79</b>	<b>2.04</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	1.35	1.35	1.66		1.66	0.31
General & Administrative	1.32	1.32	1.94		1.94	0.62
Legal and Regulatory	1.22	1.22	0.93		0.93	(0.29)
Information Technology	3.10	3.10	3.13		3.13	0.03
Human Resources	-	-	-		-	-
Finance and Accounting	3.01	3.01	3.30		3.30	0.29
<b>Total FTEs Administrative Programs</b>	<b>10.00</b>	<b>10.00</b>	<b>10.96</b>	<b>-</b>	<b>10.96</b>	<b>0.96</b>
<b>Total FTEs</b>	<b>37.75</b>	<b>37.75</b>	<b>40.75</b>	<b>-</b>	<b>40.75</b>	<b>3.00</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>STATUTORY</b>					
	<b>2013 Budget</b>	<b>2013 Projection</b>	<b>Variance 2013 Projection v 2013 Budget Over(Under)</b>	<b>2014 Budget</b>	<b>Variance 2014 Budget v 2013 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 9,098,927	\$ 9,098,927	\$ -	\$ 8,741,444	\$ (357,483)
Penalty Sanctions	14,000	14,000	-	136,500	122,500
<b>Total NERC Funding</b>	<b>\$ 9,112,927</b>	<b>\$ 9,112,927</b>	<b>\$ -</b>	<b>\$ 8,877,944</b>	<b>\$ (234,983)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 9,112,927</b>	<b>\$ 9,112,927</b>	<b>\$ -</b>	<b>\$ 8,877,944</b>	<b>\$ (234,983)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 4,772,320	\$ 4,772,320	\$ -	\$ 5,178,538	\$ 406,218
Payroll Taxes	312,394	312,394	-	339,154	26,760
Benefits	394,086	394,086	-	412,222	18,136
Retirement Costs	833,228	833,228	-	968,920	135,692
<b>Total Personnel Expenses</b>	<b>\$ 6,312,028</b>	<b>\$ 6,312,028</b>	<b>\$ -</b>	<b>\$ 6,898,834</b>	<b>\$ 586,806</b>
<b>Meeting Expenses</b>					
Meetings	\$ 132,464	\$ 132,464	\$ -	\$ 100,514	\$ (31,950)
Travel	630,765	630,765	-	598,900	(31,865)
Conference Calls	41,700	41,700	-	-	(41,700)
<b>Total Meeting Expenses</b>	<b>\$ 804,929</b>	<b>\$ 804,929</b>	<b>\$ -</b>	<b>\$ 699,414</b>	<b>\$ (105,515)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 573,100	\$ 573,100	\$ -	\$ 543,100	\$ (30,000)
Office Rent	528,827	528,827	-	524,827	(4,000)
Office Costs	428,304	428,304	-	503,124	74,820
Professional Services	246,500	246,500	-	205,000	(41,500)
Miscellaneous	-	-	-	-	-
Depreciation	305,665	305,665	-	471,000	165,335
<b>Total Operating Expenses</b>	<b>\$ 2,082,396</b>	<b>\$ 2,082,396</b>	<b>\$ -</b>	<b>\$ 2,247,051</b>	<b>\$ 164,655</b>
<b>Total Direct Expenses</b>	<b>\$ 9,199,353</b>	<b>\$ 9,199,353</b>	<b>\$ -</b>	<b>\$ 9,845,299</b>	<b>\$ 645,946</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 9,199,353</b>	<b>\$ 9,199,353</b>	<b>\$ -</b>	<b>\$ 9,845,299</b>	<b>\$ 645,946</b>
<b>Change in Assets</b>	<b>\$ (86,426)</b>	<b>\$ (86,426)</b>	<b>\$ -</b>	<b>\$ (967,355)</b>	<b>\$ (880,929)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (305,665)	\$ (305,665)	\$ -	\$ (471,000)	\$ (165,335)
Computer & Software CapEx	339,851	339,851	-	320,500	(19,351)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-
Allocation of Fixed Assets	-	-	-	-	0
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>84,186</b>	<b>84,186</b>	<b>-</b>	<b>(100,500)</b>	<b>(184,686)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 9,283,539</b>	<b>\$ 9,283,539</b>	<b>\$ -</b>	<b>\$ 9,744,799</b>	<b>\$ 461,260</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (170,612)</b>	<b>\$ (170,612)</b>	<b>\$ -</b>	<b>\$ (866,855)</b>	<b>\$ (696,243)</b>
<b>FTEs</b>	37.75	37.75	-	40.75	3.00





---

## **Section A – Statutory Programs**

### **2014 Business Plan and Budget**

---

## Section A — Statutory Programs

### 1. Reliability Standards, Organization Registration and Certification Program

<b>Reliability Standards, Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.51	1.17	(0.34)
Direct Expenses	\$ 340,889	\$ 279,428	\$ (61,461)
Indirect Expenses	\$ 198,132	\$ 159,877	\$ (38,254)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 4,581	\$ (3,947)	\$ (8,528)
Total Funding Requirement	\$ 543,603	\$ 435,358	\$ (108,244)

Starting in calendar year 2013 MRO has consolidated Standards and Organization Registration and Certification into one department.

#### ***Program Scope and Functional Description***

NERC uses stakeholder-driven processes consistent with the Rules of Procedure to develop and maintain Reliability Standards that apply to bulk electric system owners, operators, and users and that enable NERC and Regional Entities to measure the reliability performance of bulk electric system owners, operators and users; and to hold them accountable for reliable operation of the bulk electric systems. The Reliability Standards must be technically sound, timely, just, reasonable, not unduly discriminatory or preferential, in the public interest, and consistent with other applicable requirements.

MRO supports NERC standards development through its Standards Committee. Organization Registration criteria and requirements are approved by NERC and the Commission in the United States, and MRO staff carries out those responsibilities through its Delegation Agreement with NERC. Registration is documented by MRO and incorporated into the overall NERC Registry. MRO staff registers all known entities (owners, operators, and users) subject to the Reliability Standards and revises the Registered Entity list as required under the Rules of Procedure.

MRO will work with NERC on development of common and consistent registration processes, information systems and methods among regions. MRO will use NERC's revised certification Rules which will require technical training to be developed by NERC.

#### ***2014 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Standards Program can be located

in the Key Assumptions section of Exhibit A in NERC’s 2014 Business Plan and Budget.

MRO utilizes a balanced stakeholder Standards Committee (“SC”) to administer the regional standards program, educate stakeholders about the application of Reliability Standards, and provide regional input to the NERC Standards development efforts. The SC is charged with the following responsibilities:

- Recommend to the MRO Board regional representatives for NERC standards development and drafting related working groups and committees
- Promote coordination of MRO’s efforts with other Regional Entities and NERC, including a periodic review of NERC Reliability Standards and their applicability to those subject to the Reliability Standards
- Provide non-binding assistance to stakeholders in understanding the application of continent-wide Reliability Standards and the types of evidence needed to demonstrate compliance through examples
- Identify pools of subject-matter experts (SMEs) in the industry to assist in the development of application guides
- Oversee the development of application guides for NERC Reliability Standards
- Review frequently occurring compliance violations to determine if there are any additional application guidelines that are needed or additional changes to standards or request interpretations
- Provide education and training on effectively demonstrating compliance to stakeholders through webinars, emails, conference calls, presentations or workshops
- Provide recommendations to the NERC standing committees or other working groups as required
- Provide comments and voting positions on NERC-proposed standards interpretations and compliance application notice from MRO stakeholders
- Where necessary, assure regional Reliability Standards are consistent with continent-wide Reliability Standards
- Process all requests for new or modifications to Reliability Standards
- Maintain MRO Reliability Standards process documentation
- Assign the development of a regional Reliability Standard to a drafting team
- Present new, or modifications to, regional Reliability Standards for adoption by the MRO Board upon recommendation from the SC

In supporting the work of the SC, MRO staff monitors the NERC Standards development efforts and facilitates the efforts of the SC and its subgroups to provide input in a coordinated manner. Staff also ensures the regional processes are followed for the regional standards development. Currently, MRO has no regional standards under development and does not anticipate any Standards Authorization Request (SAR) submittals in the future.

The SC is committed to developing and delivering training to industry stakeholders on meeting the obligations and requirements of existing, new, or emerging Reliability Standards. In support of the SC’s commitment, MRO staff provides input to the SME teams in developing their training tools and reviews the Application Guidance documents and presentations. In addition, MRO staff helps manage all SME team projects and provides technical support. MRO staff appreciates the SME teams sharing their technical expertise and knowledge to improve power

system reliability for all.

MRO staff and stakeholders provide technical advice and comment to NERC when developing Reliability Standards applicable across North America and the Eastern Interconnection. MRO staff and Registered Entities participate in NERC and MRO standards drafting teams, hold meetings and conferences to discuss standards, and actively work with NERC on its standards development plan.

NERC's Four Year Standards Development Plan, included in NERC's 2014 Business Plan and Budget as Exhibit A, supports the significant effort required by MRO to participate in standards development.

### **Organization Registration**

- 2014 Variance: no material changes
- Workload associated with maintaining the registry will continue
- Pre-June 18, 2007 voluntary program (28 participants/255 functions)
- June 18, 2007 mandatory implementation (110 Registered Entities/432 functions)
- March 2012 (125 Registered Entities/502 functions)
- Registration is an ongoing assignment
- Continue to inventory generator facilities and transmission elements that meet NERC Criteria of Registration
- Joint Registration Organization (JRO) maintenance
- Coordinated Registration Organization (CFR) development and maintenance
- Modify registry if it is discovered an entity meets additional functional criteria through compliance monitoring processes
- Continue to obtain and review system one-line diagrams, maps, and agreements used to identify owners and operators of the Bulk Electric System
- Continue to manage overall registry by having a staff person directly assigned to this task

### **Organization Certification**

- 2014 Variance: no material changes.
- Work performed to certify additional functions with Registered Entities, and work performed to certify new Registered Entities, are expected to continue. The equivalent rate or amount of work is expected to "hold steady" in 2014 (no change).

### ***2014 Goals and Key Deliverables***

- Provide comments and support to other NERC and MRO SC activities
- Work with NERC to improve interpretation of existing Reliability Standards
- Work with NERC to improve the timeliness of Reliability Standards development
- Comment on all NERC Standards Authorization Requests (SAR) and draft standards
- Communicate with stakeholders and vote on all NERC Standards
- Support and inform MRO SC and Board of standards-related activities
- Participate on various NERC committees and subgroups

- MRO SME teams and staff train and educate Registered Entities on the application of standards by participating in MRO workshops (costs are captured in Training and Education)

***Funding Sources and Requirements — Explanation of Increase (Decrease)***

For 2014, MRO will maintain relatively flat staffing levels in the Standards and Organization Registration and Certification area even though in 2013 MRO staff consolidated Standards and Organization Registration and Certification into one department. Since Standards are primarily an industry activity, MRO has leveraged staff from Registered Entities in drafting teams and in other areas to gain more subject matter expertise applied to the standards process. While MRO reimburses travel expenses for approved representatives, there are staff cost savings.

***Funding Sources (Other than ERO Assessments)***

Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page 60.

***Personnel Expenses***

- MRO continues to facilitate additional technical resources from the industry in drafting teams and in other areas to augment staff involvement, which has resulted in a relatively stabilized number of FTEs. MRO reimburses travel expenses for stakeholder participation.
- The 2014 budgeted salaries is relatively flat when compared to the 2013 budget, with a slight decrease in FTEs as MRO staff is shifted in response to realigning staff in the program areas.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

***Meeting Expenses***

- 2014 Meeting expenses will be reduced from the 2013 Budget. The reduction is a reflection of lower meeting costs by using the new facility. The 2014 member travel reimbursement will remain at the same level.
- 2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

***Operating Expenses***

- 2014 Consultant and Contract costs will remain at the same level as the 2013 Budget.
- 2014 Office costs will decrease in departments maintaining certifications by leveraging training to satisfy multiple certification requirements.

***Indirect Expenses***

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is a decrease in the indirect expenses for 2014 as a result of a lower percentage of total FTEs in the direct programs.

***Other Non-Operating Expenses***

N/A

***Fixed Asset Additions***

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

## Reliability Standards and Organization Registration and Certification Program

Funding sources and related expenses for the Reliability Standards section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>RELIABILITY STANDARDS AND ORGANIZATIONAL REGISTRATION</b>					
	<b>2013</b>	<b>2013</b>	<b>Variance</b>	<b>2014</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2013 Projection</b>	<b>Budget</b>	<b>2014 Budget</b>
			<b>v 2013 Budget</b>		<b>v 2013 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 542,840	\$ 542,840	\$ -	\$ 429,997	\$ (112,843)
Penalty Sanctions	762	762	-	5,361	4,599
<b>Total NERC Funding</b>	<b>\$ 543,602</b>	<b>\$ 543,602</b>	<b>\$ -</b>	<b>\$ 435,358</b>	<b>\$ (108,243)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 543,602</b>	<b>\$ 543,602</b>	<b>\$ -</b>	<b>\$ 435,358</b>	<b>\$ (108,243)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 210,558	\$ 210,558	\$ -	\$ 175,057	\$ (35,501)
Payroll Taxes	12,362	12,362	-	9,981	(2,381)
Benefits	15,154	15,154	-	12,129	(3,025)
Retirement Costs	32,835	32,835	-	34,167	1,332
<b>Total Personnel Expenses</b>	<b>\$ 270,909</b>	<b>\$ 270,909</b>	<b>\$ -</b>	<b>\$ 231,334</b>	<b>\$ (39,575)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 7,500	\$ 7,500	\$ -	\$ 4,000	\$ (3,500)
Travel	28,900	28,900	-	28,900	-
Conference Calls	15,000	15,000	-	-	(15,000)
<b>Total Meeting Expenses</b>	<b>\$ 51,400</b>	<b>\$ 51,400</b>	<b>\$ -</b>	<b>\$ 32,900</b>	<b>\$ (18,500)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 12,000	\$ 12,000	\$ -	\$ 12,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,580	6,580	-	3,194	(3,386)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 18,580</b>	<b>\$ 18,580</b>	<b>\$ -</b>	<b>\$ 15,194</b>	<b>\$ (3,386)</b>
<b>Total Direct Expenses</b>	<b>\$ 340,889</b>	<b>\$ 340,889</b>	<b>\$ -</b>	<b>\$ 279,428</b>	<b>\$ (61,461)</b>
<b>Indirect Expenses</b>	<b>\$ 198,132</b>	<b>\$ 198,132</b>	<b>\$ -</b>	<b>\$ 159,877</b>	<b>\$ (38,254)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 539,021</b>	<b>\$ 539,021</b>	<b>\$ -</b>	<b>\$ 439,305</b>	<b>\$ (99,715)</b>
<b>Change in Assets</b>	<b>\$ 4,581</b>	<b>\$ 4,581</b>	<b>\$ -</b>	<b>\$ (3,947)</b>	<b>\$ (8,528)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 4,581	4,581	-	(3,947)	(8,528)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>4,581</b>	<b>4,581</b>	<b>-</b>	<b>(3,947)</b>	<b>(8,528)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 543,602</b>	<b>\$ 543,602</b>	<b>\$ -</b>	<b>\$ 435,358</b>	<b>\$ (108,243)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>1.51</b>	<b>1.51</b>	<b>-</b>	<b>1.17</b>	<b>(0.34)</b>

## 2. Compliance Monitoring and Enforcement Program (CMEP)

<b>Compliance Monitoring and Enforcement Program</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	18.99	21.26	2.3
Direct Expenses	\$ 3,586,378	\$ 3,864,192	\$ 277,815
Indirect Expenses	\$ 2,491,737	\$ 2,905,124	\$ 413,387
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 57,611	\$ (71,723)	\$ (129,334)
Total Funding Requirement	\$ 6,135,726	\$ 6,697,593	\$ 561,869

### ***Program Scope and Functional Description***

In 2014, the MRO Compliance Monitoring and Enforcement Program includes performing CMEP activities with approximately 125 Registered Entities in the MRO Region.

All Registered Entities are subject to periodic audit and/or spot checks. For 2014, there are a total of 20 compliance audits planned, and spot checks will be done as needed.

In addition to the normal and ongoing compliance discovery activities under the NERC CMEP, MRO Compliance staff will be prepared to assist with compliance investigations, system performance monitoring and assessment, and compliance reviews for all events in which the NERC Event Analysis and Compliance Review Process is initiated. These activities are included in the business plan for 2014. Investigations are handled through MRO's Risk Assessment and Mitigation team.

### ***2014 Key Assumptions***

NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Compliance Monitoring and Organization Registration and Certification Program can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

MRO will monitor compliance with Reliability Standards for each Registered Entity that has compliance responsibilities as defined in the Compliance Registry for MRO. In the United States, MRO monitors Reliability Standards according to Commission-approved Rules. In Manitoba, MRO monitors Reliability Standards under provincial law as implemented in the Manitoba Reliability Standards Regulation. In Saskatchewan, MRO carries out its compliance monitoring responsibilities according to an agreement with the Saskatchewan Oversight Authority.



***2014 Compliance Monitoring Program Goals and Key Deliverables***

- Conduct secondary independent review to assure all determinations of possible violations are accurate, complete, and technically sufficient
- Assure professionally-trained staff is available to perform the required activities under the NERC Rules of Procedure
- Deliver consistent results when processing all instances of noncompliance
- Process initial compliance determinations of standards in a fair, uniform, systematic, and timely manner
- Maintain internal controls for “one-up and next door” reviews to assure all determinations receive adequate “due care” and review
- Ensure an accurate and complete discovery record is created, maintained, and retained for each possible violation discovered and where there are no findings as well
- Conduct system performance compliance monitoring (such as due diligence review of misoperations, physical inspections, etc.)
- Participate in compliance investigations as warranted
- Continue to maintain information in a secured environment through webCDMS; expand use of webCDMS tool suite for staff to drive more efficiencies in the conduct of the work and make the work more meaningful to Registered Entities
- Participate in working groups where continent-wide compliance and enforcement program processes and procedures will be developed to drive consistency
- In 2012 MRO engaged a third party consultant that provided an assessment of the audit practices across the Regions and NERC with the purpose to gauge the level of practices and develop a tool to drive consistency across the Regions, as well as to provide NERC with an oversight tool. In 2012 the regions implemented a uniform audit checklist.

***Funding Requirements — Explanation of Increase (Decrease)*****Compliance Monitoring Explanation of Variances – 2014 Budget versus 2013 Budget  
Annual Implementation Plan**

- Monitor compliance with all regulatory-approved Reliability Standards as defined in the NERC Annual Implementation Plan.
- Adopt risk-based audit principles of the Reliability Assurance Initiative (RAI), potentially reducing scope of individual audits but incurring additional effort when reviewing Registered Entities’ internal controls.
- It is assumed that the NERC 2014 Implementation Plan will hold steady for the other monitoring methods including monthly self-certification, quarterly self-certification, periodic data submittal, exception report, and spot-check, when compared to the 2013 Implementation Plan.
- Unscheduled spot-checks and/or audits are conducted if:
  - Entity registration changes (such as adding TOP, BA, RC function)
  - Evidence of compliance provided during an audit (or other method) is found to be non-compliant and the entity is using another entity’s program or process
  - Follow-up is needed as a result of self-certifications or events

**Planned Audits (Operating and Planning Standards)**

- 2014 Variance: increase of workload.
- The number of audits to be performed in 2014 is 20, which is an increase by one compared to 2013.

**Planned Audits (CIP Standards)**

- 2014 Variance: consistent workload.
- The number of audits to be performed in 2014 is 20, which is consistent compared to 2013. In addition, Technical Feasibility Exceptions (TFEs) will continue to be managed on an ongoing basis, and a review of TFEs will be included in each audit.

**Annual Self-Certification Requirement**

- 2014 Variance: consistent in workload.
- The number of entities participating in the annual self-certification is approximately 125 for 2014.
- It is assumed that the NERC 2014 Implementation Plan, which identifies the Reliability Standard requirements to be monitored through annual self-certification, is reduced due to the exclusion of standards audited at an entity during 2014.

**Compliance Investigations (CIs)**

- 2014 Variance: increase in workload in 2014 from 2013.
- MRO Risk Assessment and Mitigation staff will assume the lead on investigations in the MRO region.

**Compliance Possible Violation Discovery**

- 2014 Variance: increase of workload in 2014 from 2013.
- For every possible violation, MRO Risk Assessment and Mitigation performs a fact and circumstance review.
- An increase of workload in this area is assumed due to the expanded scope of compliance monitoring resulting from the new Reliability Standards, the expanded scope of system performance monitoring, and the instability of CIP standards (version 3/4/5 transition).
- MRO expects self-reported violations to continue on its past trend.

**Compliance Possible Violation Record Development**

- 2014 Variance: increase of workload in 2014 from 2013.
- A discovery record is developed for every possible violation. The discovery record and supplemental forms represent the initial development of the enforcement disposition record.
- The number of discovered violations is expected to increase as explained above, which will ultimately increase the number of required discovery records.

**Mitigation Plan Acceptance and Verification of Completion**

- 2014 Variance: increase of workload in 2014 from 2013.
- MRO uses number of days in violation process (DIVP) and violation aging as key indicators for process efficiency and effectiveness. Due primarily to CIP violations, the

number of days has increased, and therefore we are devoting more resources in this area. Further, MRO assumes an increase in the number and frequency of violations discovered with the inclusion of the CIP Standards and 41 Requirements.

- For every Alleged Violation identified by MRO staff, a mitigation plan must be submitted. MRO Risk Assessment and Mitigation staff reviews each submitted mitigation plan to assess whether the proposed plan will mitigate and prevent recurrence of the subject violation. The development of the mitigation plan provides the information necessary to determine the potential and actual risk to the reliability of the BES.

### ***Compliance Enforcement Explanation of Variances – 2014 Budget versus 2013 Budget***

#### ***2014 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Enforcement can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

#### **Processing of Alleged Violations**

For every possible violation identified by MRO compliance staff or a Registered Entity, MRO enforcement staff performs a review to confirm its validity. For possible violations deemed valid, MRO enforcement staff prepares and issues a Notice of Possible Violation and performs a facts and circumstances review to determine if the Registered Entity was or was not in violation of the Reliability Standard(s). If the Registered Entity is in violation of a Standard, MRO enforcement staff prepares a Notice of Alleged Violation which may include a Disposition Document for each alleged violation or a Notice of Find, Fix, Track and Report processing for each remediated issue. Where a Notice of Alleged Violation is issued, a proposed penalty is calculated and reviewed and considered by at least two MRO enforcement staff. Upon acceptance or lapse of the required time for response to the Notice of Alleged Violation, MRO enforcement staff prepares a Notice of Confirmed Violation. The drafting of these notices is an iterative process and requires resources.

For more complex or significant matters, MRO enforcement staff anticipates resolution through negotiated settlement. This process is sometimes lengthy and typically results in ongoing tracking and monitoring requirements for MRO and the Registered Entity to ensure completion of agreed-upon remedies. MRO encourages Registered Entities to make investments in equipment and people as an offset for proposed penalties. This results in longer-term monitoring commitments in the enforcement process.

#### **Record Development and Maintenance**

Processes have been formalized and necessary documentation identified to complete the record. The webCDMS application provides for a central repository accessible to each Registered Entity.

#### ***Funding Sources and Requirements — Explanation of Increase (Decrease)***

For 2014, MRO is devoting more resources to the compliance monitoring area due to the

increasing workload in this area.

### ***Funding Sources (Other than ERO Assessments)***

Penalty Sanctions – Total penalty monies to be received (and currently in escrow) and the allocation method used to allocate funds to this program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page 60.

### ***Personnel Expenses***

- The overall budgeted FTE count for Compliance reflects a 2.3 increase for 2014 when compared to the FTE count at year-end 2013 due to additional personnel required to support the RAI.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

### ***Meeting Expenses***

Recognizing continued facility savings in meeting costs due to hosting more meetings in the office versus renting a meeting room.

### ***Travel Expense***

Expenditures in the “travel” account will be decreased in 2014 primarily due to reduced need for staff travel with increased use of on-site meetings and web conferences. There are also less NERC/Regional working groups.

### ***Conference Calls***

2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

### ***Operating Expenses***

- **Consultants and Contracts**  
Greater efficiencies are expected with the third party vendor as additional regions expand the common IT platform increasing scale and reducing MRO’s costs by spreading total costs across the increased number of participating regions.
- **Office Costs**  
The “office costs” account for 2014 will increase in training costs for the staff due to new staff acquiring the necessary certifications in 2013 and 2014. MRO has its own credential and experience requirements for personnel in the audit area.

### ***Indirect Expenses***

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result a higher percentage of total FTEs in the direct programs. In addition, for 2014, there are higher administrative service costs associate with an increase in MRO staff.

### ***Other Non-Operating Expenses***

N/A

***Fixed Asset Additions***

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

## Compliance Monitoring and Enforcement Program

Funding sources and related expenses for the Compliance Enforcement section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
COMPLIANCE MONITORING, AND ENFORCEMENT					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 6,126,145	\$ 6,126,145	\$ -	\$ 6,600,178	\$ 474,033
Penalty Sanctions	9,581	9,581	-	97,415	87,834
<b>Total NERC Funding</b>	<b>\$ 6,135,726</b>	<b>\$ 6,135,726</b>	<b>\$ -</b>	<b>\$ 6,697,593</b>	<b>\$ 561,868</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 6,135,726</b>	<b>\$ 6,135,726</b>	<b>\$ -</b>	<b>\$ 6,697,593</b>	<b>\$ 561,868</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,372,105	\$ 2,372,105	\$ -	\$ 2,631,450	\$ 259,345
Payroll Taxes	159,443	159,443	-	179,885	20,442
Benefits	203,097	203,097	-	222,055	18,958
Retirement Costs	393,579	393,579	-	461,742	68,163
<b>Total Personnel Expenses</b>	<b>\$ 3,128,224</b>	<b>\$ 3,128,224</b>	<b>\$ -</b>	<b>\$ 3,495,132</b>	<b>\$ 366,908</b>
<b>Meeting Expenses</b>					
Meetings	\$ 5,600	\$ 5,600	\$ -	\$ 5,500	\$ (100)
Travel	200,300	200,300	-	137,000	(63,300)
Conference Calls	8,400	8,400	-	-	(8,400)
<b>Total Meeting Expenses</b>	<b>\$ 214,300</b>	<b>\$ 214,300</b>	<b>\$ -</b>	<b>\$ 142,500</b>	<b>\$ (71,800)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 157,000	\$ 157,000	\$ -	\$ 127,000	\$ (30,000)
Office Rent	-	-	-	-	-
Office Costs	79,354	79,354	-	94,560	15,206
Professional Services	7,500	7,500	-	5,000	(2,500)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 243,854</b>	<b>\$ 243,854</b>	<b>\$ -</b>	<b>\$ 226,560</b>	<b>\$ (17,294)</b>
<b>Total Direct Expenses</b>	<b>\$ 3,586,378</b>	<b>\$ 3,586,378</b>	<b>\$ -</b>	<b>\$ 3,864,192</b>	<b>\$ 277,814</b>
<b>Indirect Expenses</b>	<b>\$ 2,491,737</b>	<b>\$ 2,491,737</b>	<b>\$ -</b>	<b>\$ 2,905,124</b>	<b>\$ 413,387</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 6,078,115</b>	<b>\$ 6,078,115</b>	<b>\$ -</b>	<b>\$ 6,769,316</b>	<b>\$ 691,201</b>
<b>Change in Assets</b>	<b>\$ 57,611</b>	<b>\$ 57,611</b>	<b>\$ -</b>	<b>\$ (71,723)</b>	<b>\$ (129,334)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ 57,611	57,611	-	(71,723)	(129,334)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ 57,611</b>	<b>\$ 57,611</b>	<b>\$ -</b>	<b>\$ (71,723)</b>	<b>\$ (129,334)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 6,135,726</b>	<b>\$ 6,135,726</b>	<b>\$ -</b>	<b>\$ 6,697,593</b>	<b>\$ 561,868</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>18.99</b>	<b>18.99</b>	<b>-</b>	<b>21.26</b>	<b>2.27</b>

### 3. Reliability Assessment and Performance Analysis Program

<b>Reliability Assessments and Performance Analysis</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	6.68	6.49	(0.19)
Direct Expenses	\$ 1,380,677	\$ 1,329,480	\$ (51,197)
Indirect Expenses	\$ 876,504	\$ 886,842	\$ 10,338
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 20,265	\$ (21,895)	\$ (42,160)
Total Funding Requirement	\$ 2,277,446	\$ 2,194,427	\$ (83,020)

#### ***Program Scope and Functional Description***

The objectives of the Reliability Assessment and Performance Analysis Program are to:

1. Review pre- and post-seasonal and long-term reliability assessments for the MRO Region in order to assess operating reliability and resource adequacy.
2. Review event analysis efforts by Registered Entities to ensure causes are identified and corrected and that lessons learned are shared with industry.
3. Assemble modeling data and prepare models.
4. Perform legacy Regional Reliability Organization functions until those functions are assigned to registered entities through Reliability Standards (fill in the blank standards).
5. Support MRO stakeholder groups and participate in NERC efforts.

#### ***2014 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Assessment and Performance Analysis Program can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

MRO analyzes, assesses, and reports on reliability and adequacy in the past, present, and future. This includes the long-term and seasonal assessments developed by Planning Authorities and reviewed by the MRO Operating Committee (“OC”) and the Planning Committee (“PC”), as required by the Delegation Agreement. In addition, specific possible scenarios may be evaluated.

The OC and PC have balanced stakeholder representation, work with MRO staff, and report to the MRO Board. The OC and PC review and consolidate the reports of the overall reliability of the MRO Region, both existing and planned. The OC and PC verify that assessments performed within the MRO Region conform to MRO and NERC Reliability Standards related to system performance.

In 2014, continued attention will be given to transmission adequacy and security, protection and

control standards, special protection scheme reviews, resource adequacy, demand response, reliability metrics, integration of renewable generation per Renewable Portfolio Standards, operational issues and event analysis, Eastern Interconnection Reliability Assessment Group (“ERAG”), NERC and regulatory data requests, electric system modeling data, and reviews of regional reliability criteria and procedures. The collection and validation of Generating Availability Data System, Transmission Availability Data System and Demand Response Availability Data System will add to MRO’s workload as will efforts related to BES exception reporting. MRO did not include any resource requirements directly relating to the BES exception reporting due to the uncertainty.

### ***2014 Goals and Key Deliverables***

- Annually review the overall reliability of the MRO Region and interregional BES for near-term and long-term planning horizons and provide planning horizon assessment reports to the Board and NERC
- Review the seasonal assessments (summer and winter) of the MRO Region and interregional BES from an operational perspective
- Review the post-seasonal assessments (summer and winter) of the BES to determine if the system performed according to the preseason plans
- Review system disturbance reports and event analyses to assure the appropriate analysis is performed and that lessons learned are identified and shared with the industry
- Annually (or as often as required by NERC), assess the MRO Region for an emerging issue/scenario as determined by NERC
- Perform special reliability assessments on a Regional, Interregional, and Interconnection basis as conditions warrant, or as directed by the Board or NERC
- Coordinate with NERC on system event analyses on a Regional, Interregional, and Interconnection basis as conditions warrant
- Annually prepare an MRO set of electric system modeling data
- Perform legacy Regional Reliability Organization (“RRO”) responsibilities associated with “fill in the blank” standards until they are transitioned to Registered Entities
- Participate in and represent the MRO Region in all ERAG and NERC groups, as required, that report to the ERAG Management Committee (“MC”) and NERC Planning Committee (“PC”) and Operating Committee (“OC”)

### ***Funding Sources and Requirements — Explanation of Increase (Decrease)***

#### ***Funding Sources (Other than ERO Assessments)***

Penalty Sanctions – Total penalty monies to be received (and in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page 60.

#### ***Personnel Expenses***

Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.



***Meeting Expenses***

- Recognizing continued facility savings in meeting costs due to hosting more meetings in the office versus renting a meeting room. Expenditures in the “meeting expense” account are expected to be lower in 2014.
- 2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

***Operating Expenses***

Consultants and contracts decreased in 2014 primarily because MRO removed the contingency dollars for an Event Analysis.

***Indirect Expenses***

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

***Other Non-Operating Expenses***

N/A

***Fixed Asset Additions***

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 2,274,076	\$ 2,274,076	\$ -	\$ 2,164,689	\$ (109,386)
Penalty Sanctions	3,370	3,370		29,738	26,368
<b>Total NERC Funding</b>	<u>\$ 2,277,446</u>	<u>\$ 2,277,446</u>	<u>\$ -</u>	<u>\$ 2,194,427</u>	<u>\$ (83,019)</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ 2,277,446</u>	<u>\$ 2,277,446</u>	<u>\$ -</u>	<u>\$ 2,194,427</u>	<u>\$ (83,019)</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 795,326	\$ 795,326	\$ -	\$ 793,111	\$ (2,215)
Payroll Taxes	54,654	54,654	-	53,718	(936)
Benefits	71,795	71,795	-	68,241	(3,554)
Retirement Costs	160,752	160,752	-	170,310	9,558
<b>Total Personnel Expenses</b>	<u>\$ 1,082,527</u>	<u>\$ 1,082,527</u>	<u>\$ -</u>	<u>\$ 1,085,380</u>	<u>\$ 2,853</u>
<b>Meeting Expenses</b>					
Meetings	\$ 20,000	\$ 20,000	\$ -	\$ 5,500	\$ (14,500)
Travel	106,150	106,150	-	81,000	(25,150)
Conference Calls	2,500	2,500	-	-	(2,500)
<b>Total Meeting Expenses</b>	<u>\$ 128,650</u>	<u>\$ 128,650</u>	<u>\$ -</u>	<u>\$ 86,500</u>	<u>\$ (42,150)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 141,100	\$ 141,100	\$ -	\$ 126,700	\$ (14,400)
Office Rent	-	-	-	-	-
Office Costs	28,400	28,400	-	30,900	2,500
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 169,500</u>	<u>\$ 169,500</u>	<u>\$ -</u>	<u>\$ 157,600</u>	<u>\$ (11,900)</u>
<b>Total Direct Expenses</b>	<u>\$ 1,380,677</u>	<u>\$ 1,380,677</u>	<u>\$ -</u>	<u>\$ 1,329,480</u>	<u>\$ (51,197)</u>
<b>Indirect Expenses</b>	<u>\$ 876,504</u>	<u>\$ 876,504</u>	<u>\$ -</u>	<u>\$ 886,842</u>	<u>\$ 10,338</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ 2,257,181</u>	<u>\$ 2,257,181</u>	<u>\$ -</u>	<u>\$ 2,216,322</u>	<u>\$ (40,859)</u>
<b>Change in Assets</b>	<u>\$ 20,265</u>	<u>\$ 20,265</u>	<u>\$ -</u>	<u>\$ (21,895)</u>	<u>\$ (42,160)</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 20,265	20,265	\$ -	(21,895)	\$ (42,160)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ 20,265</u>	<u>\$ 20,265</u>	<u>\$ -</u>	<u>\$ (21,895)</u>	<u>\$ (42,160)</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ 2,277,446</u>	<u>\$ 2,277,446</u>	<u>\$ -</u>	<u>\$ 2,194,427</u>	<u>\$ (83,019)</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>FTEs</b>	6.68	6.68	-	6.49	(0.19)

#### 4. Training, Education, and Operator Certification Program

<b>Training, Education and Operator Certification</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.27	0.65	0.38
Direct Expenses	\$ 193,171	\$ 246,509	\$ 53,338
Indirect Expenses	\$ 35,428	\$ 88,821	\$ 53,393
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 819	\$ (2,193)	\$ (3,012)
Total Funding Requirement	\$ 229,419	\$ 333,137	\$ 103,719

#### ***Program Scope and Functional Description***

Maintaining the reliability of the BES through implementation of the Reliability Standards requires informed and trained Regional and Registered Entity personnel. Education and training is one of the primary objectives of MRO. The education and training program specifically pertains to the implementation of the CMEP, the application of Reliability Standards, Reliability Assessment information, performing quality event analysis, identifying lessons learned from event analysis, expectations and responsibilities for the “fill in the blank” standards, and other related information pertinent to system reliability and compliance. The target audience for this program is Registered Entities.

MRO will provide training to Registered Entities through workshops, conferences, presentation opportunities at industry meetings and by providing lessons learned in MRO’s newsletter and other publications. MRO will continue to identify training opportunities for Registered Entities.

The objectives outlined in the key assumptions are intended to educate and train the industry on Compliance Monitoring and Enforcement Program implementation, the requirements and application of the Standards, lessons learned, and elements of an effective compliance program.

#### ***2014 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Training, Education, and Operator Certification Program can be located in the Key Assumptions section of Exhibit A in NERC’s 2014 Business Plan and Budget.

Registered Entities should have processes and procedures in place to ensure adherence with the Reliability Standards and address risks to reliability, which is why education and training is a key initiative for MRO. The MRO Compliance Committee assists and oversees the compliance and enforcement training and education initiatives for Registered Entities, including participation in Compliance Monitoring and Enforcement Program workshops, and stakeholder forums and group training initiatives. The MRO Standards Committee assists and oversees the

Reliability Standards requirement and application training for Registered Entities, and the Planning and Operating Committees contribute to planning Reliability Conferences.

MRO organizes and administers specific training for Hearing Body participants when necessary.

### ***2014 Goals and Key Deliverables***

In addition to the MRO management team participating in, and presenting at, various forums (such as Transmission Forum, Generation Forum, MCCF, RTO/ISO, APDA, State Regulator meetings, etc.), MRO will provide workshops (one Compliance Monitoring and Enforcement Program workshop, one Reliability Conference, and one Standards Workshop). In addition, smaller workshops will be held for specific technical topics.

### ***Funding Sources and Requirements — Explanation of Increase (Decrease)***

For 2014, MRO will provide training to Registered Entities through workshops and other opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to identify training options for Registered Entities in the MRO Region so that they can also accomplish the objectives of the NERC program through a third party.

### ***Funding Sources (Other than ERO Assessments)***

Penalty Sanctions – Total penalty monies to be received (in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 60.

### ***Personnel Expenses***

- Budgeted payroll taxes, benefits and retirement costs reflect an increase in the actual trend of executive involvement in the workshops, newsletters, and speaker engagements.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

### ***Meeting Expenses***

- Expenditures in the “meeting expense” account will decrease in 2014. MRO will provide three training forums. Hearing Body training is not required on an annual basis. It was offered in 2013.
- 2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

### ***Travel Expenses***

Expenditures in the “travel expense” account reflect the lower trending in 2014 of member reimbursement for stakeholders presenting to other stakeholders.

### ***Operating Expenses***

Office Costs will hold steady in 2014.

***Indirect Expenses***

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

***Other Non-Operating Expenses***

N/A

***Fixed Asset Additions***

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>TRAINING, EDUCATION and OPERATOR CERTIFICATION</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 229,281	\$ 229,281	\$ -	\$ 330,159	\$ 100,877
Penalty Sanctions	136	136	-	2,978	2,842
<b>Total NERC Funding</b>	<b>\$ 229,418</b>	<b>\$ 229,418</b>	<b>\$ -</b>	<b>\$ 333,137</b>	<b>\$ 103,719</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 229,418</b>	<b>\$ 229,418</b>	<b>\$ -</b>	<b>\$ 333,137</b>	<b>\$ 103,719</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 65,436	\$ 65,436	\$ -	\$ 135,804	\$ 70,368
Payroll Taxes	2,231	2,231	-	6,128	3,897
Benefits	1,935	1,935	-	6,856	4,921
Retirement Costs	11,469	11,469	-	22,921	11,452
<b>Total Personnel Expenses</b>	<b>\$ 81,071</b>	<b>\$ 81,071</b>	<b>\$ -</b>	<b>\$ 171,709</b>	<b>\$ 90,638</b>
<b>Meeting Expenses</b>					
Meetings	\$ 63,500	\$ 63,500	\$ -	\$ 49,000	\$ (14,500)
Travel	28,600	28,600	-	20,800	(7,800)
Conference Calls	15,000	15,000	-	-	(15,000)
<b>Total Meeting Expenses</b>	<b>\$ 107,100</b>	<b>\$ 107,100</b>	<b>\$ -</b>	<b>\$ 69,800</b>	<b>\$ (37,300)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,000	5,000	-	5,000	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 193,171</b>	<b>\$ 193,171</b>	<b>\$ -</b>	<b>\$ 246,509</b>	<b>\$ 53,338</b>
<b>Indirect Expenses</b>	<b>\$ 35,428</b>	<b>\$ 35,428</b>	<b>\$ -</b>	<b>\$ 88,821</b>	<b>\$ 53,393</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 228,599</b>	<b>\$ 228,599</b>	<b>\$ -</b>	<b>\$ 335,330</b>	<b>\$ 106,731</b>
<b>Change in Assets</b>	<b>\$ 819</b>	<b>\$ 819</b>	<b>\$ -</b>	<b>\$ (2,193)</b>	<b>\$ (3,012)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 819	819	-	(2,193)	(3,012)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ 819</b>	<b>\$ 819</b>	<b>\$ -</b>	<b>\$ (2,193)</b>	<b>\$ (3,012)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 229,418</b>	<b>\$ 229,418</b>	<b>\$ -</b>	<b>\$ 333,137</b>	<b>\$ 103,719</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>0.27</b>	<b>0.27</b>	<b>-</b>	<b>0.65</b>	<b>0.38</b>

## 5. Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.30	0.22	(0.08)
Direct Expenses	\$ 57,074	\$ 54,963	\$ (2,111)
Indirect Expenses	\$ 39,364	\$ 30,062	\$ (9,302)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	910	(742)	(1,652)
Total Funding Requirement	\$ 97,348	\$ 84,283	\$ (13,065)

### Situation Awareness Program Scope and Functional Description

NERC and the Regions shall, through Reliability Coordinators and available tools, monitor present conditions on the bulk electric system and provide leadership coordination, technical expertise, and assistance to the industry in responding to events as necessary.

#### 2014 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Situation Awareness and Infrastructure Security Program can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

The Situation Awareness program includes costs and resources to review and to respond to incidents and events that impact the reliability of the Bulk Electric System and respond to inquiries by NERC or others.

#### 2014 Goals and Key Deliverables

The goal of the Situation Awareness program is to maintain awareness about the conditions of the bulk electric system and to respond to events by providing coordination assistance and communications between key parties. In 2014, staff will continue to try to fully utilize and improve the second version of the situation awareness tools and related processes.

### Infrastructure Security Program Scope and Functional Description

NERC and the Regions coordinate electric industry activities to promote critical infrastructure protection of the bulk electric system in North America by taking a leadership role in critical infrastructure protection of the electricity sector to reduce vulnerabilities of the electricity sector's critical infrastructure.

#### 2014 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual

business plan and budget process. The common assumptions for Critical Infrastructure Protection can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

The Infrastructure Security Program is responsible for raising the awareness of security, promoting standard security practices, and aiding the Registered Entities in organizing and sharing security implementations specific to the electric utility sector.

The MRO Standards Committee will participate in the development of CIP standards, develop guidance on the application of standards, and provide opportunities for sharing security implementation approaches utilized by Registered Entities. The Standards Committee is comprised of MRO sector representatives and facilitated by MRO staff. Regional representatives also participate on the NERC Critical Infrastructure Protection Committee ("CIPC").

The Operations Group within MRO has Situation Awareness responsibilities, which are budgeted in their respective areas.

#### ***2014 Goals and Key Deliverables***

The goal is to provide effective communication, coordination and industry facilitation in all areas of security to ensure the region is prepared for cyber-related incidents.

#### ***Funding Requirements – Explanation of Increase (Decrease)***

The 2014 Budget reflects a reduction from 2013 in the Situation Awareness and Infrastructure Security Program area as operator accountability reduces the scope of MRO's work.

#### ***Funding Sources (Other than ERO Assessments)***

Penalty Sanctions – Total penalty monies to be received (in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO's Supplemental Financial Information section, Table B-2, page 60.

#### ***Personnel Expenses***

Personnel costs for 2014 Budget remain flat.

#### ***Meeting Expenses***

MRO does not anticipate travel costs.

#### ***Operating Expenses***

Office Costs are unchanged.

#### ***Indirect Expenses***

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is a decrease in the indirect expenses for 2014 as a result of a lower percentage of total FTEs in the direct programs.



***Other Non-Operating Expenses***

N/A

***Fixed Asset Additions***

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>SITUATION AWARENESS and INFRASTRUCTURE SECURITY</b>					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 97,197	\$ 97,197	\$ -	\$ 83,275	\$ (13,922)
Penalty Sanctions	151	151	-	1,008	857
<b>Total NERC Funding</b>	<b>\$ 97,348</b>	<b>\$ 97,348</b>	<b>\$ -</b>	<b>\$ 84,283</b>	<b>\$ (13,065)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 97,348</b>	<b>\$ 97,348</b>	<b>\$ -</b>	<b>\$ 84,283</b>	<b>\$ (13,065)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 37,373	\$ 37,373	\$ -	\$ 39,332	\$ 1,959
Payroll Taxes	1,824	1,824	-	2,173	349
Benefits	1,935	1,935	-	2,320	385
Retirement Costs	7,642	7,642	-	6,138	(1,504)
<b>Total Personnel Expenses</b>	<b>\$ 48,774</b>	<b>\$ 48,774</b>	<b>\$ -</b>	<b>\$ 49,963</b>	<b>\$ 1,189</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,300	3,300	-	-	(3,300)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 3,300</b>	<b>\$ 3,300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,300)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,000	5,000	-	5,000	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 57,074</b>	<b>\$ 57,074</b>	<b>\$ -</b>	<b>\$ 54,963</b>	<b>\$ (2,111)</b>
<b>Indirect Expenses</b>	<b>\$ 39,364</b>	<b>\$ 39,364</b>	<b>\$ -</b>	<b>\$ 30,062</b>	<b>\$ (9,302)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 96,438</b>	<b>\$ 96,438</b>	<b>\$ -</b>	<b>\$ 85,025</b>	<b>\$ (11,413)</b>
<b>Change in Assets</b>	<b>\$ 910</b>	<b>\$ 910</b>	<b>\$ -</b>	<b>\$ (742)</b>	<b>\$ (1,652)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 910	910	-	(742)	(1,652)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ 910</b>	<b>\$ 910</b>	<b>\$ -</b>	<b>\$ (742)</b>	<b>\$ (1,652)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 97,348</b>	<b>\$ 97,348</b>	<b>\$ -</b>	<b>\$ 84,283</b>	<b>\$ (13,065)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>0.30</b>	<b>0.30</b>	<b>-</b>	<b>0.22</b>	<b>(0.08)</b>

## 6. Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	10.00	10.96	0.96
Total Direct Expenses	\$ 3,641,165	\$ 4,070,727	\$ 429,562
Inc(Dec) in Fixed Assets	\$ 84,186	\$ (100,500)	\$ (184,686)
Less: Other Funding Sources			\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 3,725,351	\$ 3,970,227	\$ 244,876
Funding Requirement for Working Capital	\$ (170,613)	\$ (866,855)	\$ (696,243)

### ***Methodology for Allocation of Administrative Services Expenses to Programs***

All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated to the delegated program areas based on their respective number of FTEs. This allocation provides improved financial perspective for the delegated functions.

### ***Program Scope and Functional Description***

NERC's Administrative Services area includes all business and administrative functions of the organization, including technical committees and member forums, legal and regulatory, human resources, information technology, finance and accounting, and general expenses. Costs incurred for these services are allocated as an indirect expense across NERC's other program areas.

**6a. Technical Committees and Member Forums**

<b>Technical Committees and Member Forums</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.35	1.66	0.31
Total Direct Expenses	\$ 577,314	\$ 605,216	\$ 27,902
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

***Program Scope and Functional Description***

MRO staff and Registered Entities participate in various NERC committees, working groups and task forces. This participation provides for Regional Entity staff input as well as Registered Entity input into NERC governance and other activities.

***2014 Key Assumptions***

This budget item covers all travel costs for MRO staff participation in various NERC committees. This budget also covers MRO's reimbursement of approved stakeholder travel costs for participation in the NERC committees as an MRO representative.

***2014 Goals and Key Deliverables***

MRO's goal is to actively participate in NERC committees to develop best practices and continuously improve; to ensure consistency among the Regions; and to meet the goals of the MRO Registered Entities to be highly effective reliability organizations.

***Funding Sources and Requirements — Explanation of Increase (Decrease)***

MRO reimburses approved regional stakeholder representatives for travel expenses for NERC committee meetings.

***Funding Sources (Other than ERO Assessments)***

In 2014, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore, have no ERO assessment revenue.

***Personnel Expenses***

FTEs will be relatively flat in 2014 from 2013.

***Travel Expenses***

MRO reimburses travel expenses for approved regional representatives. The 2014 Budget shows an increase to reflect the general increase in the number of staff and stakeholder participation on NERC committees, task forces, trade, BOT and MRC meetings.

***Operating Expenses***

No operating expenses are budgeted in 2014.

***Indirect Expenses***

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

***Other Non-Operating Expenses***

N/A

***Fixed Asset Additions***

N/A

## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>TECHNICAL COMMITTEES and MEMBER FORUMS</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues		-	-	-	-
Testing Fees		-	-	-	-
Services & Software		-	-	-	-
Workshops		-	-	-	-
Interest		-	-	-	-
Miscellaneous		-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 297,396	\$ 297,396	\$ -	\$ 286,447	\$ (10,949)
Payroll Taxes	16,595	16,595	-	15,986	(609)
Benefits	18,916	18,916	-	15,715	(3,201)
Retirement Costs	57,407	57,407	-	58,368	961
<b>Total Personnel Expenses</b>	<u>\$ 390,314</u>	<u>\$ 390,314</u>	<u>\$ -</u>	<u>\$ 376,516</u>	<u>\$ (13,798)</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	187,000	187,000	-	228,700	41,700
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 187,000</u>	<u>\$ 187,000</u>	<u>\$ -</u>	<u>\$ 228,700</u>	<u>\$ 41,700</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ 577,314</u>	<u>\$ 577,314</u>	<u>\$ -</u>	<u>\$ 605,216</u>	<u>\$ 27,902</u>
<b>Indirect Expenses</b>	<u>\$ (577,314)</u>	<u>\$ (577,314)</u>	<u>\$ -</u>	<u>\$ (605,216)</u>	<u>\$ (27,902)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FTEs</b>	1.35	1.35	-	1.66	0.31

**6b. General and Administrative**

<b>General and Administrative</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.32	1.94	0.62
Total Direct Expenses	\$ 559,018	\$ 692,365	\$ 133,347
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (170,612)	\$ (866,855)	\$ (696,243)

***Program Scope and Functional Description***

The MRO General and Administrative function provides executive management of the Corporation.

***2014 Key Assumptions***

- Cost pressures will continue into 2014 and adversely affect stakeholder travel budgets and resourcing for work in regional programs.
- MRO will continue the reimbursement of approved stakeholder travel costs for participation in the NERC committees.
- Any increase or decrease in assessments to achieve desired working capital reserve will be included in the General and Administrative area and are to be allocated proportionately based on FTE to the direct programs.
- Flat costs of \$100,000 are anticipated for the fees and expenses for the two independent Board members who joined the MRO Board in January 2013.

***2014 Goals and Key Deliverables***

The MRO General and Administrative function assures that there is adequate attention to the day-to-day management of the corporation including board governance, policies and procedures to maintain and enhance operation of the corporation, proper record-keeping, and related responsibilities under applicable regulations as well as MRO's Delegation Agreement.

***Funding Sources and Requirements — Explanation of Increase (Decrease)***

The 2014 Budget includes increased travel dollars that reflect the trend of higher travel costs and reimbursement of expenses for the MRO Board of Directors as well as the additional expenses associated with the two new independent directors.

***Assessments***

The Board approved an Operating and Working Capital Reserves Policy on March 14, 2013 (see Attachment B) which is subject to re-evaluation on an annual basis.

***Funding Sources***

In 2014, the expenses related to the indirect program areas are being allocated entirely to the direct programs.

***Personnel Expenses***

- Budgeted FTE increased in 2014 as a result of supporting an increase in MRO staff.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

***Meeting Expenses***

The 2014 Budget meeting dollars remained unchanged because the number of meetings that are now being held at the new facility is expected to remain the same. Travel Expense has increased in 2014 primarily due to anticipation of higher airline costs.

***Operating Expenses***

- The 2014 Budget for consultants and contracts is unchanged. Trending of historic costs revealed very little cost change for consultants and contracts. Also, media training costs, which was a variable cost, moved from General and Administrative to Legal in 2012.
- The 2014 Budget for Professional Services is unchanged.

***Indirect Expenses***

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

***Other Non-Operating Expenses***

N/A

***Fixed Asset Additions***

N/A



## General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2012 Budget &amp; Projection, and 2013 Budget</b>					
<b>GENERAL and ADMINISTRATIVE</b>					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ (170,612)</b>	<b>\$ (170,612)</b>	<b>\$ -</b>	<b>\$ (866,855)</b>	<b>\$ (696,243)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ (170,612)</b>	<b>\$ (170,612)</b>	<b>\$ -</b>	<b>\$ (866,855)</b>	<b>\$ (696,243)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 192,366	\$ 192,366	\$ -	\$ 289,381	\$ 97,015
Payroll Taxes	10,760	10,760	-	15,884	5,124
Benefits	13,435	13,435	-	14,661	1,226
Retirement Costs	34,693	34,693	-	49,575	14,882
<b>Total Personnel Expenses</b>	<b>\$ 251,254</b>	<b>\$ 251,254</b>	<b>\$ -</b>	<b>\$ 369,501</b>	<b>\$ 118,247</b>
<b>Meeting Expenses</b>					
Meetings	\$ 35,864	\$ 35,864	\$ -	\$ 35,864	\$ -
Travel	60,000	60,000	-	83,000	23,000
Conference Calls	800	800	-	-	(800)
<b>Total Meeting Expenses</b>	<b>\$ 96,664</b>	<b>\$ 96,664</b>	<b>\$ -</b>	<b>\$ 118,864</b>	<b>\$ 22,200</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 40,000	\$ 40,000	\$ -	\$ 40,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	71,100	71,100	-	64,000	(7,100)
Professional Services	100,000	100,000	-	100,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 211,100</b>	<b>\$ 211,100</b>	<b>\$ -</b>	<b>\$ 204,000</b>	<b>\$ (7,100)</b>
<b>Total Direct Expenses</b>	<b>\$ 559,018</b>	<b>\$ 559,018</b>	<b>\$ -</b>	<b>\$ 692,365</b>	<b>\$ 133,347</b>
<b>Indirect Expenses</b>	<b>\$ (559,018)</b>	<b>\$ (559,018)</b>	<b>\$ -</b>	<b>\$ (692,365)</b>	<b>\$ (133,347)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ (170,612)</b>	<b>\$ (170,612)</b>	<b>\$ -</b>	<b>\$ (866,855)</b>	<b>\$ (696,243)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (170,612)</b>	<b>\$ (170,612)</b>	<b>\$ -</b>	<b>\$ (866,855)</b>	<b>\$ (696,243)</b>
<b>FTEs</b>	<b>1.32</b>	<b>1.32</b>	<b>-</b>	<b>1.94</b>	<b>0.62</b>

**6c. Legal and Regulatory**

<b>Legal and Regulatory</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.22	0.93	(0.29)
Total Direct Expenses	\$ 344,983	\$ 271,822	\$ (73,161)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

***Program Scope and Functional Description***

MRO maintains corporate internal legal counsel to provide advice to the president, Board, and staff on legal and regulatory matters affecting MRO. MRO may use additional specialized legal resources on an as-needed basis, such as for tax matters, employee benefit plan issues, and significant policy or FERC matters.

***2014 Key Assumptions***

- In the 2014 Budget, as in the 2013 and 2012 budgets, there are no specific funds for hearings under CMEP Rules, and MRO would use its current budget and reserves in the first instance.
- MRO reduced its Professional Services budget for 2014 by eliminating outside legal contingency dollars.
- Travel costs will increase due to more external affairs and communication activities related to new initiatives.

***2014 Goals and Key Deliverables***

Legal and Regulatory functions are responsible for general corporate legal advice, legal training, and timely, accurate filings to Regulatory authorities. This function is provided by MRO staff to the MRO Board Governance and Personnel Committee. External affairs and communications are also incorporated into this function including outreach to stakeholders and regulators (federal, state and provincial). Outside legal will be used exclusively for any hearings and to supplement internal resources as necessary.

Media training has been moved from General and Administrative to Legal and Regulatory. Media training is provided as part of MRO's Crisis Communication function, where the internal legal source will be the communication coordinator of the MRO Crisis Communication Team.

***Funding Sources and Requirements — Explanation of Increase (Decrease)******Funding Sources***

In 2014, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment revenue.

***Personnel Expenses***

- 2014 Budget has decreased from the 2013 budget reflecting an anticipated personnel shift supporting program areas outside of Legal and Regulatory.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

***Meeting Expenses***

The 2014 meeting expenses are at a minimal amount. Travel costs were increased to reflect continued outreach to state public utility commissions in our region through individual meetings and through participation in the Mid-American Regulatory Conference (MARC), outreach to Canadian provincial regulators, and participation in the NERC BOT and Trade meetings.

***Operating Expenses***

The 2014 Professional Services account was reduced from 2013 by eliminating outside legal contingency dollars.

***Indirect Expenses***

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs.

***Other Non-Operating Expenses***

N/A

***Fixed Asset Additions***

N/A

## Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>LEGAL and REGULATORY</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions				-	
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 219,355	\$ 219,355	\$ -	\$ 173,407	\$ (45,948)
Payroll Taxes	11,538	11,538	-	8,754	(2,784)
Benefits	2,150	2,150	-	2,848	698
Retirement Costs	37,375	37,375	-	28,163	(9,212)
<b>Total Personnel Expenses</b>	<u>\$ 270,418</u>	<u>\$ 270,418</u>	<u>\$ -</u>	<u>\$ 213,172</u>	<u>\$ (57,246)</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 150	\$ 150
Travel	9,515	9,515	-	12,500	2,985
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 9,515</u>	<u>\$ 9,515</u>	<u>\$ -</u>	<u>\$ 12,650</u>	<u>\$ 3,135</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,050	5,050	-	6,000	950
Professional Services	60,000	60,000	-	40,000	(20,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 65,050</u>	<u>\$ 65,050</u>	<u>\$ -</u>	<u>\$ 46,000</u>	<u>\$ (19,050)</u>
<b>Total Direct Expenses</b>	<u>\$ 344,983</u>	<u>\$ 344,983</u>	<u>\$ -</u>	<u>\$ 271,822</u>	<u>\$ (73,161)</u>
<b>Indirect Expenses</b>	<u>\$ (344,983)</u>	<u>\$ (344,983)</u>	<u>\$ -</u>	<u>\$ (271,822)</u>	<u>\$ 73,161</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets		\$ -		-	
<b>Inc(Dec) in Fixed Assets (C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FTEs</b>	1.22	1.22		0.93	(0.29)

**6d. Information Technology**

<b>Information Technology</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.10	3.13	0.03
Total Direct Expenses	\$ 1,019,203	\$ 1,294,652	\$ 275,449
Inc(Dec) in Fixed Assets	\$ 34,186	\$ (150,500)	\$ (184,686)
Working Capital Requirement	\$ -	\$ -	\$ -

***Program Scope and Functional Description***

MRO's Information Technology ("IT") program provides the technology and communications tools for staff to perform Regional Entity functions.

***2014 Key Assumptions***

IT provides support and guidance for the technologies deployed at MRO. Technologies include secure networks, systems and business applications, office equipment such as copiers and fax machines, servers to support connected and shared resources, printers, handheld devices, telephones, remote access and conference solutions.

IT has a keen focus on availability of networks and systems, maintenance of those systems, investigation of issues, and deployment of new tools. Managing IT is essential to staff productivity.

***2014 Goals and Key Deliverables***

The IT program's goal is to provide secure technology solutions that enable staff to have information and data to perform their functions and the communications technologies to support their interaction among staff, registered entities and others.

***Funding Sources and Requirements — Explanation of Increase (Decrease)***

Higher MRO staff resulted in higher administrative service costs directly related to hardware, software, and maintenance costs.

***Funding Sources***

In 2014, the expenses related to indirect program areas are being allocated entirely to the direct programs.

***Personnel Expenses***

- Personnel costs are relatively flat in 2014.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

***Meeting Expenses***

Travel costs are unchanged.

***Operating Expenses***

- 2014 Consultants and Contracts expense has increased due to one-time set-up costs for SharePoint expansion and other miscellaneous system upgrades.
- 2014 Office costs have gone up due to the impact of higher FTEs at MRO. MRO's overall FTE staffing has increased from 20.00 in 2007 to 40.75 in 2014 Budget.
- 2014 Depreciation expense has gone up due to a historical full year impact of depreciating building improvements, equipment, and other capital investments.

***Indirect Expenses***

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

***Other Non-Operating Expenses***

N/A

***Fixed Asset Additions***

2014 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs. Other efficiencies of the in-sourced "core responsibilities" are reducing the overall cost of fixed asset additions in the 2014 Budget. MRO believes we are not including any incremental funding that is duplicative to NERC's 2014 Business Plan and Budget IT applications.

## Information Technology

Funding sources and related expenses for the Information Technology section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>INFORMATION TECHNOLOGY</b>					
	<b>2013 Budget</b>	<b>2013 Projection</b>	<b>Variance 2013 Projection v 2013 Budget Over(Under)</b>	<b>2014 Budget</b>	<b>Variance 2014 Budget v 2013 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 291,579	\$ 291,579	\$ -	\$ 305,832	\$ 14,253
Payroll Taxes	22,502	22,502	-	23,186	684
Benefits	33,318	33,318	-	33,013	(305)
Retirement Costs	40,739	40,739	-	66,171	25,432
<b>Total Personnel Expenses</b>	<b>\$ 388,138</b>	<b>\$ 388,138</b>	<b>\$ -</b>	<b>\$ 428,202</b>	<b>\$ 40,064</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	4,000	4,000	-	4,000	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 4,000</b>	<b>\$ 4,000</b>	<b>\$ -</b>	<b>\$ 4,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 177,500	\$ 177,500	\$ -	\$ 212,400	\$ 34,900
Office Rent	-	-	-	-	-
Office Costs	143,900	143,900	-	179,050	35,150
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	305,665	305,665	-	471,000	165,335
<b>Total Operating Expenses</b>	<b>\$ 627,065</b>	<b>\$ 627,065</b>	<b>\$ -</b>	<b>\$ 862,450</b>	<b>\$ 235,385</b>
<b>Total Direct Expenses</b>	<b>\$ 1,019,203</b>	<b>\$ 1,019,203</b>	<b>\$ -</b>	<b>\$ 1,294,652</b>	<b>\$ 275,449</b>
<b>Indirect Expenses</b>	<b>(1,019,203)</b>	<b>(1,019,203)</b>	<b>\$ -</b>	<b>(1,294,652)</b>	<b>(275,449)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	(305,665)	(305,665)	-	(471,000)	(165,335)
Computer & Software CapEx	339,851	339,851	-	320,500	(19,351)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(34,186)	(34,186)	-	150,500	184,686
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>3.10</b>	<b>3.10</b>	<b>-</b>	<b>3.13</b>	<b>0.03</b>

## 6e. Human Resources

Human Resources costs are included in Finance and Accounting.

## 6f. Human Resources, Finance, and Accounting

<b>Accounting and Finance</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.01	3.30	0.29
Total Direct Expenses	\$ 1,140,646	\$ 1,206,673	\$ 66,027
Inc(Dec) in Fixed Assets	\$ 50,000	\$ 50,000	-
Working Capital Requirement	-	-	-

### *Program Scope and Functional Description*

#### **Human Resources**

The Human Resource function of MRO designs, plans, and implements Human Resource policies and procedures in adherence with applicable federal and state laws.

MRO has developed a culture and talent management program that features an in-depth communication and training plan. New hire training initiatives and employee collaborations are planned to create an opportunity for peer-to-peer internal mentorship and team building. The program also facilitates MRO's enterprise-wide corporate compliance and ethics program. MRO reviewed its employee engagement and culture enrichment activities in an effort to positively impact both the experience of new employees upon arrival at MRO, as well as the overall corporate culture to be an "employer of choice".

#### **Finance and Accounting**

The Finance and Accounting function directs the overall financial plans and accounting practices of the organization, oversees treasury, accounting, budget, tax, and audit activities, and oversees financial and accounting system controls and standards.

#### **2014 Goals and Key Deliverables**

- Forecasts and projections
- Payroll and expense administration
- Preparation of Quarterly Financial Statements
- IRS Reporting - Form 990
- Review and improve fiscal controls
- Annual Independent Audit initiated by the Regional Entity
- Enterprise-wide Corporate Compliance and Ethics Program

#### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

MRO's efforts include maintenance of core employee benefits, offsets to non-core benefits when necessary, analysis of office and other operational costs, improving efficiencies, and



establishing uniformity in methodologies of cost allocation. MRO staff further explores improved cost effectiveness of routine expenses, and pursues early detection and quick resolution of budget concerns, lessening the impact of cost adjustments. It is our intent to continuously detect and address any risks.

### ***Funding Sources (Other than ERO Assessments)***

In 2014, the expenses related to indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue.

### ***Personnel Expenses***

- Personnel expenses increase in 2014 due to an increase in FTEs in this department.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

### ***Meeting Expenses***

Costs are expected to remain relatively flat and consistent for attending regional budget group meetings.

### ***Operating Expenses***

- The 2014 budget decreased by 2% over 2013 due to stabilized costs in building and rent.
- A decrease in Consultant and Contracts costs is due to the elimination of hiring costs, since MRO was fully staffed at the beginning of 2013.
- The 2014 increase in Office Costs is a result of moving tuition assistance from the individual programs to Human Resources. This change is consistent with the other regions and NERC.
- Professional Services expenses decrease as a result of negotiated service costs and reduction in the scope of professional services needed. Actuarial costs peaked in 2011 when the pension conversion was completed. Actuarial costs should remain flat.

### ***Indirect Expenses***

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

### ***Other Non-Operating Expenses***

No dollars are necessary in 2014.

### ***Fixed Asset Additions***

2014 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

## Human Resources, Finance, and Accounting

Funding sources and related expenses for the Human Resources, Accounting, and Finance section of the 2014 business plan is shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>FINANCE and ACCOUNTING</b>					
	<b>2013</b>	<b>2013</b>	<b>Variance</b>	<b>2014</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2013 Projection</b>	<b>Budget</b>	<b>2014 Budget</b>
			<b>v 2013 Budget</b>		<b>v 2013 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 290,826	\$ 290,826	\$ -	\$ 348,717	\$ 57,891
Payroll Taxes	20,485	20,485	-	23,459	2,974
Benefits	32,351	32,351	-	34,384	2,033
Retirement Costs	56,737	56,737	-	71,365	14,628
<b>Total Personnel Expenses</b>	<b>\$ 400,399</b>	<b>\$ 400,399</b>	<b>\$ -</b>	<b>\$ 477,926</b>	<b>\$ 77,527</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 500	\$ 500
Travel	3,000	3,000	-	3,000	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>	<b>\$ -</b>	<b>\$ 3,500</b>	<b>\$ 500</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 45,500	\$ 45,500	\$ -	\$ 25,000	\$ (20,500)
Office Rent	528,827	528,827	-	524,827	\$ (4,000)
Office Costs	83,920	83,920	-	115,420	\$ 31,500
Professional Services	79,000	79,000	-	60,000	\$ (19,000)
Miscellaneous	-	-	-	-	\$ -
Depreciation	-	-	-	-	\$ -
<b>Total Operating Expenses</b>	<b>\$ 737,247</b>	<b>\$ 737,247</b>	<b>\$ -</b>	<b>\$ 725,247</b>	<b>\$ (12,000)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,140,646</b>	<b>\$ 1,140,646</b>	<b>\$ -</b>	<b>\$ 1,206,673</b>	<b>\$ 66,027</b>
<b>Indirect Expenses</b>	<b>\$ (1,140,646)</b>	<b>\$ (1,140,646)</b>	<b>\$ -</b>	<b>\$ (1,206,673)</b>	<b>\$ (66,027)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-
Allocation of Fixed Assets	\$ (50,000)	(50,000)	\$ -	-	50,000
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1)</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ (50,000)</b>	<b>\$ (50,000)</b>
<b>FTEs</b>	<b>3.01</b>	<b>3.01</b>		<b>3.30</b>	<b>0.29</b>



---

## **Section B – Supplemental Financial Information**

### **2014 Business Plan and Budget**

---

## Section B — Supplemental Financial Information

### 1. Supplemental Financial Information Reserve Balance

<b>Table B-1</b>	
<b>Working Capital Reserve Analysis 2013-2014</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2012</b>	2,252,881
Plus: 2013 MRO Funding (from LSEs or designees)	9,098,927
Less: 2013 Projected expenses & capital expenditures	(9,283,539)
<b>Projected Working Capital Reserve (Deficit), December 31, 2013 <sup>1</sup></b>	<b>2,068,269</b>
<b>Targeted Working Capital Reserve, December 31, 2014 (((\$9,744,802 / 365 days) X 45 days)</b>	1,201,414
Less: Projected Working Capital Reserve, December 31, 2013	(2,068,269)
<b>Increase(decrease) in assessments to achieve targeted Working Capital Reserve</b>	<b>(866,855)</b>
2014 Expenses and Capital Expenditures	9,744,799
Less: Penalty Sanctions <sup>2</sup>	(136,500)
Less: Other Funding Sources	0
Adjustment to achieve targeted Working Capital Reserve	(866,855)
<b>2014 MRO Assessment</b>	<b>8,741,444</b>

<sup>1</sup> MRO's projected reserve December 31, 2013 assumes that there will not be a material difference between budgeted versus actual/projected results from 2013.

<sup>2</sup> Represents collections on or prior to June 30, 2012. See page 54 for full disclosure.

### 2. Explanation of Changes in Reserve Policy from Prior Years to Current Year

MRO previously had a cash reserve policy to maintain 45 days of cash beginning in 2010 with funding increments of one-third each year, subject to periodic re-evaluation. On March 14, 2013, the MRO Board approved an Operating and Working Capital Reserve Policy. Pursuant to the approved policy the amount of MRO's operating capital reserves shall be identified and quantified each year in the business plan and budget (shown in Table B-1) submitted first to the MRO FAC for review, and then to the MRO board of directors for approval. If the approved amount is different than what MRO will have available for the upcoming budget year, then MRO will increase or decrease the reserve requirement as appropriate by the difference.

### 3. Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities on page 15 of the MRO 2014 Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

***Penalty Sanctions***

Penalty monies received prior to June 30, 2013 are to be used to offset assessments in the 2014 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARDS. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

All penalties received prior to June 30, 2013 are listed below, including the amount and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards Organization Registration & Certification; Compliance Monitoring & Enforcement; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2**

Penalty Sanctions Received On or Prior to June 30, 2013	Date Received	Amount Received
	7/13/2012	\$ 6,000
	8/13/2012	12,000
	9/5/2012	40,000
	9/5/2012	40,000
	9/7/2013	6,000
	2/14/2013	2,500
	3/20/2013	20,000
	5/14/2013	10,000
<b>Total Penalties Received</b>		\$ 136,500

**Supplemental Funding****Table B-3**

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Reliability Assessment and Performance Analysis</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Training and Education</b>				
Testing Fees and Certificate Renewals	\$ -	\$ -	\$ -	-
CEH Fees	-	-	-	-
Workshops	-	-	-	-
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Situation Awareness and Infrastructure Security</b>				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative</b>				
Interest Income	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Total Outside Funding</b>	\$ -	\$ -	\$ -	\$ -

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

MRO does not earn interest income. Our general banking account offsets the bank charges with any earned interest.

**4. Personnel Expenses****Table B-4**

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
<b>Total Salaries</b>	\$ 4,772,320	\$ 4,772,320	\$ 5,178,538	\$ 406,218	8.5%
<b>Total Payroll Taxes</b>	312,394	312,394	339,154	26,760	8.6%
<b>Total Benefits</b>	394,086	394,086	412,222	18,136	4.6%
<b>Total Retirement</b>	833,228	833,228	968,920	135,692	16.3%
<b>Total Personnel Costs</b>	<u>\$ 6,312,028</u>	<u>\$ 6,312,028</u>	<u>\$ 6,898,834</u>	<u>\$ 586,806</u>	<u>9.3%</u>
<b>FTEs</b>	37.75	37.75	40.75	3.00	7.9%
<b>Cost per FTE</b>					
Salaries	\$ 126,419	\$ 126,419	\$ 127,081	662	0.5%
Payroll Taxes	8,275	8,275	8,323	47	0.6%
Benefits	10,439	10,439	10,116	(323)	-3.1%
Retirement	22,072	22,072	23,777	1,705	7.7%
<b>Total Cost per FTE</b>	<b>\$ 167,206</b>	<b>\$ 167,206</b>	<b>\$ 169,297</b>	<b>\$ 2,091</b>	<b>1.3%</b>

***Explanation of Significant Variances – 2014 Budget versus 2013 Budget***

Total retirement cost increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

## 5. Consultants and Contracts

Table B-5

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
<b>Consultants</b>					
Reliability Standards and Organization Registration and Certification	\$ -	\$ -	\$ -	\$ -	
Compliance	33,000	33,000	3,000	(30,000)	-91%
Reliability Assessment and Performance Analysis (Secure Portal Dev for Periodic Data Collection)	30,000	30,000	20,000	(10,000)	-33%
Event Analysis	20,000	20,000	-	(20,000)	-100%
Training and Education		-	-	-	
Situation Awareness and Infrastructure Security		-	-	-	
Committee and Member Forums		-	-	-	
General and Administrative	40,000	40,000	40,000	-	0%
Legal and Regulatory		-	-	-	
Information Technology	40,000	40,000	100,000	60,000	150%
Human Resources		-	-	-	
Accounting and Finance	5,000	5,000	5,000	-	0
<b>Consultants Total</b>	<b>\$ 168,000</b>	<b>\$ 168,000</b>	<b>\$ 168,000</b>	<b>\$ -</b>	<b>0%</b>
<b>Contracts</b>					
<b>Contracts</b>					
Outsource Standards Tracking Software Applications	\$ 12,000	\$ 12,000	\$ 12,000	-	0%
<b>Subtotal - Reliability Standards and Organization Registration and Certification Contracts</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>-</b>	<b>0%</b>
Outsource Compliance Information Tracking Applications				-	
<b>Subtotal - Compliance Contracts</b>	<b>\$ 124,000</b>	<b>\$ 124,000</b>	<b>\$ 124,000</b>	<b>-</b>	<b>0%</b>
	<b>\$ 124,000</b>	<b>\$ 124,000</b>	<b>\$ 124,000</b>	<b>-</b>	<b>0%</b>
Model Series Development (MRO's portion of expenses of the MMWG/ERAG)	\$ 22,600	\$ 22,600	\$ 26,700	4,100	18%
Model Building	45,800	45,800	38,000	(7,800)	-17%
PTI Software	22,700	22,700	22,000	(700)	-3%
Data Collection Expansion			20,000	20,000	
<b>Subtotal - Reliability Assessments Contracts</b>	<b>\$ 91,100</b>	<b>\$ 91,100</b>	<b>\$ 106,700</b>	<b>\$ 15,600</b>	<b>17%</b>
Cisco	20,000	20,000	20,000	-	0%
Barracuda	5,000	5,000	5,500	500	10%
Domain Registration	500	500	500	-	0%
EFT Maintenance	-	-	6,900	6,900	
Symantec Antivirus	5,000	5,000	5,000	-	0%
Varonis File Maintenance	8,000	8,000	8,500	500	6%
Net App Data Storage Maintenance	25,000	25,000	20,000	(5,000)	-20%
Net App Shelves	3,000	3,000	-	(3,000)	-100%
VMWare	14,000	14,000	14,000	-	0%
Sharepoint Maintenance	15,000	15,000	-	(15,000)	-100%
SmartPhone Maintenance	6,000	6,000	6,000	-	0%
Server Support	5,000	5,000	6,000	1,000	20%
Great Plians Upgrade	13,000	13,000	-	(13,000)	-100%
IT Security Audit	18,000	18,000	-	(18,000)	-100%
Comodo-Certificates			1,500	1,500	
CRM and Scribe			11,500	11,500	
NetApp Multistore-Security software for SAN			7,000	7,000	
<b>Subtotal - Information Technology Contracts</b>	<b>\$ 137,500</b>	<b>\$ 137,500</b>	<b>\$ 112,400</b>	<b>\$ (25,100)</b>	<b>-18%</b>
401K / 457b, 457f 3rd Party Administrator	4,000	4,000	4,000	-	0%
FSA 3rd Party Administrator	1,200	1,200	1,200	-	0%
Transportation 3rd Party Administrator	2,800	2,800	2,800	-	0%
Benefits 3rd Party Administrator	2,000	2,000	2,000	-	0%
Payroll 3rd Party Administrator	5,500	5,500	10,000	4,500	82%
HR-Employment Costs	25,000	25,000	-	(25,000)	-100%
<b>Subtotal - HR and Finance Contracts</b>	<b>\$ 40,500</b>	<b>\$ 40,500</b>	<b>\$ 20,000</b>	<b>(20,500)</b>	<b>-51%</b>
<b>Contracts Total</b>	<b>\$ 405,100</b>	<b>\$ 405,100</b>	<b>\$ 375,100</b>	<b>\$ (30,000)</b>	<b>-7%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 573,100</b>	<b>\$ 573,100</b>	<b>\$ 543,100</b>	<b>\$ (30,000)</b>	<b>-5%</b>



---

***Explanation of Significant Variances – 2014 Budget versus 2013 Budget*****Consulting Expenses**

- Compliance consulting expenses are budgeted to decrease in 2014. Greater efficiencies are budgeted with this third party vendor as additional regions expand the common IT platform increasing efficiency and effectiveness as well as lower costs by spreading costs across the increased number of participating regions.
- Reliability Assessments and Performance Analysis decreased in 2014 because MRO removed the contingency dollars for Event Analysis.
- Information Technology will increase in 2014 because IT will be using outside consultants for new technology implementation.

**Contract Expenses**

- Reliability Assessments and Performance Analysis costs slightly increase for 2014 due to higher future costs for data collection expansion.
- Information Technology costs increased in this timeline due to one-time set-up costs.
- Human Resources and Finance costs decreased for 2014 due to an expected decrease in hiring costs. MRO was fully staffed as of December 31, 2012.

**Table B-6**

<b>Office Rent</b>	<b>Budget 2013</b>	<b>Projection 2013</b>	<b>Budget 2014</b>	<b>Variance 2014 Budget v 2013 Budget</b>	<b>Variance %</b>
Office Rent	\$ 513,827	\$ 513,827	\$ 513,827	\$ -	0.0%
Utilities	5,000	5,000	5,000	-	0.0%
Maintenance	10,000	10,000	6,000	(4,000)	-40.0%
Office Cleaning	-	-	-	-	
Waste Management	-	-	-	-	
<b>Total Office Rent</b>	<b>\$ 528,827</b>	<b>\$ 528,827</b>	<b>\$ 524,827</b>	<b>\$ (4,000)</b>	<b>-0.76%</b>

***Explanation of Significant Variances – 2014 Budget versus 2013 Budget*****Office Rent**

The lease costs from 2013 to 2014 remain flat and are partially offset by the lower cost of routine maintenance which is covered in the lease.

**Table B-7**

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Phone Service					
Data Curciut (qmoe)	\$ 20,000	\$ 20,000	\$ 13,500	\$ (6,500)	-32.50%
Data Circuit (dsl)	-	-	14,300	14,300	
Voice Circuits	13,000	13,000	14,000	1,000	7.69%
Business Cable	3,300	3,300	2,000	(1,300)	-39.39%
Sunguard 1/	33,000	33,000	32,850	(150)	-0.45%
Internet/Cell	44,307	44,307	45,864	1,557	3.51%
Office Supplies	26,350	26,350	24,300	(2,050)	-7.78%
Employee Member Events	17,800	17,800	15,000	(2,800)	-15.73%
Employee Related Expense (Drug Testing, Finder Fees Etc)	8,500	8,500	9,000	500	5.88%
Computer Supplies and Maintenance	37,000	37,000	60,300	23,300	62.97%
Publications & Subscriptions	5,400	5,400	5,400	-	0.00%
Professional Dues	13,859	13,859	22,960	9,101	65.67%
Postage	2,700	2,700	2,700	-	0.00%
Temporary Services	-	-	-	-	
Finance-Filing/Reg Fees	6,000	6,000	6,000	-	0.00%
Equipment Repair/Service Contracts 1/	25,000	25,000	20,800	(4,200)	-16.80%
Bank Charges	15,500	15,500	15,500	-	0.00%
Sales & Use Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity & Supplies Promotional	3,000	3,000	-	(3,000)	-100.00%
Departmental Functional Training	108,588	108,588	148,650	40,062	36.89%
Insurance Expense	45,000	45,000	50,000	5,000	11.11%
<b>Total Office Costs</b>	<b>\$ 428,304</b>	<b>\$ 428,304</b>	<b>\$ 503,124</b>	<b>\$ 74,820</b>	<b>17.47%</b>

***Explanation of Significant Variances – 2014 Budget versus 2013 Budget*****Office Costs**

These costs are affected by the higher number of FTEs in 2014 than 2013.

**Departmental Functional and Training Costs**

Training costs in the program areas increased in 2014 as a result of higher FTEs in 2014.

**Insurance Expense**

The 2014 budget includes business continuity coverage which is anticipated to be acquired in 2013.

**Table B-8**

<b>Professional Services</b>	<b>Budget 2013</b>	<b>Projection 2013</b>	<b>Budget 2014</b>	<b>Variance 2014 Budget v 2013 Budget</b>	<b>Variance %</b>
Independent Trustee Fees	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	0.00%
Outside Legal	67,500	67,500	45,000	(22,500)	-33.33%
Accounting & Auditing Fees	53,000	53,000	45,000	(8,000)	-15.09%
Actuarial Fees	26,000	26,000	15,000	(11,000)	-42.31%
<b>Total Services</b>	<b>\$ 246,500</b>	<b>\$ 246,500</b>	<b>\$ 205,000</b>	<b>\$ (41,500)</b>	<b>-16.84%</b>

***Explanation of Significant Variances – 2014 Budget versus 2013 Budget***

- Independent Trustee fees have been added to the 2013 Budget. In 2014, these fees will remain unchanged. In 2012 members of MRO approved revised bylaws to include independent board members. The change in governance began in 2013.
- Reduced costs by eliminating outside legal contingency dollars.
- Accounting and Auditing Fees were reduced to reflect actual expenditures in 2012.
- Actuarial fees reduced slightly in 2014 as efficiencies and lower negotiated fees are realized. Actuarial costs peaked in 2011 when the pension conversion was completed. Actuarial costs should remain flat.

**Table B-9**

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment					-
Office Relocation	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>100.00%</b>

***Explanation of Significant Variances – 2014 Budget versus 2013 Budget***

No dollars are necessary in 2014 Budget.



---

## **Section C – Non-Statutory Activities**

### **2014 Business Plan and Budget**

---

**Section C — 2014 Non-Statutory Business Plan and Budget**

In the 2014 Business Plan and Budget, MRO will not have non-statutory functions.



---

## **Section D – Additional Consolidated Financial Statements**

### **2014 Business Plan and Budget**

---



## **Section D - Additional Financial Statements**

### **1. 2014 Consolidated Statement of Activities by Program, Statutory and Non Statutory**

Section D - Additional Financial Statements

2014 Consolidated Statement of Activities

				Statutory Activities												Non-Statutory Functions
Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards and Organizational Registration (Section 300 and 500)	Compliance and Organization Registration (Section 400 )	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 800)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forum	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
<b>Funding</b>																
<b>ERO Funding</b>																
NERC Assessments	8,741,444	8,741,444	-	8,741,444	429,997	6,600,178	2,164,689	330,159	83,275	-	(866,855)	-	-	-	-	-
Penalty Sanctions	136,500	136,500	-	136,500	5,361	97,415	29,738	2,978	1,008	-	-	-	-	-	-	-
<b>Total NERC Funding</b>	<b>8,877,944</b>	<b>8,877,944</b>	<b>-</b>	<b>8,877,944</b>	<b>435,358</b>	<b>6,697,593</b>	<b>2,194,427</b>	<b>333,137</b>	<b>84,283</b>	<b>-</b>	<b>(866,855)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding (A)</b>	<b>8,877,944</b>	<b>8,877,944</b>	<b>-</b>	<b>8,877,944</b>	<b>435,358</b>	<b>6,697,593</b>	<b>2,194,427</b>	<b>333,137</b>	<b>84,283</b>	<b>-</b>	<b>(866,855)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>																
<b>Personnel Expenses</b>																
Salaries	5,178,538	5,178,538	-	5,178,538	175,057	2,631,450	793,111	135,804	39,332	286,447	289,381	173,407	305,832	-	348,717	-
Payroll Taxes	339,154	339,154	-	339,154	9,981	179,885	53,718	6,128	2,173	15,986	15,884	8,754	23,186	-	23,459	-
Benefits	412,222	412,222	-	412,222	12,129	222,055	68,241	6,856	2,320	15,715	14,661	2,848	33,013	-	34,384	-
Retirement Costs	968,920	968,920	-	968,920	34,167	461,742	170,310	22,921	6,138	58,368	49,575	28,163	66,171	-	71,365	-
<b>Total Personnel Expenses</b>	<b>6,898,834</b>	<b>6,898,834</b>	<b>-</b>	<b>6,898,834</b>	<b>231,334</b>	<b>3,495,132</b>	<b>1,085,380</b>	<b>171,709</b>	<b>49,963</b>	<b>376,516</b>	<b>369,501</b>	<b>213,172</b>	<b>428,202</b>	<b>-</b>	<b>477,925</b>	<b>-</b>
<b>Meeting Expenses</b>																
Meetings	100,514	100,514	-	100,514	4,000	5,500	5,500	49,000	-	35,864	-	150	-	-	500	-
Travel	598,900	598,900	-	598,900	28,900	137,000	81,000	20,800	-	228,700	83,000	12,500	4,000	-	3,000	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>699,414</b>	<b>699,414</b>	<b>-</b>	<b>699,414</b>	<b>32,900</b>	<b>142,500</b>	<b>86,500</b>	<b>69,800</b>	<b>-</b>	<b>228,700</b>	<b>118,864</b>	<b>12,650</b>	<b>4,000</b>	<b>-</b>	<b>3,500</b>	<b>-</b>
<b>Operating Expenses</b>																
Consultants & Contracts	543,100	543,100	-	543,100	12,000	127,000	126,700	-	-	40,000	-	212,400	-	-	25,000	-
Office Rent	524,827	524,827	-	524,827	-	-	-	-	-	-	-	-	-	-	524,827	-
Office Costs	503,124	503,124	-	503,124	3,194	94,560	30,900	5,000	5,000	64,000	6,000	179,050	-	-	115,420	-
Professional Services	205,000	205,000	-	205,000	-	5,000	-	-	-	100,000	40,000	-	-	-	60,000	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	471,000	471,000	-	471,000	-	-	-	-	-	-	-	-	471,000	-	-	-
<b>Total Operating Expenses</b>	<b>2,247,051</b>	<b>2,247,051</b>	<b>-</b>	<b>2,247,051</b>	<b>15,194</b>	<b>226,560</b>	<b>157,600</b>	<b>5,000</b>	<b>5,000</b>	<b>204,000</b>	<b>46,000</b>	<b>862,450</b>	<b>-</b>	<b>-</b>	<b>725,247</b>	<b>-</b>
<b>Total Direct Expenses</b>	<b>9,845,299</b>	<b>9,845,299</b>	<b>-</b>	<b>9,845,299</b>	<b>279,428</b>	<b>3,864,192</b>	<b>1,329,480</b>	<b>246,509</b>	<b>54,963</b>	<b>605,216</b>	<b>692,365</b>	<b>271,822</b>	<b>1,294,652</b>	<b>-</b>	<b>1,206,672</b>	<b>-</b>
<b>Indirect Expenses</b>																
-	-	-	-	-	159,877	2,905,124	886,842	88,821	30,062	(605,216)	(692,365)	(271,822)	(1,294,652)	-	(1,206,672)	-
<b>Other Non-Operating Expenses</b>																
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses (B)</b>	<b>9,845,299</b>	<b>9,845,299</b>	<b>-</b>	<b>9,845,299</b>	<b>439,305</b>	<b>6,769,316</b>	<b>2,216,322</b>	<b>335,330</b>	<b>85,025</b>	<b>-</b>	<b>(866,855)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>(967,355)</b>	<b>(967,355)</b>	<b>-</b>	<b>(967,355)</b>	<b>(3,947)</b>	<b>(71,723)</b>	<b>(21,895)</b>	<b>(2,193)</b>	<b>(742)</b>	<b>-</b>	<b>(866,855)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>																
Depreciation	(471,000)	(471,000)	-	(471,000)	-	-	-	-	-	-	-	-	(471,000)	-	-	-
Computer & Software CapEx	320,500	320,500	-	320,500	-	-	-	-	-	-	-	320,500	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-	-	-	-	-	-	-	-	-	-	50,000	-
Allocation of Fixed Assets	-	-	-	-	(3,947)	(71,723)	(21,895)	(2,193)	(742)	-	-	150,500	-	-	(50,000)	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>(100,500)</b>	<b>(100,500)</b>	<b>-</b>	<b>(100,500)</b>	<b>(3,947)</b>	<b>(71,723)</b>	<b>(21,895)</b>	<b>(2,193)</b>	<b>(742)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>9,744,799</b>	<b>9,744,799</b>	<b>-</b>	<b>9,744,799</b>	<b>435,358</b>	<b>6,697,593</b>	<b>2,194,427</b>	<b>333,137</b>	<b>84,283</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>8,777,444</b>	<b>8,777,444</b>	<b>-</b>	<b>(866,855)</b>	<b>0</b>	<b>-</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>-</b>	<b>(866,855)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>40.75</b>	<b>40.75</b>	<b>-</b>	<b>40.75</b>	<b>1.17</b>	<b>21.26</b>	<b>6.49</b>	<b>0.65</b>	<b>0.22</b>	<b>1.66</b>	<b>1.94</b>	<b>0.93</b>	<b>3.13</b>	<b>-</b>	<b>3.30</b>	<b>-</b>

## 2. Statement of Financial Position

- As of December 31, 2012, per audit
- As of December 31, 2013, projected
- As of December 31, 2014, as budgeted

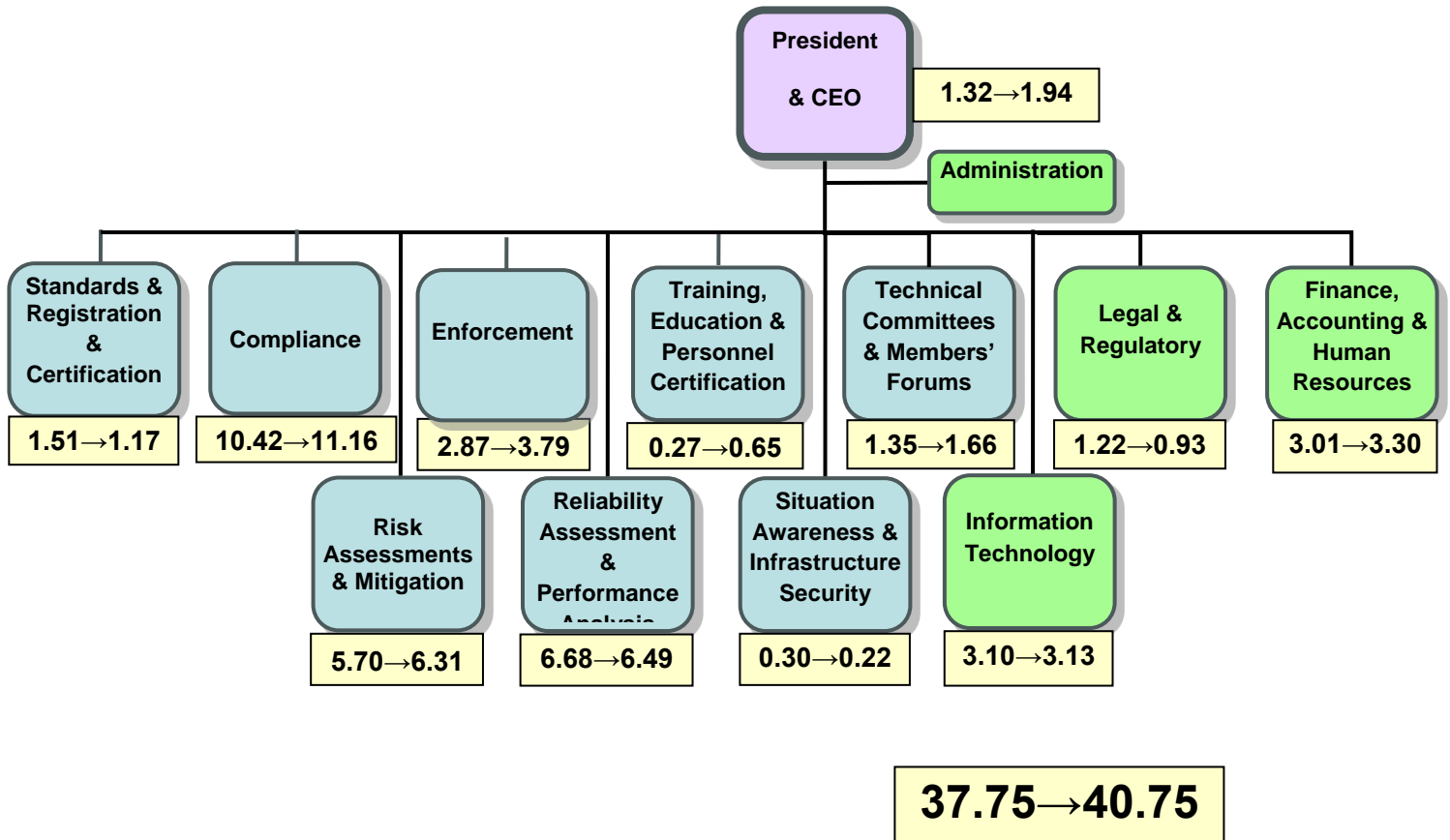
Statement of Financial Position			
2012 Audited, 2013 Projection, and 2014 Budget			
STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-12	31-Dec-13	31-Dec-14
<b>ASSETS</b>			
Cash	3,190,831	3,138,330	2,500,964
Restricted Cash	14,002	136,000	-
Other Receivables	191,366	-	-
Prepaid expenses and other current assets	200,276	173,237	138,237
Security deposit	39,858	39,858	39,858
Restricted Cash - non-current	104,003	-	-
Property and equipment and capitalized software	1,348,844	1,537,629	1,437,129
Total Assets	<b>5,089,180</b>	<b>5,025,054</b>	<b>4,116,188</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	1,343,595	1,379,298	1,437,500
Postretirement medical benefit obligation	347,334	382,334	478,064
Deferred assessments - non-current	104,004	-	-
Deferred rent - non-current	121,976	331,077	439,174
Total Liabilities	<b>1,916,909</b>	<b>2,092,709</b>	<b>2,354,738</b>
Net Assets - unrestricted	3,172,271	2,932,345	1,761,450
Total Liabilities and Net Assets	<b>5,089,180</b>	<b>5,025,054</b>	<b>4,116,188</b>

### 3. Statement of Activities and Capital Expenditures

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 and 2016 Projections</b>							
	2014 Budget	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	2016 Projection	\$ Change 16 v 15	% Change 16 v 15
<b>Funding</b>							
<b>ERO Funding</b>							
NERC Assessments	\$ 8,741,444	\$ 9,569,450	\$ 828,006	9.47%	\$ 9,892,630	\$ 323,180	3.3%
Penalty Sanctions	136,500	-	(136,500)	-100.00%	-	-	
<b>Total NERC Funding</b>	<b>\$ 8,877,944</b>	<b>\$ 9,569,450</b>	<b>\$ 691,506</b>	<b>7.8%</b>	<b>\$ 9,892,630</b>	<b>\$ 323,180</b>	<b>3.3%</b>
Membership Dues	-	-	-		-	-	
Testing Fees	-	-	-		-	-	
Services & Software	-	-	-		-	-	
Workshops	-	-	-		-	-	
Interest	-	-	-		-	-	
Miscellaneous	-	-	-		-	-	
<b>Total Funding (A)</b>	<b>\$ 8,877,944</b>	<b>\$ 9,569,450</b>	<b>\$ 691,506</b>	<b>7.8%</b>	<b>\$ 9,892,630</b>	<b>\$ 323,180</b>	<b>3.4%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 5,178,538	\$ 5,333,894	\$ 155,356	3.0%	\$ 5,493,911	\$ 160,017	3.0%
Payroll Taxes	339,154	349,329	10,175	3.0%	359,808	10,480	3.0%
Benefits	412,222	424,589	12,367	3.0%	437,326	12,738	3.0%
Retirement Costs	968,920	997,988	29,068	3.0%	1,027,927	29,940	3.0%
<b>Total Personnel Expenses</b>	<b>\$ 6,898,834</b>	<b>\$ 7,105,799</b>	<b>\$ 206,965</b>	<b>3.0%</b>	<b>\$ 7,318,973</b>	<b>\$ 213,174</b>	<b>3.0%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 100,514	\$ 102,524	\$ 2,010	2.0%	\$ 104,575	2,050	2.0%
Travel	598,900	610,878	11,978	2.0%	623,096	12,218	2.0%
Conference Calls	-	-	-		-	-	
<b>Total Meeting Expenses</b>	<b>\$ 699,414</b>	<b>\$ 713,402</b>	<b>\$ 13,988</b>	<b>2.0%</b>	<b>\$ 727,670</b>	<b>\$ 14,268</b>	<b>2.0%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 543,100	\$ 553,962	\$ 10,862	2.0%	\$ 565,041	\$ 11,079	2.0%
Office Rent	524,827	535,324	10,497	2.0%	546,030	10,706	2.0%
Office Costs	503,124	513,186	10,062	2.0%	523,450	10,264	2.0%
Professional Services	205,000	209,100	4,100	2.0%	213,282	4,182	2.0%
Miscellaneous	-	-	-		-	-	
Depreciation	471,000	480,420	9,420	2.0%	490,028	9,608	2.0%
<b>Total Operating Expenses</b>	<b>\$ 2,247,051</b>	<b>\$ 2,291,992</b>	<b>\$ 44,941</b>	<b>2.0%</b>	<b>\$ 2,337,832</b>	<b>\$ 45,840</b>	<b>2.0%</b>
<b>Total Direct Expenses</b>	<b>\$ 9,845,299</b>	<b>\$ 10,111,193</b>	<b>\$ 265,894</b>	<b>2.7%</b>	<b>\$ 10,384,475</b>	<b>\$ 273,282</b>	<b>2.7%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses (B)</b>	<b>\$ 9,845,299</b>	<b>\$ 10,111,193</b>	<b>\$ 265,894</b>	<b>2.7%</b>	<b>\$ 10,384,475</b>	<b>\$ 273,282</b>	<b>2.7%</b>
<b>Change in Assets</b>	<b>\$ (967,355)</b>	<b>\$ (541,743)</b>	<b>\$ 425,612</b>	<b>-44.0%</b>	<b>\$ (491,845)</b>	<b>\$ 49,898</b>	<b>-9.2%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (471,000)	\$ (480,420)	\$ (9,420)	2.0%	\$ (490,028)	\$ (9,608)	2.0%
Computer & Software CapEx	320,500	326,910	6,410	2.0%	333,448	6,538	2.0%
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	-	-	-		-	-	
Leasehold Improvements	50,000	-	(50,000)	-100.0%	-	-	
Allocation of Fixed Assets							
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ (100,500)</b>	<b>\$ (153,510)</b>	<b>\$ (53,010)</b>	<b>52.7%</b>	<b>\$ (156,580)</b>	<b>\$ 49,898</b>	<b>0.0%</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 9,744,799</b>	<b>\$ 9,957,683</b>	<b>\$ 212,884</b>	<b>2.2%</b>	<b>\$ 10,227,895</b>	<b>\$ 273,282</b>	<b>2.7%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (866,855)</b>	<b>\$ (388,233)</b>	<b>\$ 478,622</b>	<b>-55.2%</b>	<b>\$ (335,265)</b>	<b>\$ 52,968</b>	<b>-13.6%</b>
<b>FTEs</b>	37.75	40.00	2.25		40.00	-	

## Attachment A

### 2013 to 2014 Full Time Equivalent (FTE) Comparison Organization Chart



### FTE Trend from 2013 to 2016

2013	2014	2015 Estimate	2016 Estimate
37.75	40.75	41.50	41.50

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 5**

**NORTHEAST POWER COORDINATING COUNCIL, INC.**

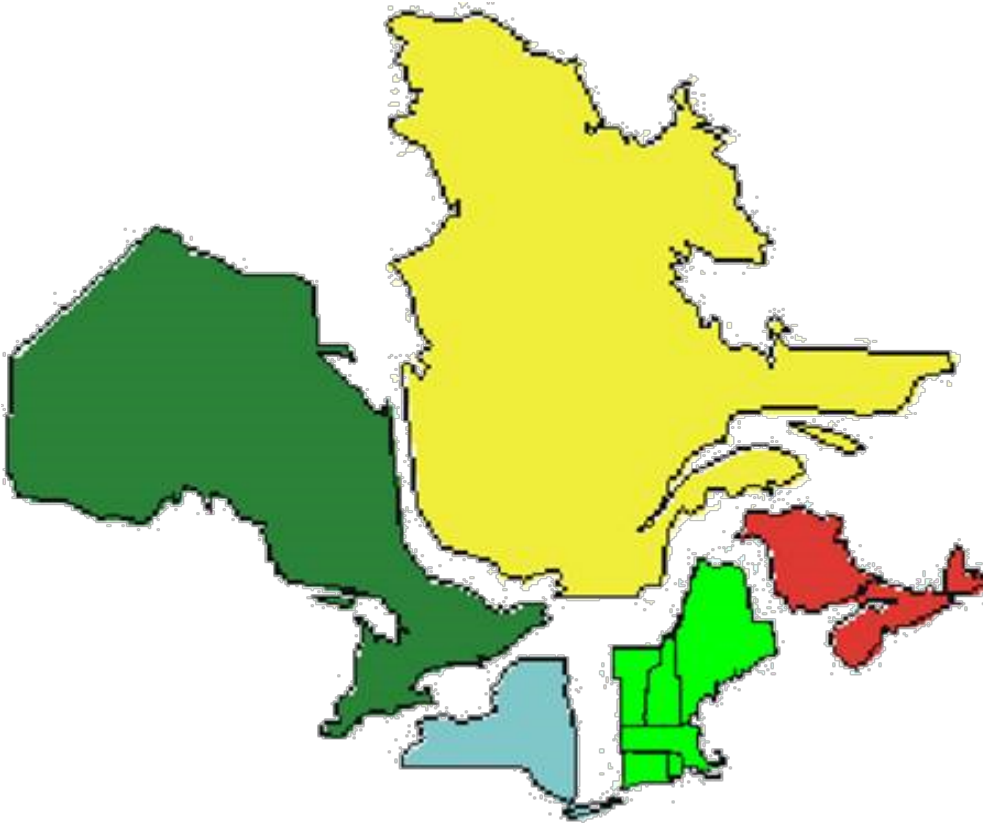
**PROPOSED 2014 BUSINESS PLAN AND BUDGET**



NORTHEAST POWER COORDINATING COUNCIL, INC.  
1040 AVE. OF THE AMERICAS, NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

## **Northeast Power Coordinating Council, Inc. (NPCC)**

### **2014 Business Plan and Budget**



**Approved by  
NPCC Board of Directors  
June 25, 2013  
Resubmitted to NERC August 6, 2013**

# Table of Contents

Introduction.....	3
Personnel Analysis.....	11
Section A — 2013 Business Plan .....	14
Reliability Standards Program .....	14
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	26
Reliability Assessment and Performance Analysis Program.....	35
Training, Education, and Operator Certification Program.....	50
Situation Awareness and Infrastructure Security Program.....	55
Administrative Services .....	62
Technical Committees and Member Forums .....	64
General and Administrative .....	66
Legal and Regulatory .....	67
Information Technology .....	68
Human Resources .....	70
Finance and Accounting .....	71
Regional Entity Assessment Analysis .....	73
Section B — Supplemental Financial Information.....	77
Reserve Balance.....	77
Breakdown by Statement of Activity Sections .....	78
Section C —2013 Criteria Services Division Business Plan and Budget.....	88
Personnel Analysis.....	94
Reserve Analysis 2012–2013.....	95
Section D.....	97
Statement of Financial Position .....	97



## Introduction

<b>Total NPCC Resources</b>				
(in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Regional Entity Division FTEs	36.86			
Criteria Services Division FTEs	2.14			
<b>Total FTEs</b>	<b>39.0</b>			
Regional Entity Division Expenses	\$14,271,006			
Criteria Services Division Expenses	\$1,089,100			
<b>Total Expenses</b>	<b>\$15,360,106</b>			
Regional Entity Division Inc(Dec) in Fixed Assets	(\$142,000)			
Criteria Services Division Inc(Dec) in Fixed Assets	(\$24,000)			
<b>Total Inc(Dec) in Fixed Assets</b>	<b>(\$166,000)</b>			
Regional Entity Division Working Capital Requirement**	(\$300,126)			
Criteria Services Division Working Capital Requirement***	(\$75,391)			
<b>Total Working Capital Requirement</b>	<b>(\$375,517)</b>			
Total Regional Entity Division Funding Requirement	\$13,828,880			
Total Criteria Services Division Funding Requirement	\$989,708			
<b>Total Funding Requirement</b>	<b>\$14,818,588</b>			
<b>Regional Entity Division Assessments</b>	<b>\$13,611,880</b>	<b>\$8,616,399</b>	<b>\$4,995,482</b>	
<b>Regional Entity Division Assessments Percentage</b>	<b>100.0%</b>	<b>63.3%</b>	<b>36.7%</b>	
<b>Criteria Services Division Membership Fees</b>	<b>\$989,708</b>	<b>\$448,919</b>	<b>\$540,789</b>	
<b>Total NPCC Assessments &amp; Membership Fees</b>	<b>\$14,601,588</b>	<b>\$9,065,318</b>	<b>\$5,536,270</b>	
NEL	641,382,000	290,923,000	350,459,000	
NEL %	100%	45.36%	54.64%	

\*\* Refer to Table B-1 on page 75 in Section B.

\*\*\* Refer to the Reserve Analysis on page 95 in Section C.

## 2014 Overview of Total NPCC Resource Requirements

Due to the international nature of NPCC, the total resource requirements including both Regional Entity division and Criteria Services division are identified above. The individual divisional explanations are contained in subsequent sections.

NPCC proposes to increase its total funding requirement from \$13,903,753 to \$14,818,588 in 2014, an increase of \$914,835 or 6.6%. The proposed 2014 funding requirements will be satisfied by a Regional Entity division assessment of \$13,611,880 and Criteria Services division fees of \$989,708 an overall increase of 8.22% compared to the 2013 total funding requirement of \$13,491,954. NPCC believes that the Region remains an effective provider of Regional Entity and Criteria Services division functions. NPCC's corporate culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition in the Northeast of affordable and reliable electricity.

## Organizational Overview

Northeast Power Coordinating Council, Inc. (NPCC) is a 501(c)(6) not-for-profit corporation in the state of New York responsible for promoting and improving the reliability of the international, interconnected bulk power systems in Northeastern North America through (i) the development of Regional Reliability Standards and compliance assessment and enforcement of continent-wide and Regional Reliability Standards, coordination of system planning, design and

operations, and assessment of reliability (collectively, Regional Entity activities), and (ii) the establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria (collectively, criteria services activities). NPCC provides the functions and services for Northeastern North America of a cross-border Regional Entity through a Regional Entity division, as well as Regionally-specific criteria services for Northeastern North America through a criteria services division. NPCC's website is [www.npcc.org](http://www.npcc.org).

The NPCC Region covers nearly 1.2 million square miles and is populated by more than 56 million people. NPCC U.S. includes the six New England states and the state of New York. NPCC Canada includes the provinces of Ontario, Québec and the Maritime provinces of New Brunswick and Nova Scotia. In total, from a net energy for load perspective, NPCC is approximately 46% U.S. and 54% Canadian. With regard to Canada, approximately 70% of Canadian net energy for load is within the NPCC Region.

Effective January 1, 2012, NPCC executed an Amended and Restated Regional Delegation Agreement with the North American Electric Reliability Corporation (NERC) that delegates to NPCC certain responsibilities and authorities of a cross-border Regional Entity as defined by *Section 215* of the Federal Power Act in the U.S. In addition, NPCC has executed Memoranda of Understanding with Canadian provincial regulatory and/or governmental authorities in Ontario, Québec, New Brunswick and Nova Scotia.

In this 2014 business plan, NPCC has not included discretionary programs and has balanced the limited availability of funds with international reliability interests. The NPCC Board of Directors in its approval of the 2013 NPCC Business Plan and Budget tasked NPCC with establishing a base operating budget for 2014 reflecting the costs of efficient execution of existing operations and, in conjunction with NERC and other Regional Entities, developing justification for any necessary increases in resources to address identified additional requirements and proposing a long term strategy showing a measured growth approach in NPCC's Regional Entity division operations.

It is imperative that NPCC maintain its ability to carry out delegated authorities and responsibilities. NPCC has a 2014 targeted staffing level of 39 power industry professionals and support personnel. Details of the 2014 business plans and budget for each program area are included in Section A for the Regional Entity division. The 2014 Regional Entity division schedules are shown in Section B. Section C details the 2014 criteria services division business plan and budget.

## **Membership and Governance**

NPCC monitors approximately 292 registered entities and some 577 functions in the Region for compliance with mandatory Reliability Standards. NPCC currently has approximately 79 members. There are two categories of membership, General and Full. The two categories distinguish between Regional Entity delegated services that are provided in support of the U.S. FERC and Canadian provincial MOUs or Agreements with regulatory and/or governmental authorities, and Criteria Services which FERC references as U.S. non-delegated activities.

General Membership is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the Electric Reliability Organization (ERO) that has an interest in the reliable operation of the Northeastern North American bulk power system. General Members which are also registered entities within the NPCC Region are subject to

---

compliance with Reliability Standards, consistent with their registration, and also receive additional services from the Regional Entity division of NPCC.

Full Membership is available to Members which are already General Members and participate in electricity markets in the Northeast. Independent system operators (ISOs), Regional transmission organizations (RTOs), Transcos and other organizations or entities that perform the Balancing Authority function operating in Northeastern North America are expected to be Full Members of NPCC. The New York State Reliability Council and any other sub-regional reliability councils which may be formed are also expected to be Full Members. Full Members are subject to compliance with Regionally-specific more stringent reliability criteria for their generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area and which are identified utilizing a reliability impact-based methodology, in addition to Reliability Standards, and receive additional services from the Criteria Services division of NPCC, which is not funded through the ERO.

Since January 1, 2012 NPCC is governed by a Board of Directors consisting of seven stakeholder voting sectors consisting of a maximum of two directors per sector, an independent sector consisting of two independent directors, an independent Board Chair with voting rights to preclude board deadlocks, and the President and CEO. Within NPCC, no two sectors can control and no one sector can block action. The voting sectors include:

Sector 1) Transmission Owners

Sector 2) Reliability Coordinators

Sector 3) Transmission Dependent Utilities, Distribution Companies, Load Serving Entities

Sector 4) Generator Owners

Sector 5) Marketers, Brokers and Aggregators

Sector 6) Regulators

Sector 7) Sub-Regional Reliability Councils, Customers, other Regional Entities and Interested Entities

Sector 8) Independent

A Finance and Audit Committee (FAC), a Pension Committee, a Corporate Governance and Nominating Committee (CGNC), and a Management Development and Compensation Committee (MDCC) advise the Board on finance, governance, compensation and human resource matters. The Board endorses a non-employee, Certified Public Accountant for election by the NPCC Members as Treasurer of the corporation. The Treasurer chairs the FAC and works with the Chief Operating Officer who provides oversight of the finances of the corporation. The Treasurer reports to the Board on the corporation's financial position, on FAC activities, on tax code requirements, and on independent annual audit results and accounting practices.

The Regional Standards Committee (RSC), the Compliance Committee (CC), the Reliability Coordinating Committee (RCC), and the Public Information Committee, consistent with their approved scopes, are responsible for various reliability issues. The RSC, CC and RCC also provide technical policy recommendations to the Board. All General and Full Members are eligible for representation on the technical committees.

Industry technical experts from within the membership provide valuable input to the Board through various working groups and task forces as well as the committees. The *Amended and Restated Bylaws* will continue to establish NPCC's independence from users, owners and

operators of the bulk power system through the enhanced governance structure while providing fair stakeholder representation in the selection of officers. The members, from each of the seven stakeholder voting sectors, vote to elect directors in their respective sector. The Amended and Restated Bylaws establish criteria for board service for both stakeholder and independent directors. Independent Directors will be drawn from diverse backgrounds and will possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge to contribute to the effective functioning of a hybrid board structure.

Compliance and enforcement activities are carried out by the NPCC compliance staff and are independent of all users, owners and operators of the international bulk power system and from the Hearing Officer. Compliance activities are governed in the United States by the *Amended and Restated Regional Delegation Agreement* between NERC and NPCC, delegating portions of NERC's authority as the ERO to NPCC. NPCC compliance activities in Canada are governed by an individual provincial Memorandum of Understanding (MOU) for each province providing the unique parameters for compliance and enforcement activities for each of the provinces. A MOU between the Independent Electricity System Operator in Ontario (IESO), NERC and NPCC establishes roles and responsibilities with regard to that province. NPCC, NERC and the New Brunswick System Operator are parties to a MOU that sets forth reliability activities for New Brunswick. The Régie de l'énergie, NERC and NPCC executed a MOU regarding the development of electric power transmission Reliability Standards and a program for the monitoring of the application of these standards for Québec. NPCC, NERC and Nova Scotia executed a MOU that sets forth the mutual understanding of the parties in relation to the approval and implementation of NERC Reliability Standards and NPCC Regional reliability criteria for the province of Nova Scotia.

## International Foundation

The Regional Entity functions and services differ according to particular regulatory backstop:

a) U.S. Foundation

The Federal Energy Regulatory Commission (FERC) certified NERC as the Electric Reliability Organization (ERO) on July 20, 2006. The ERO is responsible for developing and enforcing reliability standards within the United States. In executing part of its responsibilities, NERC delegates authority to the Regional Entities to perform certain functions through delegation agreements. Ensuring the reliability of the bulk power system in the state of New York and the six New England States was delegated from NERC to NPCC through the Amended and Restated Regional Delegation Agreement.

b) Ontario

On February 5, 2010, NERC, NPCC and the IESO amended and restated their earlier MOU, dated November 29, 2006, setting forth their mutual understanding as regards NERC's and NPCC's status in Ontario with respect to standard and criteria development, compliance enforcement, and other related matters. The IESO, whose statutory responsibilities include making and enforcing reliability standards, and making and enforcing Ontario market rules that govern the IESO-controlled grid and the wholesale electricity market, was established April 1, 1999 as the Independent Electricity Market Operator in Ontario under the *Electricity Act, 1998* (Ontario). The IESO is subject to the regulatory oversight of the Ontario Energy Board (OEB).

Among other things, the MOU recognizes that NERC and NPCC are standards authorities under the *Electricity Act, 1998* (Ontario). Additionally, under the authority of that same legislation, and as memorialized in the MOU, the NERC reliability standards and NPCC reliability criteria

have effect in Ontario. However a 2008 amendment to the Electricity Act, 1998 (Ontario) allows the OEB to review these standards and criteria and issue orders preventing their implementation and remanding them back to NERC and NPCC.

The IESO is subject to compliance monitoring and enforcement by NPCC. The IESO is also subject to compliance monitoring and enforcement of the Ontario market rules by the IESO's Market Assessment and Compliance Division (MACD) that operates at arm's length from the IESO's business units. The MOU notes that where MACD, NERC, and NPCC engage in investigations pursuant to their respective mandates regarding compliance, MACD can request to take the lead. Moreover, of the three, MACD is the only entity that can assess financial penalties for any Ontario market participant's or the IESO's non-compliance with Ontario market rules, which includes non-compliance with NERC standards and NPCC criteria.

The MOU provides for a peer review process to promote the common compliance and enforcement objectives of NERC/NPCC and MACD. From the perspective of NPCC and NERC, this process, in part, is meant to assure registered entities outside of Ontario that the MACD program is rigorous, thorough and reliable.

The IESO is subject to NPCC assessments of compliance, including audits, as well as NPCC remedial action directives to correct non-compliance. In the event that the IESO disagrees with NPCC's finding of a violation or associated assessment of sanctions in connection with standards and criteria, the IESO has a right to a compliance hearing with NPCC.

c) Québec

The Régie de l'énergie, NERC and NPCC are parties to the May 8, 2009 *Agreement on the Development of Electric Power Transmission Reliability Standards and of Procedures and a Program for the Monitoring of the Application of These Standards for Québec* (the Agreement). Under the terms of the Agreement, the Régie de l'énergie, which is charged with ensuring the reliability of the electric transmission in Québec, retained NPCC and NERC as experts to develop reliability standards and monitoring program procedures for the province. The Agreement contemplates the execution of a second agreement at a later date that will detail the mandates granted to NPCC and NERC by the Régie de l'énergie.

The Régie de l'énergie is a public body established by the *Act respecting the Régie de l'énergie* (the Act). Pursuant to its authority under the Act, the Régie de l'énergie issued its Decision D-2007- 95 of August 14, 2007, designating the Direction – Contrôle des mouvements d'énergie (System Control unit) of Hydro-Québec TransÉnergie (HQTE) as the Reliability Coordinator for Québec. In accordance with its mandate and as recognized in the Agreement, it is this entity that filed the application for approval of reliability standards and monitoring program procedures developed by NERC and NPCC for approval by the Régie de l'énergie.

At this time, while final regulatory approval of the implementing agreements is pending, NPCC is proceeding with its reliability assurance activities within Québec, including but not limited to events analysis, compliance audits and compliance investigations, consistent with the NPCC Amended and Restated Bylaws. The Régie de l'énergie, NERC and NPCC will execute a second agreement, which is currently being negotiated, to provide that NERC and NPCC will perform various processes including investigative functions and report their findings and any recommendations to the Régie de l'énergie. The investigative functions include, among other things, performing audits to determine if there is any basis for a violation of reliability standards.

The Régie de l'énergie will handle reliability enforcement, including imposing any sanctions and penalties.

d) New Brunswick

The New Brunswick System Operator (NBSO), NPCC and NERC are parties to a November 19, 2008 MOU. The NBSO is a not-for-profit corporation which was established on October 1, 2004 under the Electricity Act (NB) and charged with developing and administering the wholesale electricity market and maintaining reliability of the integrated power system in New Brunswick. The Electricity Act (NB) also introduced mandatory reliability requirements for the bulk power system in the province. The NBSO is responsible under the Electricity Act (NB) to make and enforce the New Brunswick Electricity Market Rules ("Market Rules"), including developing, adopting and enforcing mandatory reliability requirements.

The MOU recognizes that both NERC and NPCC are "standards authorities" within the context of the Electricity Act (NB) and as defined in the Market Rules. Indeed, NERC and NPCC reliability standards are adopted under the Market Rules and are, therefore, currently in effect in New Brunswick.

The MOU provides that NPCC has responsibilities regarding compliance assessment and enforcement of NERC reliability standards that are applicable in New Brunswick. NPCC will monitor and assess NBSO compliance with standards and criteria that are applicable to the NBSO for its registered functions. NPCC will make recommendations to the New Brunswick Energy and Utilities Board regarding sanctions and penalties for any non-compliance as the MOU does not provide NPCC with that authority. The NBSO will be responsible for registering, monitoring, assessing and enforcing compliance for New Brunswick entities. To the extent that the NBSO imposes penalties on market participants for non-compliance, those monies will be dispensed in accordance with the provisions of the Market Rules.

Throughout the term of the MOU, NBSO and NPCC will work cooperatively in identifying ongoing opportunities to enhance NBSO's compliance program applicable to New Brunswick entities which may include periodic reviews by NPCC and the sharing of best practices.

e) Nova Scotia

Nova Scotia Power Incorporated (NSPI), NPCC and NERC are parties to a May 11, 2010 Memorandum of Understanding regarding the approval and implementation of mandatory NERC reliability standards and NPCC Regional reliability criteria. Pursuant to the MOU's terms, NERC and NPCC filed standards and criteria with the Nova Scotia Utility and Review Board (NSUARB) for approval on June 30, 2010 and June 29, 2010, respectively. A decision from the NSUARB on both NERC and NPCC filings was rendered on July 20, 2011. Hence, the standards and criteria are mandatory in Nova Scotia and NSPI will be subject to the NERC compliance monitoring and enforcement program, as implemented by NPCC.

NPCC will conduct compliance activities with respect to the standards and then forward any non-compliance information and recommendations to the NSUARB for use in enforcement proceedings. Enforcement will be administered by the NSUARB which will, among other things, determine whether a violation has occurred and, if so, what remedial measures or non-monetary penalties should be imposed.

## Regional Entity Division Functional Scope

NPCC's Regional Entity division functions in support of the ERO include:

- Active participation in the development of North American Reliability Standards for the bulk power system, and as needed development of Reliability Standards applicable within the NPCC cross-border Regional Entity
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed certification of such entities
- Assessment of the present and future reliability of the bulk power system
- Operational coordination and situation awareness support
- Event analysis and identifying lessons learned to improve reliability
- Effective training and education of reliability personnel
- Promoting the protection of critical electric infrastructure

In recognition of the delegated compliance role of Regional Entities as an important means to enhancing reliability, NPCC has designated a significant percentage of its staff resources to compliance monitoring and enforcement. NPCC has also developed and deployed a robust set of online tools for gathering data, analysis, and tracking of compliance information to support its ability to carry out its responsibilities in a cost effective manner.

NPCC has organized the remaining staff into program areas consistent with EAct 2005 to address the other functions listed above. These experts in operations, planning and reliability analysis assist registered entities in assessing and improving reliability. It is in support of these areas that NPCC engages the majority of industry experts on its technical committees.

## 2014 Key Assumptions and 2014 Goals and Key Deliverables

NERC and the eight Regional Entities collaborated in the development of a common set of business planning assumptions, goals and key deliverables for the 2014 through 2016 period. The results from that collaboration are included as a set of common assumptions in Exhibit A to the NERC 2014 Business Plan and Budget and may be referenced by the users of this document.

## 2014 Overview of Regional Entity Division Cost Impacts

NPCC proposes to increase its Regional Entity division funding requirement from \$12,764,064 to \$13,828,880 in 2014, an increase of \$1,064,817 or 8.3%. The proposed Regional Entity division assessment of \$13,611,880 to support the budget is an increase of 10.2% compared to the 2013 assessment of \$12,352,264.

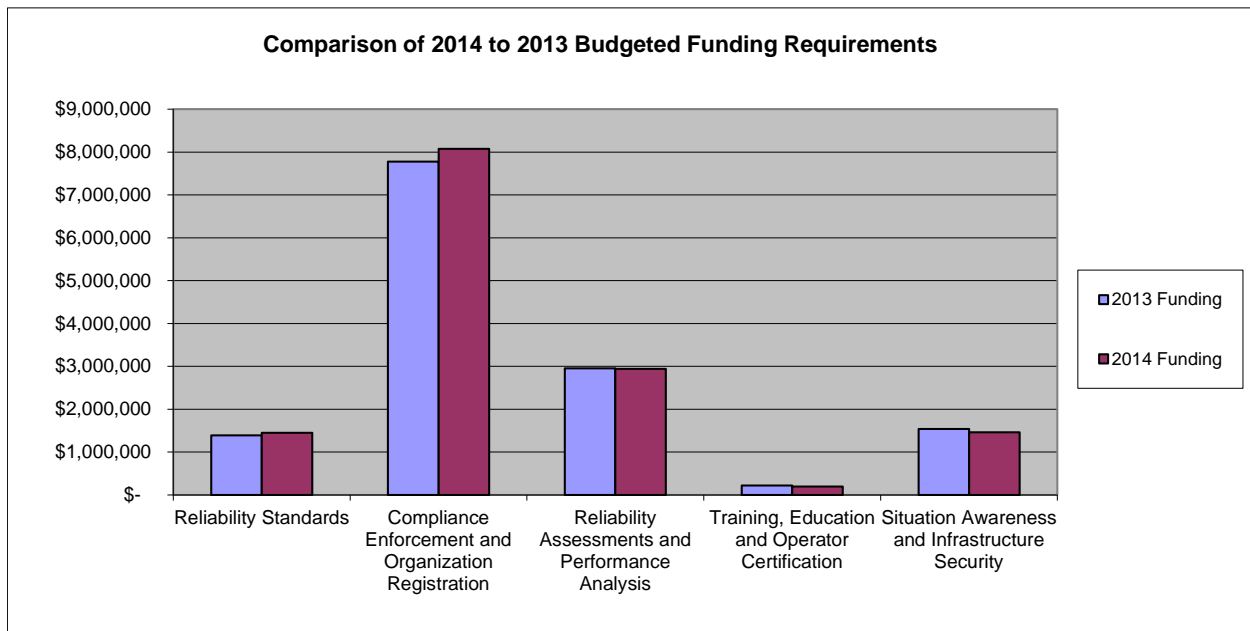
## 2013 Projections

Current year projections are taken into consideration in development of the budget. Expenses are currently projected to be on budget or slightly under budget in all areas. Professional fees are expected to be slightly lower than budget due to lower legal fees resulting from the retention of in-house counsel in 2012. 2013 Projections reflect expectations based on the first quarter statement of activities. It is anticipated that projections could change throughout 2013 and would be reflected in each subsequent quarter's statement of activities.

### Summary by Program

Program	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Reliability Standards	\$ 1,390,980	\$ 1,390,980	\$ 1,447,330	\$ 56,350	4.1%
Compliance Enforcement and Organization Registration	\$ 7,777,333	\$ 7,777,333	\$ 8,079,371	\$ 302,039	3.9%
Reliability Assessments and Performance Analysis	\$ 2,956,639	\$ 2,956,639	\$ 2,942,339	\$ (14,300)	-0.5%
Training, Education and Operator Certification	\$ 217,617	\$ 217,617	\$ 195,855	\$ (21,761)	-10.0%
Situation Awareness and Infrastructure Security	\$ 1,536,658	\$ 1,536,658	\$ 1,464,111	\$ (72,547)	-4.7%
<b>Total</b>	<b>\$ 13,879,226</b>	<b>\$ 13,879,226</b>	<b>\$ 14,129,006</b>	<b>\$ 249,780</b>	<b>1.8%</b>

This chart does not include allocation of working capital requirements among the Program Areas.



This chart does not include allocation of working capital requirements among the Program Areas.



## Personnel Analysis

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs <sup>1</sup> 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
<b>REGIONAL ENTITY DIVISION</b>						
<b>Operational Programs</b>						
Reliability Standards	2.93	2.93	2.00	0.93	2.93	0.00
Compliance Monitoring and Enforcement and Organization Registration and Certification	15.00	15.00	16.00	0.00	16.00	1.00
Training, Education, and Operator Certification	0.10	0.10	0.10	0.00	0.10	0.00
Reliability Assessment and Performance Analysis	5.83	5.83	4.90	0.93	5.83	0.00
Situation Awareness and Infrastructure Security	3.00	3.00	3.00	0.00	3.00	0.00
<b>Total FTEs Operational Programs</b>	<b>26.86</b>	<b>26.86</b>	<b>26.00</b>	<b>1.86</b>	<b>27.86</b>	<b>1.00</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	0.50	0.50	0.50	0.00	0.50	0.00
General and Administrative	2.50	2.50	2.50	0.00	2.50	0.00
Information Technology	3.00	3.00	3.00	0.00	3.00	0.00
Legal and Regulatory	1.00	1.00	1.00	0.00	1.00	0.00
Human Resources	1.00	1.00	1.00	0.00	1.00	0.00
Accounting and Finance	1.00	1.00	1.00	0.00	1.00	0.00
<b>Total FTEs Administrative Programs</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>0.00</b>	<b>9.00</b>	<b>0.00</b>
<b>Total FTEs</b>	<b>35.86</b>	<b>35.86</b>	<b>35.00</b>	<b>1.86</b>	<b>36.86</b>	<b>1.00</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

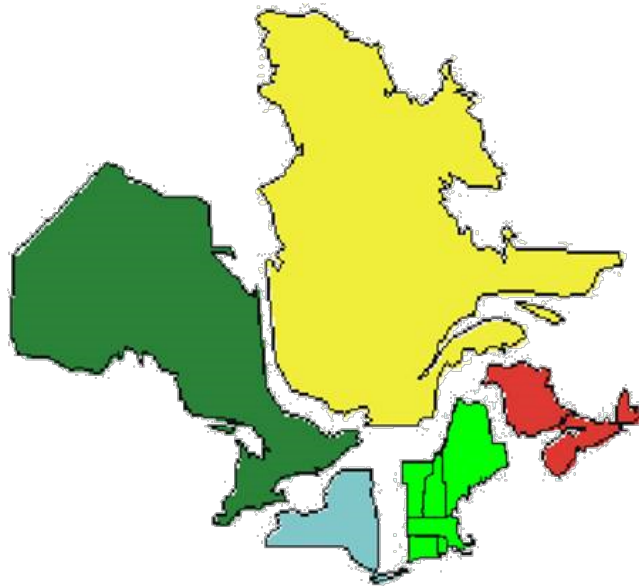
## 2013 Budget and Projection and 2014 Budget Comparisons

<b>Statement of Activities and Capital Expenditures 2013 Budget &amp; Projection, and 2014 Budget</b>						
<b>REGIONAL ENTITY DIVISION</b>						
				Variance <sup>(2)</sup>		Variance
	2013 Budget	2013 Projection	2013 Projection v 2013 Budget Over(Under)		2014 Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 12,352,264	\$ 12,352,264	\$ -		\$ 13,611,880	\$ 1,259,617
Penalty Sanctions <sup>(1)</sup>	297,300	297,300	-		153,000	(144,300)
<b>Total ERO Funding</b>	<b>\$ 12,649,564</b>	<b>\$ 12,649,564</b>	<b>\$ -</b>		<b>\$ 13,764,880</b>	<b>\$ 1,115,317</b>
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	80,000	80,000	-		64,000	(16,000)
Interest	-	-	-		-	-
Miscellaneous	34,500	34,500	-		-	(34,500)
<b>Total Funding (A)</b>	<b>\$ 12,764,064</b>	<b>\$ 12,764,064</b>	<b>\$ -</b>		<b>\$ 13,828,880</b>	<b>\$ 1,064,817</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 5,677,141	\$ 5,677,141	\$ -		\$ 5,911,227	\$ 234,086
Payroll Taxes	377,689	377,689	-		384,311	6,622
Benefits	1,331,302	1,331,302	-		1,430,261	98,959
Retirement Costs	1,092,565	1,092,565	-		1,124,361	31,796
<b>Total Personnel Expenses</b>	<b>\$ 8,478,697</b>	<b>\$ 8,478,697</b>	<b>\$ -</b>		<b>\$ 8,850,160</b>	<b>\$ 371,463</b>
<b>Meeting Expenses</b>						
Meetings	\$ 377,000	\$ 377,000	\$ -		\$ 365,000	\$ (12,000)
Travel	855,000	855,000	-		890,000	35,000
Conference Calls	87,000	87,000	-		77,000	(10,000)
<b>Total Meeting Expenses</b>	<b>\$ 1,319,000</b>	<b>\$ 1,319,000</b>	<b>\$ -</b>		<b>\$ 1,332,000</b>	<b>\$ 13,000</b>
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 2,113,000	\$ 2,113,000	\$ -		\$ 1,924,433	\$ (188,567)
Office Rent	706,500	706,500	-		737,272	30,772
Office Costs	468,500	468,500	-		536,500	68,000
Professional Services	1,120,000	1,060,000	(60,000)		966,500	(153,500)
Computer & Equipment Leases	-	-	-		-	-
Miscellaneous	80,000	80,000	-		80,000	-
Depreciation	192,510	192,510	-		250,000	57,490
<b>Total Operating Expenses</b>	<b>\$ 4,680,510</b>	<b>\$ 4,620,510</b>	<b>\$ (60,000)</b>		<b>\$ 4,494,705</b>	<b>\$ (185,805)</b>
<b>Total Direct Expenses</b>	<b>\$ 14,478,207</b>	<b>\$ 14,418,207</b>	<b>\$ (60,000)</b>		<b>\$ 14,676,865</b>	<b>\$ 198,658</b>
<b>Indirect Expenses</b>	<b>\$ (406,471)</b>	<b>\$ (406,471)</b>	<b>\$ -</b>		<b>\$ (405,859)</b>	<b>\$ 612</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 14,071,736</b>	<b>\$ 14,011,736</b>	<b>\$ (60,000)</b>		<b>\$ 14,271,006</b>	<b>\$ 199,270</b>
<b>Change in Assets</b>	<b>\$ (1,307,673)</b>	<b>\$ (1,247,673)</b>	<b>\$ 60,000</b>		<b>\$ (442,126)</b>	<b>\$ 865,547</b>
<b>Fixed Assets</b>						
Depreciation	\$ (192,510)	\$ (192,510)	\$ -		\$ (250,000)	\$ (57,490)
Computer & Software CapEx	-	-	-		108,000	108,000
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
Allocation of Fixed Assets	(0)	(0)	-		(0)	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(192,510)</b>	<b>(192,510)</b>	<b>-</b>		<b>(142,000)</b>	<b>50,510</b>
<b>TOTAL BUDGET (=B+C)</b>	<b>\$ 13,879,226</b>	<b>\$ 13,819,226</b>	<b>\$ (60,000)</b>		<b>\$ 14,129,006</b>	<b>\$ 249,780</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,115,163)</b>	<b>\$ (1,055,163)</b>	<b>\$ 60,000</b>		<b>\$ (300,126)</b>	<b>\$ 815,037</b>
<sup>(1)</sup> \$153,000 of penalty sanctions collected to date and prior to June 30, 2012.						
<sup>(2)</sup> 2013 Projections reflect expectations based on the 1st quarter statement of activities. It is anticipated that projections could change throughout 2013 and would be reflected in each subsequent quarter's statement of activities.						

---

## Section A – Regional Entity Division 2014 Business Plan and Budget

---



## Section A — 2014 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.93	2.93	0.00
Direct Expenses	\$855,456	\$917,936	\$62,480
Indirect Expenses	\$556,523	\$555,686	(\$837)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$21,000)	(\$26,292)	(\$5,292)
Total Funding Requirement	\$1,390,980	\$1,447,330	\$56,350

### Program Scope and Functional Description

The NPCC Reliability Standards program operates in accordance with NPCC’s filed and approved Delegation Agreement “Exhibit C”, and NERC Rules of Procedure Section 300. The program supports the ERO standards program area goal by providing supporting activities for the development of clear, reasonable and technically sound mandatory “results based” reliability standards in a timely and efficient manner. The primary objective of NPCC’s program area is to support the development of standards which establish threshold requirements for ensuring the bulk power system is planned, operated, and maintained in a manner that minimizes risks of cascading failures, avoids damage to major equipment, is responsive to risks, or limits interruptions of bulk power supply. At a Regional level, the program develops Regional Reliability Standards and ensures that Regional reliability criteria, contained in the form of Directories, are not inconsistent with any applicable NERC and Regional Reliability Standards. The NPCC Reliability Standards program also supports and participates in the development, revision, and maintenance of NERC Reliability Standards, initiates new regional or continent wide reliability standards when necessary, and provides a forum for the comprehensive review and improvement of existing and developing standards. The NPCC Reliability Standards program supports the reliability of the bulk power system by:

- Facilitating active participation of NPCC regional industry stakeholders in all NERC Reliability Standards activities to promote the development of quality standards in a timely and efficient manner.
- Development and maintenance of Regional Standards as necessary to address regional reliability related issues or risks and ensure those standards are not inconsistent with the NERC continent wide standards. These regional standards contain requirements that are more stringent, add specificity to or augment the NERC Continent-wide standards.
- Maintaining technical reference documents as required

## Funding Drivers and Reliability Benefits

- Expanded Scope of Standards activities
  - Responding to increasing amount of FERC Rulings, NOPRs, preliminary staff assessments, and FERC issued Directives<sup>1</sup>
  - Providing support for increased standard development activities as outlined in the 2013-2015 Reliability Standards Development Plan and assuming an active role in the newly formed NERC Project Management Oversight Subcommittee (“PMOS”)<sup>2</sup>
  - Participating in other Regional Entities’ standards development processes through review, comment and active participation on drafting teams and activities<sup>3</sup>
  - Participating in informal activities of standards development to promote consensus early in project development and provide technical guidance<sup>4</sup>
  - Providing a forum for all NPCC representatives on the NERC and neighboring Regional Entities’ drafting teams<sup>5</sup>
  - Promote and assist with the Cost Effective Analysis Process (“CEAP”) to ensure standards have the most cost effective requirements which meet the reliability objectives of standards under development<sup>6</sup>
  - Actively coordinating and reviewing Compliance Application Notices (“CANs”) to ensure no reliability requirements have been changed as a result.
  - Provide NPCC Regional point of contact for the new Reliability Issues Steering Committee (“RISC”) to provide emerging and existing BES reliability related risks and potential gaps in the existing NERC standards<sup>7</sup>
- Increased Number of Standards Projects
  - In 2014 NERC is envisioned to have a revised Standards Development Process in place and standards productivity will rise, requiring additional resources to respond to this increase in through-put.
  - Active NERC Projects in the standards area are also expected to increase to address FERC outstanding directives from Order 693 as well as other orders.
  - The concept of informal development was introduced in 2013 and will be expanded to include more standards development projects in 2014 requiring more technical support, participation, and facilitation.
  - NERC has developed a rapid revision procedure to allow it to revise standards in a more expeditious manner that may need clarification or address some deficiency.

<sup>1</sup> ERO Goal 1.a. Address all new FERC directives within one year or two years if technical study is required; close existing directives by 2015 (by filing or negotiated resolution)

<sup>2</sup> ERO Goal 1.a Standards are timely, clear and responsive to reliability and security risk

<sup>3</sup> ERO Goal 1.a. Standards are timely, clear and responsive to reliability and security risks, and  
 ERO Goal 1.b. Consolidate to a common set of application guides or RSAWs for all standard

<sup>4</sup> ERO Goal 1.a. Complete standards development governance and process reforms as identified in 2012 resolutions by the NERC Board of Trustees.

<sup>5</sup> ERO Goal 1.a. Standards are timely, clear and responsive to reliability and security risks.

<sup>6</sup> ERO Goal 1.b. Explore options for assessing the cost effectiveness of appropriate reliability standards

<sup>7</sup> ERO Goal 1. b. Facilitate smooth transition of new standards (e.g., CIP Version 5)

- NPCC is assisting with the Project Management Oversight Subcommittee (PMOS) which is responsible for managing the development of NERC standards projects and tracking Paragraph 81 Phase 2 retirement candidates<sup>8</sup>
- Cost Effectiveness Analysis Process or CEAP is being piloted in 2013 and expected to be broadly implemented at NERC in 2014. Further resources required to evaluate the standards from a “cost benefit” and also a “cost effectiveness” perspective will be required.<sup>9</sup>
- NERC Reliability Standards will continue to require Violation Risk Factors (VRFs) to be developed and NERC is reviewing additional levels of VRF and development of a Sanction Matrix which is envisioned to replace the Violation Severity Levels (VSLs).
- Expanded efforts to educate and inform stakeholders in the areas of NERC and NPCC Regional Standards with anticipated additional forums such as increases in the amount of Internet based meetings and technical conferences.<sup>10</sup>
- Revision of the Bulk Electric System definition and associated exception processes being developed by NERC may create the need for potential revisions to ERO standards, Regional differences or variances and revisions to developing Regional Standards requirements.
- NERC remains committed to a five year review of approved standards. 2013 marked the sixth year since NERC’s first set of standards became mandatory and enforceable in the United States in Order 693. Many of those standards, which have not yet been revised as a result of Directives or other need, are now due for that five-year review and substantial resources will be required to meet this regulatory obligation. There now is a strategic effort to address all directives and standards due for their 5 year review.<sup>11</sup>

### 2014 Key Assumptions

- Facilitate stakeholder review, comment on, and develop ballot recommendations or list of Regional issues, for all NERC Reliability Standards Projects under informal or formal development or revision
  - NERC and NPCC benefit from NPCC’s regional coordination consisting of a broad stakeholder review process and development of consensus recommendations to assure proposed standards will support international reliability and provide appropriate reliability objectives for the Continent-wide standards
  - Coordinate a comprehensive review of the results based standards initiative processes and standards being implemented
  - Participate in training programs to train the trainer and develop and convey this results-based standard development methodology to the Regional Standard drafting teams.
  - Conduct and obtain training for Quality Review of standards at both the Regional level and to assist the ERO with analysis of the continent wide standards.

---

<sup>8</sup> ERO Goal 1.b. Identify and file requirements to be retired (Paragraph 81 Phase 2)

<sup>9</sup> ERO Goal 1.b. Explore options for assessing the cost effectiveness of appropriate reliability standards

<sup>10</sup> ERO Goal 1. b. Facilitate smooth transition of new standards (e.g., CIP Version 5)

<sup>11</sup> ERO Goal 1.a. Address all new FERC directives within one year or two years if technical study is required; close existing directives by 2015 (by filing or negotiated resolution)

- Coordinate the review of all Reliability Standards Audit Worksheets during their postings for comment for potential expansion of their associated standard's requirements
- Implement triage process to assess posted standards and related material to ensure it is properly routed to and addressed by the appropriate NPCC technical or process resources.
- Participate in the stakeholder efforts to develop Standards Authorization Requests (SARs) and Regional SARs to further improve standards
- Monitor and participate in the drafting of key NERC Reliability Standards- Communications, Protections Systems, Balancing Control Performance, and Frequency Response, etc.
  - The NPCC monitoring of the development of standards helps to ensure reliability requirements that are clear, measurable, and enforceable and support international reliability in the Northeast
- Continue with the development and maintenance of a set of NPCC Phase II Directories not inconsistent with the NERC Reliability Standards which clearly delineate the more stringent NPCC criteria requirements
  - The combination of North American and Regional Reliability Standards with the more-stringent NPCC Regional criteria provides for consistency and operational clarity while providing robust defense in–depth, results based, standards to ensure BES reliability
  - Ensure no redundancies exist between the criteria found in the NPCC Directories and the ERO standards
- Monitor the Regional Standards development activities of the Midwest Reliability Organization (MRO), Reliability First Corporation (RFC), SERC Reliability Corporation, and Florida Reliability Coordinating Council (FRCC) to achieve consistency within the Eastern Interconnection
  - The Northeast's reliability is enhanced by strengthening Eastern Interconnection Regional Entities' Reliability Standards and ensuring that no cross border adverse impacts are introduced
  - Participate in any Eastern Interconnection initiatives which may have a potential for interconnection wide standards in the East and what processes might need to be in place to develop them.
- Review reliability requirements of ERO and NPCC Regional Standards, NPCC Criteria and ensure consistency, remove redundancies, adopt Functional Model language and ensure requirements are “results based”
  - The unambiguous assignment of reliability requirements to specific functional entities benefits international reliability
  - Participate in the continuing refinement of the Functional Model to capture evolving issues essential to reliability and new objectives in the industry, i.e. demand resource operator, planning functions, new activities yet to be identified such as those associated with Smart Grid, “Synchro-Phasor” technology, etc.
  - Participate in the continual improvement of the NERC standards development processes and initiatives such as the CEAP, PMOS and Single Portal Project.
  - Contribute to the improvement of process related to NERC providing interpretations.
- Review all FERC orders and Provincial regulations as they relate to the standards, their revision and adoption

- Northeast reliability benefits from careful analyses of governmental orders or actions adopting standards to assure consistency in interpretation
- Review rulings that are issued and all FERC Directives for potential reliability related issues
- Conduct and support Regulatory Provincial filings on a periodic basis based on individual Provincial Laws and requirements outlined in the Memorandum of Understandings for each Province.
- Enhance NPCC standards website pages to provide uniform and clear information to the stakeholders while also providing the historical and archived information to support NERC and FERC approvals and expanding requirements

### **2014 Goals and Key Deliverables**

The Reliability Standards program goals and objectives for 2014 are grouped into seven categories:

- Participate in North American ERO results-based standards development, to develop clear, reasonable and technically sound, results based mandatory reliability standards in a timely and efficient manner.
- Provide continual support for Cost Effectiveness Analysis for standards and promote a broad implementation of the CEAP across all standards projects within NERC
- Develop Regional Reliability Standards and potential revisions as required by the ERO or on an “as needed” basis.
- Develop a revision to the NPCC Regional Standards Process Manual based on improvements suggested by stakeholders and those being incorporated into the NERC process
- Review and develop recommendations or issues for all posted ERO ballots.
- Coordination of the review of posted RSAWs process improvement; and communications.

#### 1) Participate in the ERO Results-Based Standards Development

- Participate in the development and revision of the NERC three year work plan through review, commenting and drafting activities
- Participate in the Standards Committee Strategic initiatives to develop results based standards that will provide a defense in depth, complete the standards due for 5 year review, and address all existing and outstanding FERC Directives.
- Support the implementation of the NERC Board of Trustees (“BOT”) resolutions specifically supporting the timeliness, cost effectiveness, timely development, and quality of new standards
- Coordinate the development of ERO Reliability Standards within NERC’s three-year standards work plan with the emphasis placed on reducing the amount of new FERC Directives issues by closer coordination with the Commission staff
- Conduct thorough reviews of all NERC standards being developed or revised and coordinate comments for Northeastern North America driving consensus to the extent possible
- Facilitate the NERC Cost Effective Analysis Procedure both within NPCC throughout the industry
- Conduct thorough reviews of all Industry requested NERC Formal Interpretations of standards and develop and promote the NERC Informal Guidance Process, a comprehensive process to deal with all standards related questions



- NPCC staff along with NPCC solicited Regional drafting team volunteers, will participate in the drafting of all ERO standards affecting or potentially affecting reliability in the Eastern Interconnection and provide geographic support for review and development of comments and propose improvements with specific emphasis on CIP
- NPCC and its members will review and coordinate potential comment on FERC preliminary staff assessments as appropriate
- Participate in ballots for ERO standards and provide consensus recommendations to the NPCC Members of the NERC Registered Ballot Body or provide a list of issues to allow the Members to cast a ballot based on Regional concerns
- Review and develop comments on FERC Notice of Proposed Rulemakings for any and all standards related issues as appropriate
- Coordinate and evaluate proposed standards utilizing Regional technical task forces, working groups and committees
- Educate and notify stakeholders and regulators about issues related to standards development
- Provide outreach to industry trade groups to educate and drive consensus
- Provide a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC) and NPCC Task Force on Infrastructure Security and Technology (TFIST)
- Provide support to NERC’s strategy in the prioritization, identification, scheduling and development of NERC directed Regional Reliability Standards
- Participate in NERC’s Standards Committee standards prioritization tool and process, to identify immediate standards needs and prioritization based on those needs
- Participate in the NERC RISC by providing a regional point of contact for all potential reliability related risks and gaps within the Northeast or as noted by NPCC stakeholders
- Participate in and provide support to critical upcoming new Blackout related standards, UVLS, Voltage and Reactive Control, Real Time Tools, Frequency Response, etc
- Identify and initiate Regional Variances to the NERC Reliability Standards as soon as possible, allowing incorporation into the continent wide standard at its inception
- Identify potential drivers for standards revisions based on revisions to the BES to a bright line criteria and any document revisions required as a result of consideration of the developing “Exception Process”.
- Support additional standards workload from further economic stimulus, i.e. standards on integrating variable generation resources or EHV backbone, Smart Grid, Electric Vehicles or “Synchro-Phasor” projects as necessary
- Provide continued input and leadership to NERC, based on NPCC experiences, regarding strategy for developing cost effectiveness analysis for standards
- Provide support and assistance to the ERO for conducting Quality Reviews on NERC continent wide standards as possible
- Continually file the NPCC Directories with the Canadian Provincial Regulatory Authorities within the NPCC “footprint”, on an as needed basis, as the directories are developed and revised and as the Provinces establish procedures and agreements with NPCC.
- Develop new and innovative processes to better utilize the limited internal and external resources in the Region to enable sufficient technical review of posted standards and related materials

- Support the ERO and the relationships with FERC and the provincial governmental authorities for standards development activities as necessary to accomplish the ERO goals and objectives
- Support the development of system protection and control, communication, transmission operation standards and other critical standards efforts.

## 2) Regional Standards Development

- NPCC anticipates to complete the review for potential revision of one Regional Standard utilizing the existing NPCC Regional Reliability Standard Development Procedure and submit the potential revision to the standard to NERC for approval of the NERC BOT (on a schedule, and as required by NERC or Regional reliability need). NPCC remains committed to being flexible and will respond to any new mandates and changes to the standards development schedules to be responsive to NERC and FERC reliability needs and best utilize staff and industry resources available.
- Draft additional Regional Standards,(on a schedule, and as needed by NERC) utilizing Regional technical committees and working groups in an forum that is open and inclusive to all stakeholders within and outside of the Region.
- Draft any additional standard NERC directs NPCC to develop to meet an urgent reliability related needs, i.e. solar magnetic disturbance system hardening
- Actively monitor and participate in the standards development activities of the other Regional Entities in the Eastern Interconnection: the MRO, RFC, SERC, and FRCC to assure consistency within the Eastern Interconnection
- Accomplish all directives of ERO and governmental and/or regulatory authorities with regard to Regional Standards development and procedures
- Adhere to and surpass, where practical, the 2013-2015 NERC Work plan milestones as they pertain to targets for the Regional Standards
- Respond to any FERC Directives that may arise as a result of the filing of NPCC's Regional Standards with the FERC or any Provincial "directives" that may be issued by the Canadian Regulatory Authorities
- Develop or coordinate a process to obtain a Regional standard interpretation

## 3) Standards Improvement

- Achieve NPCC reliability goals and objectives by initiating, participating in, and efficiently completing standards related activities
- Leverage internet and web based tools functionality to ensure inter-regional consistency and quality of Regional Reliability Standards
- Establish long-term strategy for standards improvement and initiate implementation
- Continually identify additional future Regional Standard opportunities
- Ensure the topics addressed by the Reliability Standards parallel changing industry needs
- Participate in reliability metrics activities to identify potential measures for benchmarking of reliability to determine if an adequate level of reliability is being achieved
- Support and develop cost-benefit analysis activities to determine if any potential incremental increases in costs of implementing a standard have sufficient enough reliability benefit to implement that standard

## 4) Coordination of review of RSAWs

- Develop a process to review the RSAWs consisting of subject matter experts to determine if the RSAWs are technically representative of the standard's requirements and

---

also to review the evidence suggested in the RSAW for satisfactory compliance assessment

- The Regional Standards Committee (“RSC”) will oversee and provide the results of the coordination to the appropriate NERC SDT charged with development of the RSAW

#### 5) Business Practices Interface

- Coordinate the review of standards through NPCC RSC, staff, and other members participating in activities of the North American Electric Standards Review Board (NAESB)
- Identify potential market related issues for Regional Standards through NPCC RSC coordination and reviews

#### 6) Process Improvement

- Identify efficiencies for a coordinated NERC standards development process and NPCC Regional Standards Development Procedure and recommend revisions as applicable to either process
- Refine the NERC and NPCC CEAP s to evaluate the costs and effectiveness of proposed new and revised reliability standards to achieve an adequate level of reliability
- Participate in the revision and redrafting of the NERC Standards Development Process to consider expedited standards development and cost effectiveness analysis and maintaining the positive attributes of the ANSI standards development process
- Identify potential future processes to obtain expedited interpretations
- Identify expedited processes for adjusting NERC glossary terms
- Identify refinements for credentialing standard drafting team members to ensure the correct subject matter experts are developing the standards at both the Regional level and the ERO level.
- Establish targets for NERC and NPCC standards procedure improvement and initiate implementation of the strategy
- Streamline and improve the Regional Standards process and enhance program tools and IT based solutions
- Refine the records retention programs to ensure sufficient documentation exists for regulatory approvals
- Identify improvements in process for feedback loops to ensure that event analysis and investigation lessons learned and compliance issues involving violations are fed into the standards program area, as appropriate for review and potential consideration when revising standards
- Support the creation of an ERO standards database, available to industry and online, to identify and review issues related to all approved and developing standards
- Participate in the Functional Model Working Group activities to refine functions, tasks and responsibilities of applicable entities
- Solicit and provide outreach to FERC in the Regional Standards Development Processes

#### 7) Communications

- Improve automated notifications process to assure awareness of dates and proceedings of all standard development activities
- Strengthen the relationship with the industry’s technical committees to ensure adequate input to standards development, such as the North American Generator Forum.

- Participate in NPCC and NERC workshops as necessary, to promote awareness and educate the industry
- Develop and institute a consensus building and notification process(es) for engaging stakeholders and providing immediate notification for the need to review standards. Provide the associated coordination for this review utilizing subject matter experts, both internal and external to the Regional Entity staff
- Promote the reliability objectives of the NERC standards as appropriate to the NPCC members of the NERC Registered Ballot Body in order to achieve consensus and support of beneficial standards and to promote the “One-Enterprise” model.

Technically excellent, results based standards that enhance reliability and are developed in a timely and efficient fashion, require the full participation of the right industry experts from all Regional Entities when developing Reliability Standards. The NPCC RSC promotes the drafting team process and solicits drafting team members from appropriate NPCC technical bodies and others in the industry and adjoining Regional Entities.

NPCC RSC will also assist in providing notifications and announcements to NPCC participants in the Northeastern North America NERC Registered Ballot Body of important applicable deadlines for ballot pool registration and for casting ballots thereby enhancing participation, promulgation of important information and increasing awareness. This support will enhance efficiency of the NERC procedure and help to ensure the necessary quorums are present at ballot. NPCC will also, when practical, promote important standards and the requirements of those standards through various communications and webinars.

NPCC will also participate in the development and revision of standards as directed by FERC, Canadian provincial and other regulatory and/or governmental authorities. FERC to date has identified numerous NERC Reliability Standards needing further work and has issued numerous Directives appearing in FERC Orders. These standards needing revision are delineated in the 2012 – 2014 NERC Reliability Standards Development Plan, and will be ready to be reviewed and revised throughout 2014.

NPCC will provide support and coordination of NERC standards development activities as outlined in the 2013-2015 Reliability Standards Development Plan and the Standards Committee Strategic Initiatives.

### **Regional Standards Development**

The NPCC currently has two FERC approved regional standards, Disturbance Monitoring and Underfrequency Load Shedding. Upon approval of the revised BES definition, NPCC has undertaken the review of the Disturbance Monitoring standard for adequacy from the perspective of a “bright line” BES definition. This review of the standard and proposed revision to the standard will be performed in the 2013-2014 timeframe. In addition there are two other regional standards that NPCC will be reviewing to determine if they should move forward into active formal development. These Regional Standards will include, but not be restricted to the following:

- Special Protection Systems (SPS) scheduled to begin development

- Balancing Authority Controls (BA - Reserve Sharing) scheduled to be completed and balloted within the Region

Whether NPCC pursues these regional standard will depend in large part to how comprehensive their associated continent-wide standards are. NPCC will review the continent wide standards as they are develop, participating in those activities and providing supporting subject matter expertise as it is available.

Improvement in the quality of a standard can be quantified in a number of ways. The standards should identify an achievable, technically excellent reliability goal performance or objective. This goal should be measurable and have specific and concise requirements associated with it. How the reliability goal or objective is achieved will not be the focus of the process. Full participation from industry experts to provide proper technical guidance during drafting as well as multiple segments to provide diverse viewpoints during the comment process is critical to the quality of the resultant standard. These attributes, along with open postings and notifications to allow the industry opportunities to participate are the key components to a successful process and achieving quality standards.

On an ongoing basis, NPCC will achieve consistency with NERC ERO continent wide standards, as outlined in the NERC Rules of Procedure, by maintaining reliability directories that incorporate NPCC's more stringent Regionally-specific criteria and Regional Standards into a single document with the links to the applicable NERC Reliability Standards. This demonstrates cognizance of the requirements in the ERO standards and demonstrates that NPCC strives and continues to strive to ensure that the Regional criteria is not inconsistent with any ERO standard.

NPCC RSC and staff regularly participate in the NERC Standards Committee and Standards Committee Process Subcommittee activities and contribute to development and initiation of revisions of the standards procedure manual and various NERC standards related processes as well as develop and promote new initiatives such as the NERC CEAP and Single Portal. The RSC also contributes in the Regional Standards procedure and utilizes and refines web based tools for easier user interface and to provide effective and timely notifications of standards activities.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

2014 Reliability Standards program funding is driven by the need for additional activities of NPCC standards drafting teams, ramped up NERC standards activity, FERC activity and increased number of rulings and directives anticipated as a result of the NERC three year work plan. NPCC anticipates greatly expanded activity and plans to prioritize the efforts of existing resources to meet this expanded workload.

NPCC will continue to rely on contractors for subject matter expertise on an as-needed basis throughout 2014. The amount of Regional documents being converted into Directories and the maintenance of the Directories require subject matter expert input. In addition significant changes will be necessary to bring the Phase II Directory project to completion. This project will require significant resources to translate the existing criteria language into "requirements" that are clear and measurable. Also a standards template will be applied to the existing Directories to make them more consistent with the look of the standards. In addition, as standards reviews

increase in number, there may be a need to have contractors assist due to constrained resources of NPCC Staff and members.

Based on the portion of professional/technical staff time and other resources devoted to Reliability Standards development, NPCC estimates that it will expend 10 percent of its resources on this activity.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### **Funding Sources (Other than ERO Assessments)**

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

#### **Personnel Expenses**

NPCC anticipates no additional need to hire personnel for the NPCC Reliability Standards program area in 2014.

#### **Meeting and Travel Expenses**

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via WebEx and teleconferences, at the NPCC offices or member facilities when possible, as well as lower meeting space rental rates through negotiations. However, meeting volume is expected to increase significantly in 2014. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum. Conference calls and Internet meetings will be conducted for business when practical.

#### **Operating Expenses and Indirect Expenses**

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

#### **Other Non-Operating Expenses**

- None

#### **Fixed Asset Additions**

- None

## Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2013 Budget & Projection, and 2014 Budget						
Reliability Standards						
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 1,358,549	\$ 1,358,549	\$ -	\$ 1,431,239	\$ 72,690	
Penalty Sanctions	32,431	32,431	-	16,091	(16,340)	
<b>Total ERO Funding</b>	<b>\$ 1,390,980</b>	<b>\$ 1,390,980</b>	<b>\$ -</b>	<b>\$ 1,447,330</b>	<b>\$ 56,350</b>	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
<b>Total Funding (A)</b>	<b>\$ 1,390,980</b>	<b>\$ 1,390,980</b>	<b>\$ -</b>	<b>\$ 1,447,330</b>	<b>\$ 56,350</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 478,983	\$ 478,983	\$ -	\$ 502,840	\$ 23,857	
Payroll Taxes	31,972	31,972	-	31,305	(667)	
Benefits	101,361	101,361	-	131,342	29,982	
Retirement Costs	78,141	78,141	-	87,449	9,308	
<b>Total Personnel Expenses</b>	<b>\$ 690,456</b>	<b>\$ 690,456</b>	<b>\$ -</b>	<b>\$ 752,936</b>	<b>\$ 62,480</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 30,000	\$ 30,000	\$ -	\$ 25,000	\$ (5,000)	
Travel	105,000	105,000	-	110,000	5,000	
Conference Calls	-	-	-	-	-	
<b>Total Meeting Expenses</b>	<b>\$ 135,000</b>	<b>\$ 135,000</b>	<b>\$ -</b>	<b>\$ 135,000</b>	<b>\$ -</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>	<b>\$ -</b>	<b>\$ 30,000</b>	<b>\$ -</b>	
<b>Total Direct Expenses</b>	<b>\$ 855,456</b>	<b>\$ 855,456</b>	<b>\$ -</b>	<b>\$ 917,936</b>	<b>\$ 62,480</b>	
<b>Indirect Expenses</b>	<b>\$ 556,523</b>	<b>\$ 556,523</b>	<b>\$ -</b>	<b>\$ 555,686</b>	<b>\$ (837)</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses (B)</b>	<b>\$ 1,411,980</b>	<b>\$ 1,411,980</b>	<b>\$ -</b>	<b>\$ 1,473,622</b>	<b>\$ 61,643</b>	
<b>Change in Assets</b>	<b>\$ (21,000)</b>	<b>\$ (21,000)</b>	<b>\$ -</b>	<b>\$ (26,292)</b>	<b>\$ (5,292)</b>	
<b>Fixed Assets</b>						
Depreciation	\$ -	-	\$ -	-	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(21,000)	(21,000)	-	(26,292)	(5,292)	
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(21,000)</b>	<b>(21,000)</b>	<b>-</b>	<b>(26,292)</b>	<b>(5,292)</b>	
<b>TOTAL BUDGET (=B+C)</b>	<b>\$ 1,390,980</b>	<b>\$ 1,390,980</b>	<b>\$ -</b>	<b>\$ 1,447,330</b>	<b>\$ 56,350</b>	
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	15.00	16.00	1.00
Direct Expenses	\$5,035,746	\$5,080,485	\$44,739
Indirect Expenses	\$2,849,094	\$3,034,462	\$185,368
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$107,507)	(\$35,575)	\$71,932
Total Funding Requirement	\$7,777,333	\$8,079,371	\$302,039

### Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CORC) Program scope covers: 1) the identification, registration and certification of those entities responsible for meeting the NERC Reliability Standards and any approved Regional Standards; 2) the implementation of the CMEP in the United States, including the compliance monitoring, assessment and enforcement of NERC Reliability Standards and Regional Reliability Standards. and 3) the implementation of compliance monitoring, assessment and enforcement recommendations in accordance with individual executed MOU in the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.

The Compliance Committee (CC) is charged with providing objective stakeholder policy input to the NPCC CMEP in the U.S. and compliance related activities under the above mentioned MOUs in the NPCC portion of Canada. With regard to NERC Reliability Standards and Regional Reliability Standards, the CC provides an oversight role of the independent NPCC compliance staff's implementation of the CMEP. In this oversight role the CC will review and endorse the processes used by the NPCC compliance staff in the conduct of the CMEP.

The NPCC compliance staff makes the initial and final determination of alleged violations and determines appropriate penalties and sanctions in accordance with the NERC and the ERO *Sanction Guidelines*. To accomplish this objective, NPCC's compliance staff is further divided into four sub- program areas: Compliance Implementation and Registration; Compliance Audit Program; Compliance Enforcement; and Compliance Investigation:



---

***Compliance Implementation and Registration***

The Compliance Implementation and Registration sub-program is responsible for:

- a) Identifying for registration all entities that are required to meet the NERC and Regional Reliability Standards. During the course of this activity, regular communication with registered entities is promoted through face-to face meetings, compliance workshops, teleconferences and email;
- b) Development and maintenance of all NPCC CMEP Compliance Procedures, Compliance Instructions and all other NPCC CMEP related documentation;
- c) Development and maintenance of Performance Metrics that are used to measure the quality and effectiveness of NPCC CMEP Implementation and its impact on the reliability of the Bulk Electric System;
- d) Coordinating the implementation of NPCC Compliance Staff responsibilities as they pertain to the executed MOU with each of the Canadian Provinces in the NPCC Region.
- e) Day-to-day implementation of the CMEP;
- f) Development of annual CMEP Implementation Plan;
- g) Monitoring and assessment of self-certification, self report, exception reporting, periodic data and complaint submittals;
- h) Development and maintenance of CMEP Data Administration Application (CDAA);
- i) Development and maintenance of compliance website.
- j) Support the anticipated expansion of the number of registered entities in NPCC due to the implementation of the FERC Order related to the definition of Bulk Electric System
- k) Conduct Entity Impact Evaluations. Conduct certification(s) of newly identified Transmission Operators (TOPs), as needed.
- l) Maintain database of BES assets subject to NERC and NPCC Reliability Standards
- m) Participation on various NERC and NPCC working groups to remain apprised of changes to Compliance processes, and commonality of registration, monitoring, auditing, and enforcement approaches.

***Compliance Audit Program***

The Compliance Audit Program is charged with conducting both on-site and off-site compliance audits, and spot checks, of NERC Reliability Standards in accordance with the NERC Rules of Procedure and associated NPCC procedures developed under the NPCC Compliance Implementation Program. These audits are performed based on a predetermined long range schedule that is consistent with a predefined frequency and are posted annually on NERC and NPCC public websites. Flexibility may be used in the predefined frequency based on risk assessment and performance based assessment of each entity scheduled for an audit, and changes requiring certification. The audits are led by qualified senior NPCC Staff and the audit teams prepare public and non-public audit reports with their findings, including the identification of any possible violations. Contents and processing of the reports are in accordance with NERC directives for audit reporting. Specific lessons learned are factored into the audit program to promote continuous improvement and are presented at workshops in conjunction with the Compliance Implementation Program. The comprehensive spot-check program is established based on the NERC actively monitored list, NPCC's assessment of self-certifications, follow-ups on entities who have previously violated a Reliability Standard, follow-up on entities that have been involved in a significant system event, and other requirements which at the discretion

of NPCC could pose a higher risk to reliability if not followed properly. The schedule for Spot Checks is not public.

Resources from the Compliance Audit Program are also used to implement the Certification process for entities intending to register as new TOPs, BAs or RCs, as well as certification reviews of changes made by existing TOPs, BAs and RCs that meet the threshold requiring same. These actions are performed in support of the Compliance Registration Program which encompasses the Certification process. Resources for this activity, which is independent of the audit process, depend on the scope, function, and location of the entity being certified.

### ***Compliance Investigation***

Conduct Compliance Investigation (CI) as required based on Event Analysis reviews and reports. A Compliance Investigation may be initiated at any time by NPCC in response to a system disturbance, complaint, or possible violation of a Reliability Standard identified by any other means and has included entities outside of NPCC's footprint for which NPCC is the Compliance Enforcement Authority.

The CI process requires the establishment of an investigation team that coordinates with NERC and FERC as necessary; and also coordinates with the Situation Awareness Program Area.

### ***Compliance Enforcement***

Compliance Enforcement is responsible for:

- a) Issuing all Notices as described in the CMEP including the Notice of Possible Violation (NOPV), Notice of Find, Fix and Track (FFT) Treatment; Notice of Alleged Violation (NOAV), and the Notice of Confirmed Violation (NOCV);
- b) Conducting comprehensive enforcement investigations based on the facts and circumstances related to all possible violations of Reliability Standards, whether identified in an audit, a self-report, complaint, or other source, and determining whether further action is warranted;
- c) Reviewing, approving, submitting to NERC and tracking the progress of all mitigation plans associated with confirmed violations;
- d) Coordinating settlement activities once they have been initiated and submitting settlement agreements to NERC for approval;
- e) Identifying and processing candidates for the FFT Process.
- f) Participating in the Hearing Process by representing NPCC before the Hearing Body. Compliance Hearings would be conducted at NPCC under the supervision of a qualified, independent hearing officer contracted by NPCC.; and
- g) Issuing Remedial Action Directives when appropriate.

## 2014 Key Assumptions and Cost Impacts

2013	Projected 2014
6 Large On-Site Audits	3 Large On-Site Audits
0 Medium On-Site Audits	0 Medium On-Site Audits
0 Small On-Site Audits	3 Small On-Site Audits
12 On-Site CIP Audits	12 On-Site CIP Audits
20 Large Off-Site Audits	20 Large Off-Site Audits
5 Medium Off-Site Audits	7 Medium Off-Site Audits
5 Small Off-Site Audits	7 Small Off-Site Audits
41 Off-Site CIP Audits	22 Off-Site CIP Audits
300 Spot Checks	350 Spot Checks
15 On-site TFE Part B reviews	8 TFE Part B Reviews
200 Violations (Estimated)	200 Violations (Estimated)
Settlements Covering 100 Violations	Settlements Covering 100 Violations
2 Hearings (Unbudgeted)	2 Hearings (Unbudgeted)
1 CI (Estimated)	2 CI (Estimated)
0 Entity Certifications	3 Entity Certifications

- Regarding the Compliance Audit Program, TFE reviews are conducted both on-site at the entity's facility and at the NPCC offices when possible. TFE's continue to be requested as entities replace and install new equipment/devices/components that meet the criteria set forth in Rules of Procedure Appendix 4D. Compliance estimates 8 on-site reviews will be performed in 2014.
- The 2014 Business Plan projects no increases in Enforcement Processing activities over the 2013 Budget.
- The 2014 Business Plan projects 2 Compliance Investigations as a result of the Events Analysis process. These Compliance Investigations are manpower intensive for NPCC staff (requiring allocation of more resources and potentially higher than normal costs) since previous Compliance Investigations have also included entities outside of NPCC's footprint for which NPCC is the Compliance Enforcement Authority.

## 2014 Goals and Key Deliverables

- Conduct 2014 CMEP consistent with the Reliability Assurance Initiative, incorporating all NERC Reliability Standards contained in the NERC actively-monitored list for 2014 and any approved and applicable Regional Reliability Standards

- Process identified violations as effectively as possible, including the timely identification of a violation, timely issuance of violation notices including the NOPV; the Notice of Alleged Violation and the NOCV
- Implement settlement process when applicable and send proper notifications to NERC and FERC
- Conduct necessary Hearings related to resolution of outstanding disputes regarding violations and/or sanctions. Send results of hearings to NERC and FERC<sup>12</sup>;
- Continue to enhance the settlement process by modifying existing practices and adopting new practices to reduce the duration of settlement negotiations without sacrificing the rigor and quality of the negotiated settlements. Develop and analyze appropriate performance metrics that track settlement process duration and utilize results of analysis to further enhance process.
- Implement compliance responsibilities identified in the approved Canadian MOUs<sup>13</sup>;
- Review and revise NPCC Compliance Registry based on a risk-based approach<sup>14</sup> ;
- Evaluate CMEP and Canadian entity compliance program implementation with the objective of establishing a long-term strategy for compliance improvement, and initiate the implementation of the long term strategy<sup>15</sup>;
- Provide NPCC Regional Entity input, through participation in appropriate NERC compliance committees, on policy and implementation issues related to compliance and enforcement including the development of compliance elements for all new or revised NERC Reliability Standards<sup>16</sup>;
- Provide required information to NERC on a timely basis including reporting of alleged violations and confirmed violations<sup>17</sup>;
- Track the progress of, report status of, and approve mitigation plans<sup>18</sup>;
- Conduct 2014 Compliance Audit Schedule of an estimated total of 55 Compliance Audits based on number of registered entities (Each audit covers a single registered entity that could be audited for multiple Functional Model types that they are registered for and is done in accordance with the 2014 Compliance Audit Program schedule)<sup>19</sup> ; and promote RAI initiatives by:
  - Utilizing the Audit Checklist for all on-site and off-site audits
  - Preparing an Audit Plan for all on-site audits;
- The 2014 Audits will be categorized by the number of requirements associated with the Reliability Standards that will be covered in the Compliance Audit. Six categories have been established based on the number of requirements to be audited and whether the audit is on-site or off-site. In 2014 there are projected to be three large on-site audits; three small on-site audits; 20 large off-site audits; 7 medium off-site audits; and 7 small off-site audits. The estimates for the number of Compliance Audits are also based on the projected total number of registered entities for each type and the established three-

<sup>12</sup> ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

<sup>13</sup> ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

<sup>14</sup> ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

<sup>15</sup> ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

<sup>16</sup> ERO Goal 6. Promote a culture of reliability excellence.

<sup>17</sup> ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

<sup>18</sup> ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.; ERO Goal 5. Be accountable for mitigating reliability risks.

<sup>19</sup> ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

year cycle for RC, BA, and TOP Compliance Audits and the established six-year cycle for all other registered entity types<sup>20</sup>;

- In addition, 36 registered entities will be audited for the requirements of the version in place for CIP 002 to CIP 009. These will be separate audits. On-site CIP audits may be combined with the normally scheduled 2014 on-site audits<sup>21</sup>;
- Conduct spot check program during the year. A spot check can be viewed as a limited unscheduled small off-site compliance audit that will be utilized to verify self-certification submittals that have been done earlier in the year or other requirements based on factors as described in the Compliance Audits section. In 2014 the number of spot checks to be done is estimated to be 350<sup>22</sup>;
- Assure that NPCC Staff is trained to conduct Compliance Audits including CIP Compliance Audit training<sup>23</sup>;
- Assure that NPCC Staff is trained to conduct Certification of entities intending to Register as BA, RC or TOP for the first time, or Certification Reviews of changes by existing BAs, RCs or TOPs that meet the criteria requiring a Certification Review<sup>24</sup>;
- NPCC is working with the other Regions to access, train and perform certifications (and re-certification) in an effort to be consistent across the ERO<sup>25</sup>;
- Continue to actively perform a risk profile of each entity prior to audit and upon completion of an audit, continue to identify risk and reliability gaps<sup>26</sup>;
- Develop and implement compliance reform via the Reliability Assurance Initiative (RAI) by being an integral participant in committees and workgroups involved in the RAI<sup>27</sup>;
- Promote a culture of compliance that addresses reliability risks of NPCC registered entities by using reliability gap analysis. Assess and evaluate registered entity's Internal Controls as part of the audit and spot check process<sup>28</sup>;
- Continue to expand the use of auditor discretion through Find, Fix and Track (FFT) and initiate training for audit staff in FFR principles and implementation<sup>29</sup>;
- Continue to implement physical security outreach by visiting four registered entity sites to perform an assessment of their physical security and supply recommendations for improvements<sup>30</sup>;
- Enhance the CDAA to expand its capabilities from both the registered entity perspective and the NPCC Compliance Staff perspective<sup>31</sup>;

<sup>20</sup> ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

<sup>21</sup> ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

<sup>22</sup> ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

<sup>23</sup> ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

<sup>24</sup> ERO Goal 7. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness. and ERO Goal 2.a. Evaluate certification program for sufficiency and effectiveness, modify as needed.

<sup>25</sup> ERO Goal 7. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness.

<sup>26</sup> ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

<sup>27</sup> ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair." and ERO Goal 2.b. Develop and Implement compliance reform.

<sup>28</sup> ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry. and Goal 3.a. Make effective internal controls models and information available to industry.

<sup>29</sup> ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair." And Goal 3.b. Continue to expand use of discretion through Find, Fix, and Track .

<sup>30</sup> ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry. and Goal 5.b. Implement periodic physical security assessments.

- Conduct 2014 Compliance Workshops and interim information sessions for registered entities as necessary as a part of Training and Education program area<sup>32</sup>.

Adopt and promote practices to enhance the benefits of the self-reporting of violations by both the Regional Entity and the registered entity. This would include improvement to the registered entity internal processes used for identifying and submitting self-reports (e.g. adoption of an aggregated approach for submittal of self-reports, etc.), improvement in the way Regional Entities process self-reports and the streamlining and standardizing of the amount and type of data needed to evaluate a self-report.

Based on the portion of professional/technical staff time and other resources devoted to Compliance monitoring and enforcement and organizational registration and certification, NPCC estimates that it will expend 57 percent of its resources on this activity.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### **Funding Sources (Other than ERO Assessments)**

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.
- 2014 funding for this program does not include funding from WECC for performing the CEA responsibilities for the WECC Registered Functions as NPCC will no longer have these responsibilities based on the proposed WECC restructuring to be effective, if approved by FERC, January 1, 2014.

#### **Personnel Expenses**

- One additional FTE represents the reclassification of an individual from contractor to hourly employee.

#### **Meeting and Travel Expenses**

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via teleconference, at the NPCC offices or member facilities, combining or appending meetings to other mandatory training/meetings, as well as lower meeting space rental rates through negotiations. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum, however, the amount of activity is expected to increase in 2014. Conference calls and webex will be conducted for business when possible. (Conference calls expense is included under Administrative Services.)

#### **Operating Expenses and Indirect Expenses**

- Consultant and contractor costs increased due to increased workload. With a risk and performance based assessment of each registered entity, audits will transition to a periodicity more reflective of the risk profile of the entity such that some audits will be more in-depth while others may have a reduced scope which will require less independent contractor resources.

<sup>31</sup> ERO Goal 7. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness.

<sup>32</sup> ERO Goal 6. Promote a culture of reliability excellence.

- NPCC total overhead expenses, such as office rent and office costs, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

#### Other Non-Operating Expenses

- None

#### Fixed Asset Additions

- Software development costs related to CITS enhancements are projected to continue into 2014.

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2014 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>						
<b>2013 Budget &amp; Projection, and 2014 Budget</b>						
<b>Compliance Monitoring and Enforcement and Organization Registration and Certification</b>						
				Variance		Variance
	2013	2013	2013 Projection	v 2013 Budget	2014	2014 Budget
	Budget	Projection	v 2013 Budget	Over(Under)	Budget	v 2013 Budget
						Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 7,576,805	\$ 7,576,805	\$ -		\$ 7,991,503	\$ 414,698
Penalty Sanctions	166,028	166,028	-		87,868	(78,160)
<b>Total ERO Funding</b>	<b>\$ 7,742,833</b>	<b>\$ 7,742,833</b>	<b>\$ -</b>		<b>\$ 8,079,371</b>	<b>\$ 336,539</b>
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	-	-	-		-	-
Interest	-	-	-		-	-
Miscellaneous	34,500	34,500	-		-	(34,500)
<b>Total Funding (A)</b>	<b>\$ 7,777,333</b>	<b>\$ 7,777,333</b>	<b>\$ -</b>		<b>\$ 8,079,371</b>	<b>\$ 302,039</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 2,117,561	\$ 2,117,561	\$ -		\$ 2,287,504	\$ 169,943
Payroll Taxes	152,612	152,612	-		162,571	9,959
Benefits	465,444	465,444	-		537,087	71,643
Retirement Costs	302,129	302,129	-		298,890	(3,239)
<b>Total Personnel Expenses</b>	<b>\$ 3,037,746</b>	<b>\$ 3,037,746</b>	<b>\$ -</b>		<b>\$ 3,286,052</b>	<b>\$ 248,306</b>
<b>Meeting Expenses</b>						
Meetings	\$ 45,000	\$ 45,000	\$ -		\$ 25,000	\$ (20,000)
Travel	375,000	375,000	-		375,000	-
Conference Calls	-	-	-		-	-
<b>Total Meeting Expenses</b>	<b>\$ 420,000</b>	<b>\$ 420,000</b>	<b>\$ -</b>		<b>\$ 400,000</b>	<b>\$ (20,000)</b>
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 1,578,000	\$ 1,578,000	\$ -		\$ 1,394,433	\$ (183,567)
Office Rent	-	-	-		-	-
Office Costs	-	-	-		-	-
Professional Services	-	-	-		-	-
Computer & Equipment Leases	-	-	-		-	-
Miscellaneous	-	-	-		-	-
Depreciation	-	-	-		-	-
<b>Total Operating Expenses</b>	<b>\$ 1,578,000</b>	<b>\$ 1,578,000</b>	<b>\$ -</b>		<b>\$ 1,394,433</b>	<b>\$ (183,567)</b>
<b>Total Direct Expenses</b>	<b>\$ 5,035,746</b>	<b>\$ 5,035,746</b>	<b>\$ -</b>		<b>\$ 5,080,485</b>	<b>\$ 44,739</b>
<b>Indirect Expenses</b>	<b>\$ 2,849,094</b>	<b>\$ 2,849,094</b>	<b>\$ -</b>		<b>\$ 3,034,462</b>	<b>\$ 185,368</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 7,884,840</b>	<b>\$ 7,884,840</b>	<b>\$ -</b>		<b>\$ 8,114,946</b>	<b>\$ 230,106</b>
<b>Change in Assets</b>	<b>\$ (107,507)</b>	<b>\$ (107,507)</b>	<b>\$ -</b>		<b>\$ (35,575)</b>	<b>\$ 71,932</b>
<b>Fixed Assets</b>						
Depreciation	\$ -	-	\$ -		\$ -	\$ -
Computer & Software CapEx	-	-	-		108,000	108,000
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
Allocation of Fixed Assets	(107,507)	(107,507)	-		(143,575)	(36,068)
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(107,507)</b>	<b>(107,507)</b>	<b>-</b>		<b>(35,575)</b>	<b>71,932</b>
<b>TOTAL BUDGET (=B+C)</b>	<b>\$ 7,777,333</b>	<b>\$ 7,777,333</b>	<b>\$ -</b>		<b>\$ 8,079,371</b>	<b>\$ 302,039</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ -</b>		<b>\$ (0)</b>	<b>\$ 0</b>



## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessment and Performance Analysis Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	5.83	5.83	0.00
Direct Expenses	\$1,891,076	\$1,888,972	(\$2,104)
Indirect Expenses	\$1,107,348	\$1,105,682	(\$1,666)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$41,785)	(\$52,315)	(\$10,531)
Total Funding Requirement	\$2,956,639	\$2,942,339	(\$14,300)

### Program Scope and Functional Description

NPCC, through its top technical committee, the Reliability Coordinating Committee (RCC), integrates the deliverables of its Task Force's and Working Group's Reliability Assessment and Performance Analysis related activities. Consistent with the applicable NERC Reliability Standards, these efforts include:

- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves in accordance with NPCC Reliability Directory No. 1 and other related reliability directories; and,
- Assessing the impact of planned transmission and resource additions or modifications on NPCC system reliability in accordance with NPCC Reliability Directory No. 1 and other related reliability directories.

Seasonal assessments of the overall NPCC resource adequacy assessments are performed and possible actions to mitigate any potential problems are identified. NPCC reviews operations and disturbances both internal and external to the Region in order to identify any lessons to be learned and recommends any necessary follow-up actions.

If appropriate, enhancements to Regional Standards or NPCC's more stringent, Regionally-specific reliability requirements are also recommended. NPCC promotes and conducts both inter-Area and interregional studies to enhance reliability and operational effectiveness, and provides a forum for the discussion and coordination of operating issues within the NPCC Region and with other Regions.

## 2014 Key Assumptions

Support of identified key NERC Reliability Assessment and Performance Analysis (RAPA) projects; NERC and Regional Entities will gather data or perform analysis in support of U.S. Federal and NERC initiatives, such as:

- Report Recommendation from the “*NERC Special Reliability Assessment Interim Report: Effects of Geomagnetic Disturbances (GMD) on the Bulk Power System*”,<sup>33</sup> including:
  - i. enhancing system models in support of the study of GMD impacts;
  - ii. Enhancing GMD notification procedures; and,
  - iii. Determining optimum locations for monitoring capability on transformers, based on studies and operational experience.
- Follow-up study from the recommendations of the “*2013 NERC Special Reliability Assessment: Increasing Dependence on Natural Gas for Electric Power – Phase II: A Vulnerability and Scenario Assessment for the North American Bulk Power System,*”<sup>34</sup>
- System frequency response analysis; and,<sup>35</sup>
- Assessing reliability issues resulting from compliance to final EPA environmental regulations, reliable integration of new technologies as renewable energy, smart grid, energy storage, and/or reliability assessment of increased penetration of electric vehicles.<sup>23</sup>

In response to NERC’s 2014 Business Plan and Budget Program Area Services and Activities, NPCC will continue to:

- Vet proposed and future metric development, collection, and analysis with industry stakeholders through the Reliability Metrics Working Group<sup>36</sup> (RMWG) and ERO-RAPA Group, and identify and spotlight trends through assessments of the availability data systems and metrics (e.g., TADS, DADS, GADS, TADS, SED, etc.)<sup>37</sup>
- Conduct post-seasonal assessments (Summer and Winter) and additional scenario and special reliability assessments as required. Specialized contractors may be used to complete detailed analysis to support scenario assessments. Special reliability assessments currently proposed may include: changes in resource mix due to environmental regulations, electric/gas system interdependency, delays in proposed transmission development in the reliable integration of renewable resources.<sup>23</sup>

In addition, NPCC supports:

- NERC’s development of a centralized data collection system (Reliability Assessment Data System - RADS), for the reporting and validation of the NERC Reliability Assessment Subcommittee Long-Term Reliability Assessment data requirements, including a common set of probabilistic reliability indices and

<sup>33</sup> ERO Goal 4.a. Continue to mature RISC and develop risk profile to include HILF issues.

<sup>34</sup> ERO Goal 6.a. ERO is a leading resource to industry and policy makers for reliability information.

<sup>35</sup> ERO Goal 6.b. Assess data and modeling needs to ensure quality planning and operating data/models are available to registered entities across each interconnection.

<sup>36</sup> ERO Goal 4.a. Prepare an annual state of reliability report.

<sup>37</sup> ERO Goal 4.a. Risks are identified and prioritized based on reliability impacts, costs/practicality assessments, projected resources and emerging issues.

probabilistic-based work products to supplement future NERC Long-Term Reliability Assessments;<sup>38</sup>

- Coordination with event analysis, lesson learned and model validation activities. Specialized contractors may be used to complete detailed analysis to support model data collection and validation; and,<sup>39</sup>
- Support of NERC PMO IT deployments – RADS and the BES Exception process IT tool.<sup>40</sup>

### **Definition of the Bulk Electric System (BES) Definition**<sup>41</sup>

Implementation of a Bulk Electric System (BES) Exception Process on July 1, 2014 is not expected to significantly impact resources requirements in this program area for 2014. NPCC's 2013 survey of its Registered Entities did not indicate that an overwhelming number of NPCC BES Exception requests would be sought based on the filed BES Definition. While it is recognized that the significance of the impact cannot be fully assessed until the Commission acts on Phase 2 BES definition, anticipated to be approved by the NERC BOT by the end of 2013, based on the NPCC survey results, 2014 RAPA personnel should be sufficient to process any NPCC Exception requests.

NPCC will use the information technology tool and related BES reference and guidance documents to assist industry in the implementation of the BES definition approved by the Federal Energy Regulatory Commission in Order Nos. 773 and 773-A. The BES reference and guidance documents, processes and tool are designed to provide industry with certainty and clarity about the implementation of the revised BES definition, which is anticipated to become effective on July 1, 2013.

Use of the new ERO enterprise processes provides for efficient BES implementation through a common interface between registered entities and their respective Regional Entity in several of the major steps required to implement the revised BES definition. Features of the BES Notification and Exception Processing Tool include:

- A uniform process for the notification of self-determined inclusions or exclusions to the BES;
- A uniform process for industry to submit exception requests; and,
- A consistent method for the Regional Entities and NERC to efficiently process to conclusion requests for exceptions to the application of the BES definition.

The procedure to request an exception from application of the BES definition is set forth in Appendix 5C to the NERC Rules of Procedure, also expected to become effective July 1, 2014. The REMG formed the BES Exception Process Working Group in 2012 – comprised of representations from the eight Regional Entities and NERC staff - to help create an efficient and effective Regional mechanism for processing Entity self-determined BES notifications and BES Exception requests. The activities of the BEPWG are expected to continue in 2014, in order to provide regional expertise to the process as NERC acts on Regional BES Exceptions recommendations.

<sup>38</sup> ERO Goal 6.a. Publish quality reliability assessment reports (LTRA, seasonal, and special reports).

<sup>39</sup> ERO Goal 4.b. Provide lessons learned and recommendations from events and identified risks,

<sup>40</sup> ERO Goal 7.b. Develop, test and deploy ERO enterprise applications, platform and database.

<sup>41</sup> ERO Goal 1. Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner.

In 2012, the NERC Standards Committee accepted the proposed BES Phase 2 SAR for development and approved the project schedule. The initial project schedule called for the technical justification of various aspects of the filed BES Definition to be completed by end of the year, with six months following thereafter (in 2013) allowing for the Standards process posting and comment period. Any resultant revision to the BES Definition would then be considered in 2013, based on the results of the Phase 2 BES SAR and a ruling by FERC regarding the FERC Order No. 773 rehearing requests. The NPCC 2014 Business Plan and budget is based on the assumption that with NERC BOT approval in November 2013 a Phase 2 BES definition would be filed with the Commission in 2014.

### **Eastern Interconnection Reliability Assessment Group** <sup>42</sup>

The primary function of the Eastern Interconnection Reliability Assessment Group (ERAG) is to augment reliability of the bulk-power system in the Eastern Interconnection through periodic reviews of generation and transmission expansion. These assessments are conducted by the ERAG Steering Committees. In addition, ERAG has the responsibility to develop the annual set of seasonal and future steady state and dynamic simulation base cases for use by the Regional Entities and other industry groups in the Eastern Interconnection. This is done through the ERAG Multi-Regional Modeling Working Group (MMWG). NPCC participates in the ERAG activities as one of the six Eastern Interconnection Regional Entities.

NPCC RAPA staff participates with the ERAG Management Committee and acts as the liaison between the ERAG MMWG and the NPCC SS-37 Working Group; activities include:

#### **Management Committee Activities**

- ✓ Oversee the steady state and dynamic simulation base case development;
- ✓ Make necessary changes to the modeling of governor-turbine control systems to achieve frequency response that more closely reflects actual response during system frequency deviation events. Oversee ERAG Multi-Regional Modeling Working Group (MMWG) changes to the dynamics base cases;
- ✓ Continue the review of the NERC governor survey information to assess how to revise the governor-turbine plant control models at most generators;
- ✓ Review the 2013-2014 Winter and 2014 Summer Assessments, including, the SERN (SERC East-ReliabilityFirst-NPCC) and the MRSwS (Midwest Reliability Organization-ReliabilityFirst-SERC West-Southwest Power Pool) Assessments of anticipated inter-regional, inter-Balancing Authority transfer limit conditions and sensitivities;
- ✓ Participate in discussions with NERC staff, North American Transmission Forum, NERC System Analysis and Modeling Subcommittee, FERC staff and possibly North American Generation Forum representatives regarding base case modeling improvements and future general industry modeling improvements;
- ✓ Develop ERAG Strategic Direction (i.e. anticipated new developments in MMWG process and system assessments); and,
- ✓ Confirm MMWG cases and assessments continue to have sufficient protections in place for use and transmittal of confidential data and information.
- ✓

<sup>42</sup> ERO Goal 6.b. Reliability models and data accurately represent system behavior and are shared among reliability entities.

**Multi-Regional Modeling Working Group Items**

- ✓ Complete the steady state and dynamic simulation base cases for the 2014 series of cases;
- ✓ Complete necessary changes to the modeling of governor-turbine control systems to achieve frequency response that more closely reflects actual response during system frequency deviation events;
- ✓ Continue the review of the NERC governor survey information to assess how to revise the governor-turbine plant control models at most generators. Recommend the necessary changes in the models for specific generators;
- ✓ Incorporate dispatch information into the future and seasonal ERAG MMWG base cases so that the dispatches are more closely aligned with economic dispatch practices;
- ✓ Determine how the regional MMWG case development processes will change due to the use of the new web-based System Dynamics Data Base program;
- ✓ Develop a procedure to require that the contractor, Powertech, follow all procedures in the MMWG manual in order to avoid minimize future coordination problem;
- ✓ Check and confirm that the dynamic model data passes all applicable checks and acceptance criteria. Include 60 second steady state simulation of each case to detect numerical errors; and,
- ✓ Apply changes to the MMWG dynamics case so they are available for interconnection frequency studies.

**System Assessments Items**

- ✓ Completion of 2014 Summer and 2014-2015 Winter Assessments, including, the SERN and the MRSwS Assessments of anticipated inter-regional, inter-Balancing Authority transfer limit conditions and sensitivities; and,
- ✓ Take additional steps to achieve consistency among the SERN and the MRSwS study forums assessments and practices. Make additional recommendations to the ERAG Management Committee on how to complete this process.

**NERC <sup>43</sup>**

NPCC will continue to provide the NPCC Regional perspective with active NPCC RAPA staff participation on the NERC Planning and Operating Committees and key related NERC Subcommittees, Task Forces and Working Groups:

- ✓ Reliability Assessment Data Working Group (RADWG);
- ✓ Protection System Mis-operations Task Force (PSMTF);
- ✓ Spare Equipment Database Task Force (SEDTF);
- ✓ Demand Response Availability Data System Working Group (DADSWG);
- ✓ Generating Availability Data System Working Group (GADSWG);
- ✓ Transmission Availability Data System Working Group (TADSWG);
- ✓ Model Validation Working Group (MVWG);
- ✓ Reliability Assessment Subcommittee (RAS) - Seasonal and Long-Term Reliability Assessments;
- ✓ System Analysis and Modeling Subcommittee (SAMS);
- ✓ Performance Analysis Subcommittee (PAS);
- ✓ Regional support and coordination of the NERC:
  - Generator Availability Data System (GADS);
  - Demand Availability Data System (DADS);

<sup>43</sup> ERO Goal 6.a. Promote effective actions as needed to address identified gaps in future reliability.

- Transmission Availability Data System (TADS);
- Spare Equipment Data Base System (SEDS);
- Reliability Assessment Data System (RADS)
- ✓ Incorporating probabilistic reliability metrics required for the 2014 NERC Long-Term Reliability Assessment through the NPCC 2014 Long Range Adequacy Overview;
- ✓ Providing analytic support to ERO-RAPA group for the:
  - Analysis of Relay mis-operations;
  - Regional coordination of data required for the calculation of metrics proposed by the NERC Reliability Metrics Working Group; and,
  - Other activities directed by the ERO-Executive Management Group.

As well as:

- ✓ Updating the NPCC Electric System Map;
- ✓ Liaison with the New York Defensive Strategies Working Group in coordination and implementation of Synchro-Phasor measurement devices on the NPCC and neighboring systems and monitor related efforts of the NERC North American Synchro-Phasor Initiative;<sup>44</sup>
- ✓ Review of projects proposed in conjunction with the New York Energy Highway Initiative;
- ✓ Coordinating the NPCC implementation of the FERC approved NERC BES definition and BES Exception Process;
- ✓ Participating in on-going NERC analysis of the Eastern Interconnection Frequency Response;
- ✓ Developing NPCC guidelines for load modeling in system reliability studies;
- ✓ Conducting NPCC resource adequacy assessments addressing impacts of emerging reliability issues identified by NERC (e.g., environmental requirements, gas-electric system interdependency, delays in transmission plans, etc.);
- ✓ Coordinating any resulting NPCC inter-Area reliability analyses required to assess the proposed integration of related large-scale renewable resource proposals from Regional activities;
- ✓ Completing the 2014 NERC Seasonal (and post Seasonal) Reliability Assessments; and,
- ✓ Completing the 2014 NERC Long-Term Reliability Assessment.

## 2014 Goals and Key Deliverables

### Task Force on Coordination of Planning

The primary mission of the NPCC Task Force on Coordination of Planning (TFCP) is to promote reliability through the coordination of NPCC Area and NERC planning processes and activities. In addition, the TFCP provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

TFCP activities include, but are not limited to:

- Leading the NPCC Task Force review of the revision of NPCC criteria, guidelines, and procedures related to planning, and of those documents which provide for the uniform implementation, interpretation and monitoring of compliance with criteria, guidelines and procedures related to planning.

<sup>44</sup> ERO Goal 6.b. Evaluate event disturbances using phasor measurements and other methods to assess sufficiency of data and models.

- Supporting the NPCC Directory Project by either drafting, reviewing or approving directories.
- Coordinating, monitoring, reviewing, and making recommendations on proposed or modified Special Protection Systems.
- Facilitating Wide-Area Planning by supporting the Joint ISO/RTO Planning Committee Activities, implementation of the Northeast Planning Protocol, and performing any NPCC interconnection reliability analyses, as required.
- Reviewing the overall reliability of the NPCC Areas and performing multi-Area probabilistic reliability assessments.
- Identifying and assisting in the development of new Regional Reliability Standards.
- Assisting the NPCC Compliance Subcommittee, to monitor and coordinate the compliance efforts of the Areas with NPCC planning documents and registered entities with NERC Reliability Standards.
- Reviewing the Standards Authorization Requests and NERC Reliability Standards as well as participating in the NERC process. Educating and informing NPCC membership and registered entities of developments.
- Ensuring coordination of data and assumptions for conducting NPCC planning studies (i.e. load forecasts, reserve requirements, DOE EIA 411 data, and new facilities)
- Monitoring the activities of other NPCC Task Forces to ensure coordination with planning activities.
- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserve margins in accordance with NPCC Directory No. 1 based on a schedule set forth in the Reliability Assessment Program.
- Coordinating the review of the compliance of future Area plans with the Basic Criteria, including an analysis of resource and transmission system additions, and the potential inter-Area effects of special protection systems, in accordance with NPCC Reliability Directory No.1 based on a schedule set forth in the Reliability Assessment Program. (Specific projects, which in the opinion of the task force could have an impact on the reliability of the NPCC Bulk Power System, may be reviewed outside of the set schedule).

### **Key TFCP Reliability Assessment and Performance Analysis Deliverables**

- ✓ Coordinating activities related to reactive power and voltage control practices, which includes Under Voltage Load Shedding (UVLS) with the Task Force on Coordination of Operation and the Task Force on System Studies to ensure that developments in the NERC Planning Committee and its Subcommittees are addressed.
- ✓ Monitoring the actions of the NERC Performance Analysis Subcommittee (PAS).
- ✓ Monitoring the actions of the NERC System Analysis and Modeling Subcommittee (SAMS).
- ✓ Overseeing the A-10 BPS Implementation Plan.
- ✓ Overseeing the summer 2014 and winter 2014-2015 NPCC multi-area probabilistic reliability evaluations.
- ✓ Overseeing the 2014 NPCC Long-Range Adequacy Overview.
- ✓ Evaluating and approving Balancing Authority Area Transmission Reviews.
- ✓ Coordinating, monitoring, reviewing, and making recommendations on the retirement of existing in-service Special Protection Systems (SPS); and the implementation of proposed new or modified Special Protection Systems.
- ✓ Review the NPCC SPS criteria with respect to proposed NERC SPS Standards.

- 
- ✓ Monitoring industry practices and making recommendations to NPCC on transmission adequacy standards related to intermittent generation such as wind or solar-voltaic.
  - ✓ Reviewing and giving direction to other task forces on changes required to the Underfrequency Load Shedding (UFLS) program required to take into account increasing amounts of distribution connected generation and/or intermittent generation.
  - ✓ Evaluating and recommending approval of NPCC Balancing Authority Area Resource Adequacy Assessments.
  - ✓ Monitoring the developments in demand resources, energy efficiency and conservation methods including all intermittent renewable resources.
  - ✓ Conducting resource adequacy assessment studies addressing emerging reliability issues as identified by the NERC Planning Committee (e.g., environmental requirements, etc.)
  - ✓ Supporting Joint ISO/RTO Planning Committee activities.
  - ✓ Facilitating Wide-Area Planning through participation in Regional activities (such as the Eastern Interconnection Planning Collaborative) and coordinating any resulting required inter-Area Reliability Assessment of the proposed integration related large-scale renewable resource proposals.
  - ✓ Review of projects proposed in conjunction with the New York Energy Highway Initiative
  - ✓ Completion of the NERC 2014 Long-Term Reliability Assessment.

### **Task Force on System Studies**

The primary mission of the NPCC Task Force on System Studies (TFSS) is to provide active overall coordination of system studies of the reliability of the interconnected bulk power systems and for the review of certain NPCC documents. In addition, the TFSS provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

The activities of the TFSS include, but are not limited to:

- Participating with the Task Force on Coordination of Planning, the Task Force on Coordination of Operation, and the Task Force on System Protection in reviews of the NPCC Reliability Directory No.1 and other NERC Reliability Standards and NPCC criteria, guidelines, procedures and documents which provide for the uniform implementation, interpretation and monitoring of conformance to criteria, guidelines and procedures related to system studies.
- Conducting NPCC Balancing Authority Area Reviews, in accordance with NPCC Reliability Directory No. 1, based on material presented by the Balancing Authority Areas. These reviews will assess the impact of planned transmission and resource additions or modifications on system reliability, and determine the Balancing Authority Area's conformance with the NPCC Basic Criteria.
- Reviewing and approving changes to Balancing Authority Areas' lists of bulk power system elements, in accordance with the *Classification of Bulk Power System Elements* (Document A-10). Annually review and update the NPCC BPS List.
- Reviewing and classifying new and modified Special Protection Systems, in accordance with NPCC Reliability Directory No. 7. Annually reviewing and updating the NPCC Special Protection System List.
- Conducting such load flow, transient stability, and other studies as required analyzing the overall reliability of the planned bulk power transmission systems of NPCC and the interconnections between NPCC and other Regional reliability organizations. As a part of this effort, analyze potential inter-Area effects of Special Protection Systems.



- Conducting analytical studies as appropriate to support the coordination of system planning, system operation and system protection in NPCC.
- Maintaining, through the SS-37 Working Group, a library of load flow base cases and associated dynamics data, for use in and support of Balancing Authority Area Reviews, overall transmission assessments, operational studies, inter-regional studies, etc. Coordinate this effort with the NERC inter-regional base case development process.
- In conjunction with other Task Forces, reviewing major system disturbances to ascertain the adequacy of the interconnected systems. Also, reviewing any associated recommendations for system modifications and considering the need for criteria changes.
- Identifying and recommending improved system study techniques. This includes, but is not limited to, the following:
  - improved techniques and models for power system simulation;
  - improved techniques for power system Reliability Assessment;
- Conducting a periodic review of the adequacy of the NPCC underfrequency load shedding program. Annually reviewing and updating the NPCC underfrequency load shedding database.
- Maintaining a listing and monitoring the status of major transmission and generation projects within NPCC.
- Maintaining liaison with other NPCC Task Forces and report to the Reliability Coordinating Committee as required.
- Monitoring the work of industry research and development organizations such as the IEEE, Canadian Electricity Association, Electric Power Research Institute, CIGRE and other technical organizations.
- Annually developing updates to the NPCC Electric System Map

#### **Key TFSS Reliability Assessment and Performance Analysis Deliverables:**

- ✓ Conducting Balancing Authority Area reviews, in accordance with the *Guidelines for NPCC Area Transmission Reviews* (Appendix B of NPCC Reliability Directory No. 1), based on material presented by the Balancing Authority Areas. These reviews assess the impact of planned transmission and resource additions or modifications on system reliability, and determine the Area's conformance with the NPCC Basic Criteria. Through the Area Transmission Reviews, re-evaluate the performance and classification of existing SPSs and Dynamic Control Systems as appropriate.
- ✓ Reviewing and classifying new and modified Special Protection Systems, in accordance with NPCC Reliability Directory No. 7 *Procedure for NPCC Review of New or Modified Bulk Power System Special Protection Systems* as required.
- ✓ Reviewing and approving changes to the Balancing Authority Areas' lists of bulk power system elements, in accordance with the *Classification of Bulk Power System Elements* (Document A-10), as required.
- ✓ Updating the NPCC Bulk Power System List.
- ✓ Through the ad hoc Load Modeling Task Force, address the recommendations from the SS-38 Load Modeling White Paper.
- ✓ Reviewing and updating NPCC Undervoltage Load Shedding Database.
- ✓ NPCC UFLS Adequacy Assessment Study scheduled completion by November 2014.
- ✓ Participation in on-going NERC analysis of the Eastern Interconnection Frequency Response.
- ✓ Through the SS-37 Working Group, develop the annual library of power flow base cases and associated dynamic models for use by NPCC members and input into the

development of the MMWG library of power flow and dynamic cases and databases for the Eastern Interconnection

- i. Final development of NPCC power flow models for 2014
  - ii. Final development of NPCC dynamic models for 2014
  - iii. Address wind modeling issues including maintaining a database of NPCC wind models for use in the MMWG library of power flow and dynamic cases and databases for the Eastern Interconnection.
- ✓ Annually performing event replication and exercise the procedure. Reviewing existing Regional criteria and procedures for validation of data used in power flow and dynamic simulations by benchmarking against actual system performance. If the existing criteria or procedures are found to be deficient, propose changes to provide for adequate data validation (NERC Blackout Recommendation No. 14)
  - ✓ Updating the NPCC SS-37 Working Group Procedure Manual and other related documents including the Master Tie line Data, and Interchange Schedule, as required.
  - ✓ Providing mid-term updates to the Library of NPCC/MMWG cases
  - ✓ Enhancing the governor modeling on a unit by unit basis suitable for use in the system simulation.
  - ✓ Annually reviewing and updating a list of NPCC underfrequency load shedding.
  - ✓ Coordinate activities with those of the New York State Defensive Strategies Working Group, regarding the coordination and implementation of Synro-Phasor measurement devices.
  - ✓ Incorporate NPCC guidelines for load and power system modeling approved by the RCC in 2013.
  - ✓ Classification of Bulk Power System Elements.
  - ✓ Participate at Siemens PTI User Group meetings to provide PSSE program enhancements
  - ✓ Supporting Regional system studies to integrate large-scale renewable resources.
  - ✓ Provide support to NERC Event Analysis process, as needed.
  - ✓ Develop updates to the NPCC Electric System Map.
  - ✓ Review of projects proposed in conjunction with the New York Energy Highway Initiative
  - ✓ Provide support to the NERC Model Validation Working Group (MVWG) as needed.

### **Task Force on System Protection (TFSP)**

The purpose of the NPCC Task Force on System Protection (TFSP) is to promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America through the establishment of directories, criteria, guidelines, and procedures and coordination of design, relative to the protection associated with the bulk power systems. In addition, the TFSP provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

The Reliability Assessment and Performance Analysis activities of the TFSP include, but are not limited to:

- Assessing proposed protection systems and special protection systems in accordance with NPCC Reliability Directory No. 4 and No. 7.
- Reviewing and analyzing the performance of protection systems following selected major power system disturbances and events, inside as well as outside NPCC in accordance with NPCC Reliability Directory No. 4. Issue recommendations for changes to NPCC Documents, as appropriate.

- Providing technical advice on protection issues to NPCC and coordinate with other Task Forces on the application of Intelligent Electronic Devices (IEDs) that include functions related to energy management systems in addition to their protective functions, in order to safeguard the integrity of the protective functions.
- Through the SP-7 Working Group, review, on a quarterly basis all protection system misoperations reported to NPCC.
- Reviewing and assessing significant protection issues of common interest or informational value.
- Reviewing and assessing regulatory and industry based documents as they relate to system protection.
- Maintaining an effective liaison with North America groups working in the protection areas (for example: NERC System Protection & Control Subcommittee.)
- Exchanging information with other power pools, Regional Reliability Councils, Regional Transmission Organizations and other industry groups on matters concerned with system protection.
- Identifying the need for special studies and new documents, recommend action to the Reliability Coordinating Committee.

**Key TFSP Reliability Assessment and Performance Analysis Deliverables:**

- ✓ Assessing proposed protection systems and special protection systems for compliance with NPCC Directory No. 4 and No. 7 criteria.
- ✓ Reviewing and analyzing the performance of protection systems in power system disturbances and events, brought to the attention of the Task Force, inside as well as outside NPCC in accordance with *Procedures for Task Force on System Protection Review of Disturbances* (Document C-30). Issuing recommendations for changes to NPCC Documents, as appropriate.
- ✓ Participate or serve as lead Task Force in the development and/or implementation of Regional Reliability Standards.
- ✓ Providing support to the NERC Event Analysis process as required.
- ✓ Participate in the ongoing development and submission of NPCC input into the development of related NERC Reliability Standards.
- ✓ Conducting any follow-up to the bulk power system protection risk assessment as directed by the Reliability Coordinating Committee.
- ✓ Through the SP-7 Working Group, monitor the review of protection system misoperations as they occurred in the NPCC Region and participation in providing the NPCC input for NERC Metric ALR4-1 on Protection Mis-operations.
- ✓ Monitor and review industry activities on the mitigation of the effects of SMD on protection systems. Report to RCC on any significant findings.
- ✓ Review mitigations and/or progress reports for BPS Risk Reduction Implementation at each meeting and annually report to the RCC on the status of this implementation.
- ✓ Participate in the development and submission of NPCC inputs/comments into the development of protection related NERC technical documents.
- ✓ Review best practices from its members and industry to pull together design considerations for the new IEC 61850 protection implementation with the output being possible additions to NPCC Directory No. 4 and Directory No. 7.

**Task Force on Coordination of Operation**

The NPCC Task Force on Coordination of Operation (TFCO) facilitates the coordination of operations among the NPCC Reliability Coordinator areas and adjacent NERC Regions to

enhance the reliability of the bulk power system. In addition, the TFCO provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

The activities of the NPCC TFCO include, but are not limited to:

- Conducting seasonal reviews of the overall reliability of the generation and transmission systems in NPCC, and coordinating these efforts with parallel assessments conducted by the NPCC Task Force on Coordination of Planning and by NERC. Reviewing the operational preparedness of NPCC and recommending possible actions to mitigate any potential problems identified for each operating period.
- Reviewing operations and system disturbances and providing any necessary follow-up, including the recommendation of remedial or mitigating actions.
- Facilitating the reliable operational integration of new bulk power system facilities.
- Coordinating the development of operating NPCC requirements and procedures affecting the reliability and operability of the bulk power system in coordination with, and as directed by, NERC and NPCC.
- Promoting and sponsoring inter-Balancing Authority Area and interregional studies to enhance reliability and operational effectiveness of the bulk power system.
- Providing coordination of operating issues with other NPCC Task Forces and other Regions.
- Reviewing, and acting upon, NERC actions, motions and recommendations in relation to the operation of the power system.
- Formulating the position of the TFCO on NERC Standards, and providing this position to the NPCC Regional Standards Committee as appropriate.
- Providing assistance as requested by the NPCC Regional Standards Committee in the development of Regional Standards and Directories.
- Providing assistance as requested by the NPCC Compliance Committee in monitoring and coordinating the compliance efforts of the registered entities of NPCC.

#### **Key TFCO Reliability Assessment and Performance Analysis Deliverables:**

- ✓ Develop and implement a wide area restoration exercise including participation by all Reliability Coordinators of NPCC as well as the MISO and PJM.
- ✓ Manage the implementation of action items emanating from the NERC report, "High-Impact, Low-Frequency Event Risk to the North American Bulk Power System-June 2010," and its subsequent reports:
  - Severe Impact Resilience Severe Impact Resilience Task Force
  - Geomagnetic Disturbance Task Force
  - Cyber Attack Task Force
  - Spare Equipment Database Task Force
  - Smart Grid Task Force
- ✓ Monitor the development of the NERC North American Synchro-Phasor Initiative in its effort to establish an effective control monitoring tool.
- ✓ Provide assistance to the NPCC Regional Standards Committee in the second phase of the NPCC directories process, re-drafting NPCC Reliability Directory No. 8 as a template.
- ✓ Review NPCC Reliability Coordinator Area Restoration Plans.
- ✓ Complete the NPCC 2014 summer and winter Operational Reliability Assessments.
- ✓ Completion of the NERC 2014 seasonal assessments.
- ✓ Reliability assessment of increased penetration of electric vehicles

**NPCC Regulatory/Governmental Affairs Advisory Group**

The purpose of the NPCC Regulatory/Governmental Affairs Advisory Group is to promote NPCC interaction and coordination with Federal/State/Provincial governmental and/or regulatory agencies on a coordinated Regional basis, and identify and develop policy input for NPCC and Northeast Regional governmental and/or regulatory bodies.

The NPCC Governmental/Regulatory Affairs Advisory Group provides a forum where industry and governmental and/or regulatory representatives can exchange views and strive to develop consensus policy recommendations on reliability issues specific to the NPCC Region (Northeastern United States and Eastern Canada) and share actionable information among NPCC, NERC and other related governmental and/or regulatory agencies related to Regional energy and reliability matters.

Based on the portion of professional/technical staff time and other resources devoted to Reliability Assessment and Performance Analysis, NPCC estimates that it will expend 21 percent of its resources on these activities.

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

**Personnel Expenses**

- Additional RAPA FTEs are not anticipated to be required to meet the NERC expectation for Regional Entity support of the proposed RAPA activities, as described above.
- Decrease in salaries expense is due to filling the 2013 open position with a qualified yet less seasoned employee.

**Meeting and Travel Expenses**

- While the amount of activity is expected to significantly increase in 2014, due to the volume of work described above, meeting expenses will be minimized to the extent possible due to continued efforts to keep costs down by holding meetings via teleconference as appropriate, conducting meetings at the NPCC offices or member facilities, as well as negotiating lower meeting space rental rates. The increase in expected Travel expenses due to the significant amount of proposed activity will be mitigated by using advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference.

**Operating Expenses and Indirect Expenses**

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2014 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>						
<b>2013 Budget &amp; Projection, and 2014 Budget</b>						
<b>Reliability Assessment and Performance Analysis</b>						
				Variance		Variance
	2013	2013	2013 Projection	2014	2014	2014
	Budget	Projection	v 2013 Budget	Budget	Budget	v 2013 Budget
			Over(Under)			Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 2,892,110	\$ 2,892,110	\$ -	\$ 2,910,322	\$ 18,212	\$ -
Penalty Sanctions	64,529	64,529	-	32,017	(32,513)	-
<b>Total ERO Funding</b>	<b>\$ 2,956,639</b>	<b>\$ 2,956,639</b>	<b>\$ -</b>	<b>\$ 2,942,339</b>	<b>\$ (14,300)</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 2,956,639</b>	<b>\$ 2,956,639</b>	<b>\$ -</b>	<b>\$ 2,942,339</b>	<b>\$ (14,300)</b>	<b>\$ -</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 938,733	\$ 938,733	\$ -	\$ 904,028	\$ (34,705)	\$ -
Payroll Taxes	63,449	63,449	-	60,329	(3,121)	-
Benefits	215,362	215,362	-	226,225	10,862	-
Retirement Costs	183,530	183,530	-	190,390	6,860	-
<b>Total Personnel Expenses</b>	<b>\$ 1,401,076</b>	<b>\$ 1,401,076</b>	<b>\$ -</b>	<b>\$ 1,380,972</b>	<b>\$ (20,104)</b>	<b>\$ -</b>
<b>Meeting Expenses</b>						
Meetings	\$ 45,000	\$ 45,000	\$ -	\$ 45,000	\$ -	\$ -
Travel	160,000	160,000	-	175,000	15,000	-
Conference Calls	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 205,000</b>	<b>\$ 205,000</b>	<b>\$ -</b>	<b>\$ 220,000</b>	<b>\$ 15,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 285,000	\$ 285,000	\$ -	\$ 275,000	\$ (10,000)	\$ -
Office Rent	-	-	-	-	-	-
Office Costs	-	-	-	13,000	13,000	-
Professional Services	-	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 285,000</b>	<b>\$ 285,000</b>	<b>\$ -</b>	<b>\$ 288,000</b>	<b>\$ 3,000</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 1,891,076</b>	<b>\$ 1,891,076</b>	<b>\$ -</b>	<b>\$ 1,888,972</b>	<b>\$ (2,104)</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 1,107,348</b>	<b>\$ 1,107,348</b>	<b>\$ -</b>	<b>\$ 1,105,682</b>	<b>\$ (1,666)</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 2,998,424</b>	<b>\$ 2,998,424</b>	<b>\$ -</b>	<b>\$ 2,994,654</b>	<b>\$ (3,770)</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ (41,785)</b>	<b>\$ (41,785)</b>	<b>\$ -</b>	<b>\$ (52,315)</b>	<b>\$ (10,531)</b>	<b>\$ -</b>
<b>Fixed Assets</b>						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Allocation of Fixed Assets	(41,785)	(41,785)	-	(52,315)	(10,531)	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(41,785)</b>	<b>(41,785)</b>	<b>-</b>	<b>(52,315)</b>	<b>(10,531)</b>	<b>-</b>
<b>TOTAL BUDGET (=B+C)</b>	<b>2,956,639</b>	<b>2,956,639</b>	<b>-</b>	<b>2,942,339</b>	<b>(14,300)</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ -</b>

## Training, Education, and Operator Certification Program

<b>Training, Education, and Operator Certification Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.10	0.10	0.00
Direct Expenses	\$199,339	\$177,787	(\$21,552)
Indirect Expenses	\$18,994	\$18,965	(\$29)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$717)	(\$897)	(\$181)
Total Funding Requirement	\$217,617	\$195,855	(\$21,761)

### Program Scope and Functional Description

The NPCC Training, Education, and Operator Certification program supports NERC Rules of Procedure Section 900. The program provides education and training necessary to understand and operate the bulk electric system. The target audience of the program is bulk power system operating personnel - including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports NPCC staff training and development needs as well as the administration of records necessary to maintain status as a NERC Continuing Education provider.

### Training Program Background and Description

NPCC establishes and coordinates programs for system operator training relating to inter-Reliability Coordinator area matters, criteria, terminology, standards and operating procedures and instructions. It develops and conducts training seminars, held twice yearly, at which potential operational problems for the coming season are discussed, the implementation of NPCC standards and procedures are discussed, significant disturbances are reviewed for lessons to be learned and table-top drills and communication and coordination exercises are conducted. The seminars promote camaraderie and better communication among system operators from the NPCC Reliability Coordinator Areas.

NPCC shares, evaluates and proposes new techniques and training aids as they become available; reviews opportunities to consolidate training among the NPCC Reliability Coordinators, which includes opportunities to share training material and training sessions and exchanges information on internal methods of system operator selection and training.

In addition, NPCC participates in the activities of the NERC Training and Education Group (TEG). The main objective of the NERC TEG is to coordinate the development of Regional Entity and NERC staff training and registered entity education materials to support and continually enhance reliability across North America for the benefit of all bulk electric system users, owners, and operators. The initial focus of this group has been on NERC compliance auditor training.



## Funding Drivers and Reliability Benefits

- Provide two high-quality continuing education seminars for system operators
  - System operators participating in the Seminars get exposure to NPCC issues and current industry operations topics, review recent NPCC or major external disturbances, discuss projected conditions for the coming summer or winter peak season and participate in hands on exercises “table top exercises” pertaining to system operation practices. PJM operators also attend and participate in these seminars.
  - Seminar attendees also receive Continuing Education (CE) hours and each Balancing Authority Area utilizes the seminar content by including it in their internal training programs to provide CE hours to all system operators
  - The seminars help to improve system operation coordination through better camaraderie among operators
- Review and revise the curriculum of the training seminars to better emphasize NERC standards, Regional Standards and business practices, NPCC wide-area operations and Regionally-specific criteria and procedures.<sup>45</sup>
- Enhance the system operator’s awareness and knowledge of the standards, criteria and procedures they apply in real time operation.<sup>46</sup> In 2012 and 2013 Seminars the Table Top Exercises include sessions addressing Simultaneous Activation of Reserve to reinforce the system operators ability to implement this without error.
- Provide more sharing of new training approaches, exchange of information on internal methods of system operator selection, training material and training sessions
  - Enhance efficiency and cost savings in the training programs in the NPCC Balancing Authority Areas
- Provide a forum among NPCC Balancing Authority Areas for sharing of strategies and approaches for enhancing their individual training programs and for meeting the requirements of the NERC PER standards.

## 2014 Key Assumptions

NPCC will conduct two workshops in 2014, for NPCC Stakeholders, for the express purpose of providing the most current and applicable information related to the development of NERC and Regional Reliability Standards and the implementation of the Compliance Monitoring and Enforcement Program (CMEP). These workshops, attended in the past by up to 250 participants, are specifically designed, primarily through the conduct of targeted breakout class room sessions and presentations on current industry related activities, to provide for the most efficient exchange of information between the NPCC Compliance and Standards Staff and the NPCC Stakeholders. Presentations in the past have been conducted by FERC, NERC and Stakeholder representatives in addition to NPCC Staff members. To supplement these workshops, NPCC is also considering additional methods for the dissemination of timely information, possibly in the form of on-line webinars. These webinars will focus on a specific topic pertinent to developments related to compliance program implementation and/or standards development that may arise in between the two regularly scheduled workshops.

---

<sup>45</sup> ERO goal 4.b. Provide lessons learned and recommendations from events and identified risks.

<sup>46</sup> ERO goal 4.b. Analyze significant events to identify gaps in standards, compliance effectiveness, registration, and risk controls effectiveness.

NPCC also regularly conducts spring and fall System Operator Seminars. These seminars involve system operators from the NPCC Reliability Coordinator / Balancing Authority Areas and PJM. These will be held in early May and early November.

With the exception of meeting expenses, it is proposed that the NPCC resources to support Training and Education will remain virtually unchanged for the calendar year. In 2014, to be consistent with NERC and other Regional Entities, NPCC will charge for participation in NPCC workshops in an effort to defray some of the costs.

Although NERC anticipates a significant expansion of its training efforts, including the targeting of numerous subject areas in a cooperative effort with the Regions, the details have yet to be fully presented. For this reason, it is proposed that the NPCC resources to support Training and Education remain constant, except in the area of meeting expenses, which are budgeted for an approximate 11% reduction from the 2013 budget.

### **2014 Goals and Key Deliverables**

- Prepare and conduct the spring and autumn NPCC System Operator Seminars
- Review approaches to reliability related-task definition, task instruction, and instruction tracking on an individual basis
- Coordinate the implementation of PER-005 within the NPCC BA Areas and RC Areas.
- Expand the content of the Reliability Coordinator training programs, based on the new requirements generated by PER-005, for training of SCADA and field operators, as necessary, including description of tasks, verification of system operator capability to perform tasks. simulation exercises replicating system operation conditions, tracking of Continuing Education Hours and development of Individual Learning Activities
- Continue collaboration and sharing of the intended Reliability Coordinator/Balancing Authority approaches, experiences and materials to task identification and training development associated with NERC Standard PER-005, “System Personnel Training”
- Expand the NPCC repository of training resources and learning verification activities addressing fundamental power system topics, training methods and operation procedure training exercises, which may be shared as elements of operator training in compliance with NERC Standard PER-005, “System Personnel Training”
- Expand the NPCC repository of training resources and learning verification activities addressing NPCC procedures employed in real-time by RC/BA operators, which may be shared as elements of operator training in compliance with “System Personnel Training”
- Share among the NPCC RCs/BAs experiences on implementation of new NERC standard PER-005. Consider strategies to deal with any implementation difficulties
- Participate in NERC Training and Education Group activities and provide NPCC input to the development of training policies by this group.

Based on the portion of professional/technical staff time and other resources devoted to training, education, and operator certification, NPCC estimates that it will expend 1 percent of its resources on this activity.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

#### Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

#### Other Non-Operating Expenses

- None

#### Fixed Asset Additions

- None

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2013 Budget & Projection, and 2014 Budget						
Training, Education, and Operator Certification						
	2013	2013	Variance	2014	Variance	
	Budget	Projection	2013 Projection	Budget	2014 Budget	
			v 2013 Budget		v 2013 Budget	
			Over(Under)		Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 136,510	\$ 136,510	\$ -	\$ 131,306	\$ (5,204)	
Penalty Sanctions	1,107	1,107	-	549	(558)	
<b>Total ERO Funding</b>	<b>\$ 137,617</b>	<b>\$ 137,617</b>	<b>\$ -</b>	<b>\$ 131,855</b>	<b>\$ (5,761)</b>	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	80,000	80,000	-	64,000	(16,000)	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
<b>Total Funding (A)</b>	<b>\$ 217,617</b>	<b>\$ 217,617</b>	<b>\$ -</b>	<b>\$ 195,855</b>	<b>\$ (21,761)</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 17,338	\$ 17,338	\$ -	\$ 17,448	\$ 110	
Payroll Taxes	1,088	1,088	-	1,063	(25)	
Benefits	4,129	4,129	-	4,500	371	
Retirement Costs	4,785	4,785	-	4,776	(9)	
<b>Total Personnel Expenses</b>	<b>\$ 27,339</b>	<b>\$ 27,339</b>	<b>\$ -</b>	<b>\$ 27,787</b>	<b>\$ 448</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 152,000	\$ 152,000	\$ -	\$ 135,000	\$ (17,000)	
Travel	20,000	20,000	-	15,000	(5,000)	
Conference Calls	-	-	-	-	-	
<b>Total Meeting Expenses</b>	<b>\$ 172,000</b>	<b>\$ 172,000</b>	<b>\$ -</b>	<b>\$ 150,000</b>	<b>\$ (22,000)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Direct Expenses</b>	<b>\$ 199,339</b>	<b>\$ 199,339</b>	<b>\$ -</b>	<b>\$ 177,787</b>	<b>\$ (21,552)</b>	
<b>Indirect Expenses</b>	<b>\$ 18,994</b>	<b>\$ 18,994</b>	<b>\$ -</b>	<b>\$ 18,965</b>	<b>\$ (29)</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses (B)</b>	<b>\$ 218,333</b>	<b>\$ 218,333</b>	<b>\$ -</b>	<b>\$ 196,753</b>	<b>\$ (21,581)</b>	
<b>Change in Assets</b>	<b>\$ (717)</b>	<b>\$ (717)</b>	<b>\$ -</b>	<b>\$ (897)</b>	<b>\$ (181)</b>	
<b>Fixed Assets</b>						
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(717)	(717)	-	(897)	(181)	
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(717)</b>	<b>(717)</b>	<b>-</b>	<b>(897)</b>	<b>(181)</b>	
<b>TOTAL BUDGET (=B+C)</b>	<b>217,617</b>	<b>217,617</b>	<b>-</b>	<b>195,855</b>	<b>(21,761)</b>	
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	

## Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$988,341	\$922,070	(\$66,271)
Indirect Expenses	\$569,819	\$568,962	(\$857)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$21,501)	(\$26,920)	(\$5,419)
Total Funding Requirement	\$1,536,658	\$1,464,111	(\$72,547)

### Program Scope and Functional Description

The Situation Awareness and Infrastructure Security Program is the combination of near real time awareness of conditions on the bulk power system with the programs necessary to increase the physical and cyber security of the electricity infrastructure, including the operation and maintenance of tools and other support services for the benefit of Reliability Coordinators and the system operators within the registered entities. Maintaining the real-time awareness of conditions on the interconnected bulk power systems by the NPCC Reliability Coordinator is critical to maintaining reliable operation within NPCC, including the communication of information concerning system conditions and abnormal events among the neighboring system operators responsible for the reliable operation of the bulk power systems. When a disturbance does occur, it is necessary to use the event as a learning opportunity and provide a forum for the active coordination of reliability and operation among the NPCC Reliability Coordinator areas and neighboring NERC Regions to enhance the reliability of the interconnected bulk power system through the lessons to be learned which can be gleaned from such an event.

### Event Analysis Program

NERC and the industry pursue three avenues in the analysis of a disturbance: the identification of lessons to be learned, a formal cause code analysis and a review of applicable standards.

Following two industry trials beginning in the autumn of 2010, the NERC approved, at its February meeting of the NERC Board of Trustees, an enhanced, industry wide Event Analysis Program. The Event Analysis Program recognizes that many events which occur on the bulk power system beyond the routine reporting requirements previously in place can have varying levels of significance to the electric system, providing otherwise unrealized lessons to be learned from these events and the trending of such events to identify possible reliability concerns. By integrating a “bottom-up” approach to a disturbance review within the framework of the NERC Event Analysis Program, consistency, comparability, flexibility and timeliness in the event analysis process will be promoted by NPCC, the registered entities and NERC in a collaborative initiative. Upon the identification of an event, the goal of the Event Analysis Program is to:

- identify what transpired;
- categorize the event within the NERC Event Analysis Program;
- establish the sequence of events;

- understand the essential root causes of the event;
- identify recommendations or corrective actions; and
- develop, and disseminate to the industry, lessons to be learned so that the operational reliability of the bulk power system can be further enhanced.

In assessing any system event, it is recognized that, if the timely dissemination of lessons learned from an event or disturbance is to be realized, any potential compliance implications associated with an event must be addressed and dismissed<sup>47</sup>. Throughout an event analysis effort, to make this process successful and complete, and to solidify the “bottom-up” approach, registered entities are encouraged to establish a liaison between the event analysis and compliance functions internal to the registered entity during the event analysis process. This serves to facilitate the development of a registered entity compliance self assessment report which will perform a sufficiency review of the reliability standards deemed applicable to the event, assisting in the self-reporting of possible violations should any be discovered.

To complete this effort, the entity, the Region and NERC staff collaborate to assess the NERC Event Analysis Report and perform a formal cause code analysis, identifying a root cause and complementing any lessons learned gathered from the disturbance.

The adoption by NERC of the Event Analysis Program brings clarity and certainty about what system events are relevant to analyze and to what level of detail, targeting potential vulnerabilities to the reliability of the bulk power system for detailed and in depth analysis; only concise and succinct reviews are desired for more minor events. It also delineates the expectations of roles and responsibilities of the registered entities, NPCC and NERC in a uniform review of system disturbances by the industry, and, ultimately, the program promotes the timely development and dissemination of valuable lessons learned to the industry. The identification and tracking of emerging common elements in system events will further distinguish trends which may be of concern to reliability. By rigorously pursuing the lesser events on the system and learning from these disturbances, the larger event can be avoided or mitigated.

NPCC Staff works step-by-step with the registered entity in the total event analysis process, permitting the entity to assume the primary role in the initial analysis, the development of lessons learned which may benefit the industry and the Standards sufficiency review.

#### NERC Alert Process

NPCC Staff works with the registered entities to appropriately respond to the NERC Alert system, a process through which notifications of potential threats to electric reliability are disseminated to the industry with the expectations placed on the entity proportional to the severity of the Alert being issued.

20142014

NPCC Staff is also working closely with the NERC Staff to incorporate greater efficiencies, industry input and precision into the NERC proposal for a more streamlined NERC Alert process which can disseminate critical information to the appropriate Subject Matter Expert within the organization who can promptly act on the alert.

---

<sup>47</sup> ERO Goal 4.b. Analyze significant events to identify gaps in standards, compliance effectiveness, registration, and risk controls effectiveness

---

### Operational Status<sup>48</sup>

On an ongoing, but non-real time basis, NPCC monitors the operational status of the bulk power system and coordinates normal and pre-emergency communication, awareness and assistance in addition to the same during an emergency among the Reliability Coordinators within NPCC and its neighboring RCs: the New Brunswick System Operator, Hydro-Québec TransÉnergie, the ISO New England, Inc., the New York ISO and the Independent Electricity System Operator in Ontario. The industry is notified of significant bulk power system events that have occurred in one Reliability Coordinator Area, and which have the potential to impact reliability in other NPCC Reliability Coordinator Areas or Regions external to NPCC. These events include contingencies on the bulk power system, potential shortfalls of operating reserve, operating problems, potential security threats and potential threats or disruptions to the cyber systems.

The “NPCC Emergency Preparedness Conference Call Procedures” provide a mechanism that enables the Reliability Coordinator in NPCC, and, as circumstances may require, their counterparts in neighboring Regions, to rapidly communicate the status of current operating conditions, to facilitate the procurement of assistance during emergency conditions and to identify potential physical or cyber threats to the system.

Items of particular concern that can be discussed during the calls may include, but are not limited to, the following: anticipated weather conditions critical to the system or systems experiencing or projecting resource deficiencies; load forecast; largest first and second contingencies; potential need for emergency transfers; operating reserve requirements and expected available operating reserve capacity deficiencies; potential fuel shortages or potential fuel supply disruptions which could lead to energy shortfalls; identified or projected voltage conditions; status of short term transactions; additional capability available within four hours and additional capability available within twelve hours; generator outages; significant transmission outages; expected transfer limits and limiting elements; anticipated implementation of NERC Transmission Loading Relief (TLR); changes in the status of relay protection systems; arming of special protection systems not normally armed; and/or the application of abnormal operating procedures.

NPCC has also established a daily conference call to serve as a complement to the NPCC Emergency Preparedness Conference Call. The participants of the call are the Reliability Coordinators within NPCC and its neighboring RCs, the Midwest ISO and PJM. The conference call is implemented through a bridge, the initiation of the call quickly ringing all pre-selected telephones simultaneously. The goal of the call is to alert all Reliability Coordinators of emerging problems. If no system difficulties are anticipated for the day, no unnecessary information is to be discussed. Subjects for discussion are limited to credible events which could impact the ability of an entity to serve its load and meet its operating reserve obligations or would impose a burden to the interconnection, including the following: Projected Load; Adverse Weather; Operating Reserve; Generation; Transmission; and Sabotage. If conditions worsen in the course of the day, the NPCC Emergency Preparedness Conference Call will be implemented.

NPCC monitors the status of the bulk power system through the the NERC Situational Awareness-FERC, NERC, Regions (SAFNR) initiative, a near real-time operating display for the United States portion of the Reliability Coordinators footprints of North America.

---

<sup>48</sup> ERO Goal 5.a.Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

Transmission voltage levels of 230 kV and above are displayed, and the tool provides the ability to “drill down” to detailed bus information.

To ensure the capability for continued voice communications among NPCC and its Reliability Coordinators, a satellite telephone network was also established, and it is tested on a monthly basis. This back-up communications system will function in the event of a collapse of the Public Switched Telephone Network (PSTN), and cross-border voice communications can still be maintained among the Canadian Reliability Coordinators of NPCC and the Reliability Coordinators in the United States.

### Critical Infrastructure Objectives

NPCC’s critical infrastructure objectives are defined within the scope of the NPCC Task Force on Infrastructure Security & Technology, (TFIST) and include, but are not confined to:

- Providing a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC)
- Representing and advocating NPCC’s position in the activities of NERC groups involved in the development and/or implementation of physical and cyber security

NPCC’s 2014 critical infrastructure goals and objectives, as identified by the 2013-2014 Work Plan of the Task Force on Infrastructure Security and Technology include, but are not confined to:

- Oversee the implementation of version 5 of the CIP Standards
- Monitor the Homeland Security Information Network (HSIN), ES-ISAC, Critical Information Protection Information Sharing (CIPIIS), NERC Alerts and Canadian Information Sharing and share information with CO-8<sup>49</sup>
- Review and submit comments on NERC proposed Reliability Standards, modified Reliability Standards, proposed Guidelines and modified Guidelines related to Infrastructure Security and Technology
- Keep current on all governmental agencies regarding applicable security recommendations and requirements, and other applicable security and reliability recommendations and keep the RCC and its committees appropriately informed, e.g. Sector Specific Plan.
- Develop and maintain levels of expertise in those areas of concern to the task force through activities such as periodic workshop presentations, seminars, and meetings, open to the general NPCC membership<sup>50</sup>..
- Regarding the Cross Border Emergency Telecommunications recommendation
  - Continue to annually report to RCC on this testing
  - Continue to support CO-8’s monthly testing
- Assess the telecommunications industry’s desire to convert Frame Relay customers to Multiprotocol Label Switching (MPLS) and potentially provide recommendations to RCC

### System Operations Security Objectives

NPCC’s system operations security objectives are defined within the scope of the NPCC Task Force on Coordination of Operation (TFCO) and include, but are not confined to:

- Coordinating interregional pre-emergency actions in the event of a threat to the security of the Northeastern North American bulk power supply system<sup>51</sup>

<sup>49</sup> ERO Goal 5.b. Issue and track security recommendations to protect the bulk power system (related to 5.a.ii.)

<sup>50</sup> ERO Goal 5.b. Expand the use and value of security threat and vulnerability information sharing, analytics, and analysis

<sup>51</sup> ERO Goal 5.b. Issue and track security recommendations to protect the bulk power system (related to 5.a.ii.)



- Assisting in the development of real time operating tools assuring cyber security concerns are addressed<sup>52</sup>

NPCC's 2014 operational situation awareness goals and objectives, as identified by the 2013-2014 Work Plan of the NPCC Task Force on Coordination of Operation (TFCO) include, but are not confined to:

- Implementation of version 5 of the Cyber Standards.<sup>53</sup>
- Disseminate the Lessons Learned from the NERC Event Analysis Program to the NPCC member entities and track to completion actionable items from these Lessons Learned.<sup>54</sup>
- Identify real time control room applications of the NERC North American Synchro-Phasor Initiative (NASPI) for use within NPCC.<sup>55</sup>

### 2014 Key Assumptions

- The approved NERC Event Analysis Program will be augmented with a robust program of causal analysis and metrics trending.
- Critical infrastructure protection will fully integrate the requirements of version 5 of the Cyber Standards in 2014.
- The complete Phase II initiative for NERC Situation Awareness-FERC, NERC, Regions (SAFNR) will be integrated into the NERC and Regional Situational Awareness programs.

### 2014 Goals and Key Deliverables

- In concert with the registered entity in the total event analysis process, develop actionable lessons to be learned.
- Work directly with registered entities and NERC Staff to develop cause codes for all NPCC events analysis reports and industry wide Category 2 and 3 events<sup>56</sup>.
- Expand the NPCC Events Data Base to track to Region-wide consideration of Lessons Learned and corrective actions identified in the Event Analysis Reports and report on implementation to RCC<sup>57</sup>
- Contribute to the reduction of Category 3 events and no Category 4 or 5 events in NPCC- by disseminating to the RCC compiled information on NPCC Region specific, as well as industry wide, event related causal analysis and analysis of Lessons Learned.<sup>58</sup>

Based on the portion of professional/technical staff time and other resources devoted to situation awareness and infrastructure security, NPCC estimates that it will expend 11 percent of its resources on this activity.

<sup>52</sup> ERO Goal 5.a. Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

<sup>53</sup> ERO Goal 5.a. Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

<sup>54</sup> ERO Goal 5.a. Develop and deploy a recommendations tracking system

<sup>55</sup> ERO Goal 6.b. Evaluate event disturbances using phasor measurements and other methods to assess sufficiency of data and models

<sup>56</sup> ERO Goal 4.b. Events and system performance are consistently analyzed for sequence, cause, and remediation to identify reliability risks and trends, and to inform standards, compliance, and other programs. Industry is well informed of system events, emerging trends, risk analysis, lessons learned and expected actions.

<sup>57</sup> ERO Goal 5.a. Develop and deploy a recommendations tracking system

<sup>58</sup> ERO Goal 4.b. Provide lessons learned and recommendations from events and identified risks

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

**Operating Expenses and Indirect Expenses**

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- Meeting and travel expenses are lower than 2013 budget based upon the expectation that 2014 expenses in these areas will be closer to historical actual expenses.

**Other Non-Operating Expenses**

- None

**Fixed Asset Additions**

- None

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2013 Budget & Projection, and 2014 Budget						
Situation Awareness and Infrastructure Security						
	2013	2013	Variance	2014	Variance	
	Budget	Projection	2013 Projection	Budget	2014 Budget	
			v 2013 Budget		v 2013 Budget	
			Over(Under)		Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ 1,503,453	\$ 1,503,453	\$ -	\$ 1,447,636	\$ (55,817)	
Penalty Sanctions	33,206	33,206	-	16,475	(16,730)	
<b>Total ERO Funding</b>	<b>\$ 1,536,658</b>	<b>\$ 1,536,658</b>	<b>\$ -</b>	<b>\$ 1,464,111</b>	<b>\$ (72,547)</b>	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
<b>Total Funding (A)</b>	<b>\$ 1,536,658</b>	<b>\$ 1,536,658</b>	<b>\$ -</b>	<b>\$ 1,464,111</b>	<b>\$ (72,547)</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 519,676	\$ 519,676	\$ -	\$ 522,672	\$ 2,996	
Payroll Taxes	33,338	33,338	-	32,961	(377)	
Benefits	82,596	82,596	-	88,851	6,254	
Retirement Costs	117,730	117,730	-	117,586	(144)	
<b>Total Personnel Expenses</b>	<b>\$ 753,341</b>	<b>\$ 753,341</b>	<b>\$ -</b>	<b>\$ 762,070</b>	<b>\$ 8,729</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 45,000	\$ 45,000	\$ -	\$ 25,000	\$ (20,000)	
Travel	90,000	90,000	-	60,000	(30,000)	
Conference Calls	-	-	-	-	-	
<b>Total Meeting Expenses</b>	<b>\$ 135,000</b>	<b>\$ 135,000</b>	<b>\$ -</b>	<b>\$ 85,000</b>	<b>\$ (50,000)</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 100,000	\$ 100,000	\$ -	\$ 75,000	\$ (25,000)	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ 75,000</b>	<b>\$ (25,000)</b>	
<b>Total Direct Expenses</b>	<b>\$ 988,341</b>	<b>\$ 988,341</b>	<b>\$ -</b>	<b>\$ 922,070</b>	<b>\$ (66,271)</b>	
<b>Indirect Expenses</b>	<b>\$ 569,819</b>	<b>\$ 569,819</b>	<b>\$ -</b>	<b>\$ 568,962</b>	<b>\$ (857)</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses (B)</b>	<b>\$ 1,558,160</b>	<b>\$ 1,558,160</b>	<b>\$ -</b>	<b>\$ 1,491,031</b>	<b>\$ (67,128)</b>	
<b>Change in Assets</b>	<b>\$ (21,501)</b>	<b>\$ (21,501)</b>	<b>\$ -</b>	<b>\$ (26,920)</b>	<b>\$ (5,419)</b>	
<b>Fixed Assets</b>						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(21,501)	(21,501)	-	(26,920)	(5,419)	
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(21,501)</b>	<b>(21,501)</b>	<b>-</b>	<b>(26,920)</b>	<b>(5,419)</b>	
<b>TOTAL BUDGET (=B+C)</b>	<b>1,536,658</b>	<b>1,536,658</b>	<b>-</b>	<b>1,464,111</b>	<b>(72,547)</b>	
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ 0</b>	

## Administrative Services

<b>Administrative Services Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	9.00	9.00	0.00
Total Direct Expenses	\$5,508,249	\$5,689,616	\$181,367
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Less: Other Funding Sources	\$0	\$0	\$0
Total Allocation to Regional Entity Division Programs as Indirect Expenses	(\$5,101,778)	(\$5,283,757)	(\$181,978)
Total Allocation to Criteria Services Division Programs as Indirect Expenses	(\$406,471)	(\$405,859)	\$612
Funding Requirement for Working Capital	(\$1,115,163)	(\$300,126)	\$815,037

### Program Scope and Functional Description

Administrative services support the previously identified five program areas of: reliability standards; compliance monitoring and enforcement and organization registration and certification; training, education, and operator certification; reliability assessment and performance analysis; and situation awareness and infrastructure security. Administrative services consist of: technical committees and members' forums; general and administrative; legal and regulatory; information technology; human resources; and finance and accounting.

### Methodology for Allocation of Administrative Services Expenses to Programs

NPCC total overhead expenses, such as office rent and office costs, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

## Administrative Services

Funding sources and related expenses for the Administrative Services section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2013 Budget & Projection, and 2014 Budget						
ADMINISTRATIVE SERVICES						
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)	
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ (1,115,163)	\$ (1,115,163)	\$ -	\$ (300,126)	\$ 815,037	
Penalty Sanctions	-	-	-	-	-	
<b>Total ERO Funding</b>	<b>\$ (1,115,163)</b>	<b>\$ (1,115,163)</b>	<b>\$ -</b>	<b>\$ (300,126)</b>	<b>\$ 815,037</b>	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
<b>Total Funding (A)</b>	<b>\$ (1,115,163)</b>	<b>\$ (1,115,163)</b>	<b>\$ -</b>	<b>\$ (300,126)</b>	<b>\$ 815,037</b>	
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 1,604,849	\$ 1,604,849	\$ -	\$ 1,676,735	\$ 71,886	
Payroll Taxes	95,230	95,230	-	96,083	853	
Benefits	462,410	462,410	-	442,256	(20,154)	
Retirement Costs	406,249	406,249	-	425,270	19,020	
<b>Total Personnel Expenses</b>	<b>\$ 2,568,739</b>	<b>\$ 2,568,739</b>	<b>\$ -</b>	<b>\$ 2,640,344</b>	<b>\$ 71,605</b>	
<b>Meeting Expenses</b>						
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 110,000	\$ 50,000	
Travel	105,000	105,000	-	155,000	50,000	
Conference Calls	87,000	87,000	-	77,000	(10,000)	
<b>Total Meeting Expenses</b>	<b>\$ 252,000</b>	<b>\$ 252,000</b>	<b>\$ -</b>	<b>\$ 342,000</b>	<b>\$ 90,000</b>	
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 120,000	\$ 120,000	\$ -	\$ 150,000	\$ 30,000	
Office Rent	706,500	706,500	-	737,272	30,772	
Office Costs	468,500	468,500	-	523,500	55,000	
Professional Services	1,120,000	1,060,000	(60,000)	966,500	(153,500)	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	80,000	80,000	-	80,000	-	
Depreciation	192,510	192,510	-	250,000	57,490	
<b>Total Operating Expenses</b>	<b>\$ 2,687,510</b>	<b>\$ 2,627,510</b>	<b>\$ (60,000)</b>	<b>\$ 2,707,272</b>	<b>\$ 19,762</b>	
<b>Total Direct Expenses</b>	<b>\$ 5,508,249</b>	<b>\$ 5,448,249</b>	<b>\$ (60,000)</b>	<b>\$ 5,689,616</b>	<b>\$ 181,367</b>	
<b>Indirect Expenses</b>	<b>\$ (5,508,249)</b>	<b>\$ (5,508,249)</b>	<b>\$ -</b>	<b>\$ (5,689,616)</b>	<b>\$ (181,367)</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ (60,000)</b>	<b>\$ (60,000)</b>	<b>\$ -</b>	<b>\$ 102</b>	
<b>Change in Assets</b>	<b>\$ (1,115,163)</b>	<b>\$ (1,055,163)</b>	<b>\$ 60,000</b>	<b>\$ (300,126)</b>	<b>\$ 814,935</b>	
<b>Fixed Assets</b>						
Depreciation	(192,510)	(192,510)	\$ -	(250,000)	\$ (57,490)	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	192,510	192,510	-	250,000	57,490	
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL BUDGET (=B+C)</b>	<b>-</b>	<b>(60,000)</b>	<b>(60,000)</b>	<b>-</b>	<b>102</b>	
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,115,163)</b>	<b>\$ (1,055,163)</b>	<b>\$ 60,000</b>	<b>\$ (300,126)</b>	<b>\$ 814,935</b>	

## Technical Committees and Member Forums

<b>Technical Committees and Members Forum Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	0.00
Total Direct Expenses	\$73,531	\$75,711	\$2,180
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

### Program Scope and Functional Description

The success of the NPCC programs depends on the active and direct volunteerism and participation of its members. The stakeholders are the source of expertise in the industry. To promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America, NPCC invites high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior executives within NPCC and NERC to identify and discuss emerging issues related to the reliability of the NPCC Region.

### 2014 Key Assumptions

- NPCC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2014
- NPCC will continue to utilize methods to encourage active involvement in its Regional programs that require less stakeholder travel and face-to-face meetings, as the economy improves in 2014
- NPCC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability

### 2014 Goals and Key Deliverables

The 2014 NPCC General Meeting provides an opportunity for NPCC Members to meet high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior NERC and NPCC executives to discuss topics related to the reliable planning and operation of the power system, including consideration of emerging reliability, critical infrastructure and environmental issues.

### 2014 Public Information Committee Goals and Objectives

The objective of the NPCC Public Information Committee is to highlight and summarize NPCC activities and accomplishments in the past year, disseminate and coordinate the appropriate release of information to the media, respond to related requests for information, and coordinate with related NPCC Area, NERC media and public information activities. Activities anticipated for include, but are not limited to:

- Conducting the Media Event – release of the Summer NPCC Reliability Assessment
- Developing the NPCC Summer and Winter Reliability Outlooks
- Participation in NERC Regional communication initiatives:

- Monthly Regional communications teleconferences
- Development of Compliance background information (FAQ) and sample press releases
- Preparation of NERC Standards background information and outreach to registered entities
- Coordination of Emergency or Blackout communications plans
- Coordination with other NERC activities as required (i.e., situation awareness, event analysis, reliability assessments, etc.)

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources (Other than ERO Assessments)

- Not applicable

#### Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

#### Other Non-Operating Expenses

- None

#### Fixed Asset Additions

- None

## General and Administrative

<b>General and Administrative Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.50	2.50	0.00
Total Direct Expenses	\$3,138,099	\$3,293,356	\$155,258
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	(\$1,115,163)	(\$300,126)	\$815,037

### Program Scope and Functional Description

The NPCC general and administrative function provides executive management of the corporation, management of NPCC office, and other administrative support programs.

NPCC total overhead expenses, such as office rent and office costs, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

### Funding Requirements — Explanation of Increase (Decrease)

The negative ERO assessment requirement identified equates to the reduction in assessments necessary to achieve the targeted working capital and operating reserve balance.

#### Funding Sources (Other than ERO Assessments)

- Not applicable

#### Personnel Expenses

- Benefits are lower than 2013 budget due to reimbursed education courses being completed in 2013.

#### Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- In the areas of meetings, travel, consultants & contracts, office rent and office costs, expenses that were budgeted to various other program areas in 2013 are being budgeted to General and Administrative.

#### Other Non-Operating Expenses

- None

#### Fixed Asset Additions

- None



## Legal and Regulatory

<b>Legal and Regulatory Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$677,506	\$621,004	(\$56,502)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

### Program Scope and Functional Description

NPCC's professional legal services provide counsel to the President and CEO, Board of Directors, Vice President and COO, Treasurer and staff on legal and regulatory matters including corporate law, code of conduct, confidentiality, governance, employment law and other areas affecting NPCC. Outside counsel reviews items filed with governmental agencies for legal sufficiency; maintains relationships with U.S. and Canadian jurisdictions, and provides contract review.

### Funding Sources (Other than ERO Assessments)

- Not applicable

### Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

### Other Non-Operating Expenses

- None

### Fixed Asset Additions

- None

## Information Technology

<b>Information Technology Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Total Direct Expenses	\$987,463	\$1,037,624	\$50,161
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

### Program Scope and Functional Description

NPCC's Information Technology services ensure information assets and the environment in which they operate are secure and in conformance to NPCC IT Policies and Procedures. NPCC maintains an offsite backup server for continuity of essential operations in the event that its primary location is unavailable.

### 2014 Key Assumptions

- Continue to develop and maintain the compliance portal through collaboration with other Regions and NERC (CUG).
- Achieve greater consistency with the other Regions and NERC by participating in the NERC IT Steering Group (ITSG) and deriving the efficiencies and cost savings which may result from the projects of this group.<sup>59</sup>
  - The ERO EMG identifies and prioritizes ERO-wide applications to be developed under a PMO housed at NERC. The NERC IT budget does not supplant the Regional Entities' need for IT expenditures for specific regional projects, but to the extent that agreed-upon ERO Enterprise applications provide greater efficiencies, there should not be any unnecessary, redundant expenditures at the regional level.
- Support the Event Analysis program through continued participation in the tools used for the tracking and analysis of system events.<sup>60</sup>
- Support the Bulk Electric System Exception Process "BEP" to enable and facilitate tracking and processing of exceptions submitted.<sup>61</sup>

### 2014 Goals and Key Deliverables

Responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems. IT goals include, but are not limited to:

<sup>59</sup> ERO Goal 7.b. Develop test and deploy ERO enterprise applications, platform and database

<sup>60</sup> ERO Goal 6.b. Evaluate event disturbances using phasor measurements and other methods to assess sufficiency of data and models;

ERO Goal 4.b. Provide lessons learned and recommendations from events and identified risks;

ERO Goal 4.b. Merge event driven databases and cause codes into one (e.g., event analysis, TADS, GADS, relay mis-operations)

<sup>61</sup> ERO Goal 2.a. Develop and implement BES exception process.

- Create an information security program and environment aimed at reducing breach of security risks
- Determine long-term software and systems needs and hardware acquisitions
- Develop and implement information security standards and procedures
- Ensure all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security
- Plan and implement organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems
- Provide outreach and education to NPCC members in IT best practices
- Coordinate Cyber Protection activities, discussions and hold workshops as may be required to maintain Cyber Security of BES Cyber Assets.<sup>62</sup>
- Provide continued support and participation in NERC's Critical Infrastructure Protection Committee (CIPC)<sup>63</sup>
- Continually improve Disaster Recovery policies and practices to ensure continuity of service

## Funding Sources and Requirements — Explanation of Increase (Decrease)

### Funding Sources (Other than ERO Assessments)

- Not applicable

### Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

### Other Non-Operating Expenses

- None

### Fixed Asset Additions

- None

---

<sup>62</sup> ERO Goal 1. b. Facilitate smooth transition of new standards (e.g., CIP Version 5); and ERO Goal 3.a. Initiate compliance phase-in learning periods for new standards

<sup>63</sup> ERO Goal 5.a. Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

## Human Resources

<b>Human Resources Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$174,401	\$178,931	\$4,530
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

### Program Scope and Functional Description

NPCC has assembled an exceptional team of highly qualified employees to carry out the activities of NPCC. The human resources function, in adherence with applicable federal and state laws, designs, plans, and implements human resources policies and procedures, including staffing, compensation, benefits, employee relations, and training and development.

### Funding Sources (Other than ERO Assessments)

- Not applicable

### Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

### Other Non-Operating Expenses

- None

### Fixed Asset Additions

- None

## Accounting and Finance

<b>Accounting and Finance Program Resources</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$457,249	\$482,991	\$25,741
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

### Program Scope and Functional Description

The accounting and finance function directs the overall financial plans and accounting practices of the organization; oversees treasury, accounting, budget, tax, and audit activities; and oversees financial and accounting system controls and standards. NPCC uses a CPA firm to prepare its unaudited statements of activities and financial statements for quarterly reviews. Independent audits have identified this system as a best practice.

### 2014 Goals and Key Deliverables

The objectives are to provide or obtain the financial and accounting services for NPCC and coordinate with NERC requirements:

- Utilize the NERC System of Accounts for consistency
- Utilize an accrual method of accounting for consistency with NERC in methodology
- Cash Management
- Budget Development using the NERC budget template formats
- Forecasts and Projections
- Alignment of NPCC Committees, Task Forces and Working Groups with the programs
- Payroll and expense administration
- Preparation of unaudited Quarterly Financial Statements
- IRS Reporting
- Annual Independent Audit initiated by the Regional Entity

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources (Other than ERO Assessments)

- Not applicable

#### Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

## Regional Entity Assessment Analysis

In the area of assessments there are distinct funding mechanisms as outlined in the following table. For the Regional Entity division, the North American Electric Reliability Corporation (NERC) will assess load serving entities (LSEs) or their designees (within NPCC the designees are the Balancing Authority Areas (BAAs) for New York, New England, New Brunswick, Nova Scotia, Ontario and Québec) based upon 2012 proportional Net Energy for Load (NEL) and other specific program area funding arrangements and make quarterly remittances to the Regional Entity on or about the 15th day of January, April, July and October. For funding associated with the criteria services division, the Independent System Operators/Balancing Authority Areas (ISO/BAAs) will be assessed by NPCC for their proportional share of the divisional budget based upon 2012 NEL within the Region. Non ISO/BAA Full Members will be assessed no membership fee.

### NPCC Cost Allocation Methodology

The accompanying table provides information regarding cost allocation for both the Regional Entity division and the criteria services division of NPCC, including the details associated with the funding of the Compliance Program within the RE division. For purposes of determining assessments to support NPCC's resource requirements, costs are allocated among the BAAs within NPCC as the designees for the load-serving-entities in New York, New England, Ontario, Québec, New Brunswick and Nova Scotia (Column A-1).

In order to reflect and respect the international membership and nature of NPCC, the compliance responsibilities and authorities within the U.S., and the specific compliance responsibilities within each of the Canadian provinces within NPCC, the attendant costs of portions of the compliance program differ among the areas within the Regional Entity. Within the U.S. portion of NPCC all costs attributable to delegated (statutory) functions performed by NPCC, including all compliance functions, are assessed based on an NEL allocation. Within the Canadian portion of NPCC those costs attributable to compliance functions performed by NPCC on behalf of provincial governmental and/or regulatory authorities are allocated consistent with the unique Memoranda of Understanding or Agreements that have been entered into for those provinces. To address these different compliance regimes, NPCC developed a composite cost allocation methodology that allocates compliance costs on a fair and equitable basis within the Regional Entity.

As an initial step of that methodology, the NEL for each of the BAAs and their relative percentage to the NPCC total NEL is calculated for the most recent year for which data is available, the second previous year (Columns B-1 and C-1, respectively). In order to establish the RE division funding requirements for each balancing authority area on an NEL basis for all programs except for compliance (Column F-1), the proposed expenses and fixed assets of all other programs are calculated (Column D-1) and the adjustment for the RE division cash reserve requirement is identified (Column E-1). Any penalty monies received from NPCC registered entities within the U.S. prior to June 30<sup>th</sup> of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs (Columns B-1a., C-1a. and G-1, respectively). Consistent with each of the Canadian provincial MOUs and agreements, all penalty monies resulting from compliance actions within Canada, if any, would remain within the applicable province. The total budgeted fees for NPCC workshop participation are indicated as a credit

(Column H-1), with the resultant addition being the RE division assessment, without the compliance program costs, calculated on a NEL basis (Column I-1).

In accordance with the *NPCC Amended and Restated Bylaws* the CS division proposed expenses and fixed assets of all programs are calculated (Column J-1) and the adjustment for the CS division cash reserve requirement is identified (Column K-1), with the resultant addition being the CS division funding requirement and assessment, calculated on a NEL basis (Column L-1).

For costs associated with the RE division compliance program, NPCC's allocation methodology allocates 22.43% of the costs for the program, attributed to CORC Fundamentals (CF), between the BAAs in the United States and Canada on a NEL basis (Column B-2).

Audits and Investigations (AI) related costs, representing 51.32% of the costs of the compliance program, are apportioned between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an audit-based methodology (Columns C-2a., C-2c., and D-2b., respectively). The audit-based methodology incorporates relative costs based on categories of compliance audits which are reflective of their size and complexity, as well as the differing compliance program implementation models that are utilized in NPCC due to the international nature of the Regional Entity. The portion allocated to the U.S. BAAs in NPCC is calculated using the audit-based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL (Columns C-2b. and D-2a.).

The remaining 26.25% of the costs of the compliance program represent Mitigation and Enforcement (ME) related costs and are allocated between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an enforcement activity based methodology, (Columns E-2a., E-2c., and F-2b., respectively). Based on historical data, NPCC reviewed each BAAs percentage of violations, mitigation plans and settlement agreements to determine each BAAs total average percentage of enforcement activities. The portion allocated to the U.S. BAAs in NPCC is calculated using the enforcement activity based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL (Columns E-2b. and F-2a.).

Any penalty monies received from NPCC registered entities within the U.S. by June 30th of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs, and then added to the total compliance program expenses and fixed assets to yield a total compliance program assessment (Columns C-1a., H-2, G-2 and I-2, respectively).

Column M-1 reflects a one-time adjustment of 2012 and 2013 assessments. The 2012 and 2013 assessments were calculated based upon estimated 2010 and 2011 NEL data for the NPCC Region available at the time that the respective business plans and budgets were completed. Based on final actual NEL data that is now available for 2010 and 2011 and FERC audit recommendations, NPCC is adjusting the Northeast Region Balancing Authorities' 2014 assessments by the respective net amount over or under paid.

Finally, the total RE division funding requirements and assessments by BAA are tabulated and the total funding requirements and assessments for NPCC, both the RE and CS divisions, are combined (Column N-2).



**NPCC 2014 Regional Entity (RE)  
and Criteria Services (CS) Divisional Funding Information**

A-1	B-1	B-1a	C-1	C-1a	D-1	E-1	F-1	G-1	H-1	I-1	J-1	K-1	L-1	M-1
NPCC Balancing Authorities (LSE Disagress)	2012 Net Energy for Load (MWh)	2012 NPCC US NEL (MWh)	2012 NPCC NEL % of NPCC Total	2012 NPCC NEL % of NPCC Total	2014 NPCC RE Division Expenses & Fixed Assets Minus	2014 NPCC RE Division Funding Requirement Minus Cash Reserve	2014 NPCC RE Division Funding Requirement Minus Cash Reserve	2014 NPCC RE Division Penalty Monies Applied to RE Division Minus	Budgeted Workshop Fees	2014 NPCC RE Division Assessment Minus CORC Program (F-1 plus G-1 plus H-1)	2014 NPCC CS Division Expenses & Fixed Assets	2014 NPCC CS Division Adjustment to CS Division Cash Reserve Requirement (L-1 plus K-1)	2014 NPCC CS Division Funding Requirement & Member Fees (L-1 plus K-1)	Adjustment Resulting from True Up of 2012 and 2013 Assessments <sup>5</sup>
New England	128,081,000	128,081,000	19.9653%	44.02574%	1,208,084	-59,934	1,148,150	-28,675	-12,781	1,106,695	212,695	-15,055	197,640	-183,138
New York	162,842,000	162,842,000	25.38924%	55.97426%	1,535,956	-76,200	1,459,756	-36,457	-16,249	1,407,089	270,421	-19,141	251,279	14,660
Ontario	141,297,000	141,297,000	22.02853%		1,332,645	-66,113	1,266,532	0	-14,098	1,252,434	234,626	-16,608	218,018	69,625
Quebec	184,822,000	184,822,000	28.81621%		1,743,276	-86,485	1,656,791	0	-18,442	1,638,348	306,921	-21,725	285,196	21,446
New Brunswick	13,906,000	13,906,000	2.16813%		131,164	-6,507	124,657	0	-1,388	123,269	23,093	-1,635	21,458	80,225
Nova Scotia	10,444,000	10,444,000	1.62380%		98,510	-4,887	93,623	0	-1,042	92,580	17,344	-1,228	16,116	-2,818
<b>Total</b>	<b>641,382,000</b>	<b>290,923,000</b>	<b>100.00000%</b>	<b>100.00000%</b>	<b>\$6,049,635</b>	<b>-\$300,126</b>	<b>\$5,749,509</b>	<b>-\$65,132</b>	<b>-\$64,000</b>	<b>\$5,620,377</b>	<b>\$1,065,100</b>	<b>-\$75,391</b>	<b>\$989,708</b>	<b>\$0</b>

A-2	B-2	C-2	D-2	E-2	F-2	G-2	H-2	I-2	J-2	K-2	L-2	M-2	N-2
NPCC Balancing Authorities (LSE Disagress)	2012 NEL Based Allocation of 22.4% of 2014 CORC Program Fundamentals <sup>2</sup>	2014 CORC Audit and Investigation Methodology	2014 CORC Program 51.32% of CORC Program	2014 Mitigation and Enforcement Allocation Methodology	2014 26.25% of CORC Program	2014 Total CORC Program Expenses & Fixed Assets	2014 Total CORC Program Penalty Monies Applied to CORC Program	2014 Total CORC Program Assessment (G-2 plus H-2)	2014 RE Division Total Funding Requirement (F-1 plus G-2)	2014 RE Division Total Assessment (H-1 plus I-2)	2014 NPCC Total Funding Requirement (L-1 plus L-2)	2014 NPCC Total Assessment & Member Fees (L-1 plus K-2)	2014 NPCC Adjusted Total Assessment & Member Fees <sup>5</sup> (M-1 plus M-2)
New England	361,888	37,54432%	1,556,713	36.1800%	806,822	2,725,423	-38,684	2,686,738	3,873,573	3,793,433	4,071,213	3,991,073	3,807,935
New York	460,105	34.33970%	1,979,202	50.2300%	1,025,792	3,465,099	-49,183	3,415,915	4,924,855	4,822,965	5,176,135	5,074,245	5,088,905
Ontario	399,202	4.4974%	1,979,202	5.6967%	1,025,792	706,593	0	706,593	1,973,125	1,959,027	2,191,143	2,177,045	2,246,669
Quebec	522,208	4.9176%	205,903	6.7567%	143,298	869,409	0	869,409	2,526,200	2,507,757	2,811,386	2,792,954	2,814,399
New Brunswick	39,291	2.99685%	124,259	0.60667%	12,866	176,417	0	176,417	301,073	299,686	322,532	321,144	401,369
Nova Scotia	29,509	2.30763%	95,682	0.53000%	11,240	136,431	0	136,431	230,054	229,012	246,170	245,128	242,310
<b>Total</b>	<b>\$1,812,203</b>	<b>85.27812%</b>	<b>\$4,146,333</b>	<b>100.0000%</b>	<b>\$1,832,613</b>	<b>\$8,079,371</b>	<b>-\$87,868</b>	<b>\$7,991,504</b>	<b>\$13,828,880</b>	<b>\$13,611,880</b>	<b>\$14,818,589</b>	<b>\$14,601,589</b>	<b>\$14,601,588</b>

1 Consistent with NERC's Policy on Allocation of Certain Compliance and Enforcement Costs, the NPCC Board approved Allocation Methodologies for Certain NPCC Compliance Program Area Costs Assessed to Non-U.S. Entities.

2 CORC Program Fundamentals expenses of \$1,812,203 represent 22.43% of the Total CORC Program Costs. The Canadian costs are allocated utilizing an audit based methodology. The portion of \$5,278,126 attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a and C-1a. The ratios in C-1a are applied to the \$5,278,126 of U.S. audit costs to obtain the percentages (Column C-2) by which one then applied to the 45.35% of CORC costs. Audit based allocation uses Compliance Registry Data registrations as of May 1, 2013.

3 Audit and Investigation expenses of \$4,146,333 represent 45.35% of the Total CORC Program Costs. The Canadian costs are allocated utilizing an enforcement activity based methodology. The portion of the 86.41000% attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a and C-1a. The ratios in C-1a are applied to the \$2,120,835 of U.S. audit costs to obtain the percentages (Column E-2) by which one then applied to the 23.91% of CORC costs.

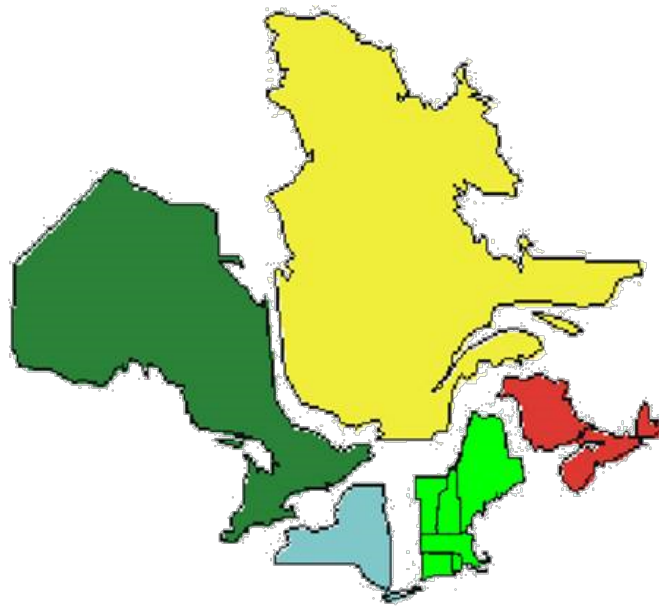
4 Mitigation and Enforcement expenses of \$2,120,835 represent 26.25% of the Total CORC Program Costs. The Canadian costs are allocated utilizing an enforcement activity based methodology. The portion of the 86.41000% attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a and C-1a. The ratios in C-1a are applied to the \$2,120,835 of U.S. audit costs to obtain the percentages (Column E-2) by which one then applied to the 23.91% of CORC costs.

5 One-time adjustment of 2012 and 2013 assessment based on final actual NEL data for 2010 and 2011 and FERC audit recommendations. All 2012 NEL data above is final actual data verified by the Balancing Authorities.

---

## Section B – Supplemental Financial Information 2014 Business Plan and Budget

---



## Section B — Supplemental Financial Information

### Reserve Balance

#### Table B-1 – Reserve Balance

Working Capital and Operating Reserve Analysis 2013-2014			
REGIONAL ENTITY DIVISION			
	Total Reserve	Working Capital	Operating Reserve
<b>Beginning Working Capital, December 31, 2012</b>	<b>3,675,528</b>	3,675,528	0
Plus: 2013 ERO Funding (from LSEs or designees)	12,352,264	12,352,264	0
Plus: 2013 Other funding sources	411,800	411,800	0
Less: 2013 Projected expenses & capital expenditures	(13,784,726)	(13,784,726)	0
<b>Projected Working Capital, December 31, 2013</b>	<b>2,654,866</b>	<b>2,654,866</b>	<b>0</b>
<b>Desired Working Capital and Operating Reserve, December 31, 2014</b> <sup>1</sup>	<b>2,354,740</b>	1,177,370	1,177,370
16.66% of Total Regional Entity Budget of \$14,129,006.00			
Less: Projected Working Capital and Operating Reserve, December 31, 2013	(2,654,866)	(1,477,496)	(1,177,370)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>(300,126)</b>	<b>(300,126)</b>	<b>0</b>
2014 Expenses and Capital Expenditures	14,129,006		
Less: Penalty Sanctions <sup>2</sup>	(153,000)		
Less: Other Funding Sources	(64,000)		
Adjustment to achieve desired Working Capital and Operating Reserve balance	(300,126)		
<b>2014 Assessment</b>	<b>13,611,880</b>		

<sup>1</sup> On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy which reduced the required level of total reserves to 16.66% (from 20%) and segregated funds into Working Capital and Operating Reserves, each with a desired level of 8.33% or 1 month of the annual budget of \$14,129,006

<sup>2</sup> Represents collections prior to June 30, 2013

### Explanation of Changes in Reserve Policy from Prior Year

On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy. The policy calls for a reduction in the required level of total reserves from 20% to 16.66% (representing two months of the annual budget) and segregation of funds into separate Working Capital and Operating Reserves, each with a targeted level of 8.33% (one month) of the annual budget.

### Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Regional Entity division Statement of Activities on page 12 of the 2014 Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

#### Penalty Sanctions

U.S. penalty monies received prior to June 30, 2013 are to be used to offset assessments in the 2014 Budget, as documented in the NERC Policy – Accounting, Financial Statement, and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standard. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset U.S. load serving entity designee assessments in the 2015 Budget.

All penalties received prior to June 30, 2013 are detailed below, including date received and the penalty amount.

Allocation Method: U.S. penalty sanctions received have been allocated to the following Regional Entity division programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. U.S. penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2 – Penalty Sanctions**

Penalty Sanctions Received Prior to June 30, 2013	Date Received	Amount Received
Penalty Payment 1	7/3/2012	\$ 8,000.00
Penalty Payment 2	7/18/2012	\$ 25,000.00
Penalty Payment 3	10/2/2012	\$ 15,000.00
Penalty Payment 4	1/3/2013	\$ 30,000.00
Penalty Payment 5	1/17/2013	\$ 40,000.00
Penalty Payment 6	5/30/2013	\$ 6,000.00
Penalty Payment 7	5/30/2013	\$ 5,000.00
Penalty Payment 8	5/30/2013	\$ 6,000.00
Penalty Payment 9	5/30/2013	\$ 6,000.00
Penalty Payment 10	5/30/2013	\$ 6,000.00
Penalty Payment 11	5/30/2013	\$ 6,000.00
<b>Total Penalties Received</b>		<b>\$ 153,000.00</b>

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
<b>Reliability Standards</b>				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Miscellaneous - WECC CEA	\$ 34,500	\$ 34,500	-	\$ (34,500)
<b>Total</b>	\$ 34,500	\$ 34,500	\$ -	\$ (34,500)
<b>Reliability Assessment and Performance Analysis</b>				
	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Training and Education</b>				
Workshops	\$ 80,000	\$ 80,000	\$ 64,000	\$ (16,000)
<b>Total</b>	\$ 80,000	\$ 80,000	\$ 64,000	\$ (16,000)
<b>Situation Awareness and Infrastructure Security</b>				
	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Technical Committees and Member Forums</b>				
	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Administrative Services Programs</b>				
	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Total Outside Funding</b>	\$ 114,500	\$ 114,500	\$ 64,000	\$ (50,500)

### Explanation of Significant Variances –2014 Budget versus 2013 Budget

- WECC CEA Funding is not included in 2014 as NPCC will no longer be performing the CEA responsibilities for the WECC Registered Functions, based on the proposed WECC restructuring to be effective, if approved by FERC, January 1, 2014. Workshop fees are based on projected number of attendees and fee per person for two workshops.
- NPCC assumed no interest income because of continuing low market interest rates.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
<b>Salaries</b>					
Salary	\$ 5,652,141	\$ 5,652,141	\$ 5,886,227	\$ 234,086	4.1%
Employment Agency Fees	\$ 20,000	\$ 20,000	\$ 15,000	\$ (5,000)	-25.0%
Temporary Office Services	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.0%
<b>Total Salaries</b>	<b>\$ 5,682,141</b>	<b>\$ 5,682,141</b>	<b>\$ 5,911,227</b>	<b>\$ 229,086</b>	<b>4.0%</b>
<b>Total Payroll Taxes</b>	<b>\$ 377,689</b>	<b>\$ 377,689</b>	<b>\$ 384,311</b>	<b>\$ 6,622</b>	<b>1.8%</b>
<b>Benefits</b>					
Education Reimbursement	\$ 70,000	\$ 70,000	\$ -	\$ (70,000)	-100.0%
Training and Seminars	\$ -	\$ -	\$ 36,123	\$ 36,123	-
Medical Insurance	\$ 787,727	\$ 787,727	\$ 915,306	\$ 127,579	16.2%
Life-LTD-STD Insurance	\$ 62,524	\$ 62,524	\$ 63,552	\$ 1,028	1.6%
Worker's Compensation	\$ 15,000	\$ 15,000	\$ 14,700	\$ (300)	-2.0%
Vacation	\$ 396,051	\$ 396,051	\$ 400,580	\$ 4,529	1.1%
Relocation	\$ -	\$ -	\$ -	\$ -	-
<b>Total Benefits</b>	<b>\$ 1,331,302</b>	<b>\$ 1,331,302</b>	<b>\$ 1,430,261</b>	<b>\$ 98,959</b>	<b>7.4%</b>
<b>Retirement</b>					
Pension Contribution	\$ 590,911	\$ 590,911	\$ 590,892	\$ (20)	0.0%
Employee Savings Plan	\$ 446,653	\$ 446,653	\$ 478,469	\$ 31,816	7.1%
Savings Admin	\$ 32,000	\$ 32,000	\$ 32,000	\$ -	0.0%
Deferred Compensation	\$ 23,000	\$ 23,000	\$ 23,000	\$ -	0.0%
<b>Total Retirement</b>	<b>\$ 1,092,565</b>	<b>\$ 1,092,565</b>	<b>\$ 1,124,361</b>	<b>\$ 31,796</b>	<b>2.9%</b>
<b>Total Personnel Costs</b>	<b>\$ 8,483,697</b>	<b>\$ 8,483,697</b>	<b>\$ 8,850,160</b>	<b>\$ 366,463</b>	<b>4.3%</b>
<b>FTEs</b>	<b>35.86</b>	<b>35.86</b>	<b>36.86</b>	<b>1.00</b>	<b>2.8%</b>
<b>Cost per FTE</b>					
Salaries	\$ 158,453	\$ 158,453	\$ 160,370	\$ 1,916	1.2%
Payroll Taxes	\$ 10,532	\$ 10,532	\$ 10,426	\$ (106)	-1.0%
Benefits	\$ 37,125	\$ 37,125	\$ 38,803	\$ 1,678	4.5%
Retirement	\$ 30,468	\$ 30,468	\$ 30,504	\$ 36	0.1%
<b>Total Cost per FTE</b>	<b>\$ 236,578</b>	<b>\$ 236,578</b>	<b>\$ 240,102</b>	<b>\$ 3,524</b>	<b>1.5%</b>

### Explanation of Significant Variances –2014 Budget versus 2013 Budget

- The increases in Salaries, Payroll Taxes, all insurances except Medical, and Employee Savings Plan are due primarily to an overall general wage increase of 3% and at risk (variable incentives) compensation at less than 100% of program levels.
- The decrease in Employment Agency Fee is due to no planned staff additions in 2014. Agencies would be used only to fill positions vacated during the year.
- Medical Insurance premium increase is based on discussions with providers. The full impacts of the Affordable Care Act are uncertain at this time.
- Expenses previously budgeted and recorded to Education Reimbursement are now recorded under Training and Seminars.
- A 2% vacancy factor is assumed based on historical vacancy trends.

Table B-5 – Consultants and Contracts

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Compliance Enforcement and Organization Registration and Certification	\$ 20,000	\$ 20,000	\$ 10,000	\$ (10,000)	-50.0%
Reliability Assessment and Performance Analysis	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)	-100.0%
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ 60,000	\$ 60,000	\$ -	\$ (60,000)	-100.0%
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 30,000	\$ 30,000	\$ 50,000	\$ 20,000	66.7%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ -	\$ -	\$ -	\$ -	-
<b>Consultants Total</b>	<b>\$ 120,000</b>	<b>\$ 120,000</b>	<b>\$ 60,000</b>	<b>\$ (60,000)</b>	<b>-50.0%</b>
Contracts	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Reliability Standards	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	0.0%
Compliance Enforcement and Organization Registration and Certification	\$ 1,558,000	\$ 1,558,000	\$ 1,384,433	\$ (173,567)	-11.1%
Reliability Assessment and Performance Analysis	\$ 275,000	\$ 275,000	\$ 275,000	\$ -	0.0%
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ 40,000	\$ 40,000	\$ 75,000	\$ 35,000	87.5%
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 86,000	\$ 86,000	\$ 90,000	\$ 4,000	4.7%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ 4,000	\$ 4,000	\$ 10,000	\$ 6,000	150.0%
<b>Contracts Total</b>	<b>\$ 1,993,000</b>	<b>\$ 1,992,999</b>	<b>\$ 1,864,433</b>	<b>\$ (128,567)</b>	<b>-6.5%</b>
<b>Total Consultants and Contracts</b>	<b>\$ 2,113,000</b>	<b>\$ 2,112,999</b>	<b>\$ 1,924,433</b>	<b>\$ (188,567)</b>	<b>-8.9%</b>

### Explanation of Significant Variances –2014 Budget versus 2013 Budget

- Several contracts were previously budgeted under consultants but will be budgeted and recorded under contracts going forward.

Table B-6 – Office Rent

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 635,000	\$ 635,000	\$ 654,772	\$ 19,772	3.1%
Utilities	\$ 29,000	\$ 29,000	\$ 35,000	\$ 6,000	20.7%
Maintenance	\$ 20,000	\$ 20,000	\$ 15,000	\$ (5,000)	-25.0%
Security	\$ 2,500	\$ 2,500	\$ 2,500	\$ -	0.0%
Real Estate Taxes	\$ 20,000	\$ 20,000	\$ 30,000	\$ 10,000	50.0%
<b>Total Office Rent</b>	<b>\$ 706,501</b>	<b>\$ 706,501</b>	<b>\$ 737,273</b>	<b>\$ 30,772</b>	<b>4.4%</b>

### Explanation of Significant Variances –2014 Budget versus 2013 Budget



Table B-7 – Office Costs

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Telephone	\$ 95,000	\$ 95,000	\$ 110,000	\$ 15,000	15.8%
Internet Expense	\$ 80,000	\$ 80,000	\$ 80,000	\$ -	0.0%
Office Supplies	\$ 30,000	\$ 30,000	\$ 35,000	\$ 5,000	16.7%
Computer Supplies and Maintenance	\$ 175,000	\$ 175,000	\$ 213,000	\$ 38,000	21.7%
Subscriptions & Publications	\$ 9,000	\$ 9,000	\$ 13,000	\$ 4,000	44.4%
Dues	\$ 3,000	\$ 3,000	\$ 4,000	\$ 1,000	33.3%
Postage	\$ 1,500	\$ 1,500	\$ 1,500	\$ -	0.0%
Express Shipping	\$ 9,000	\$ 9,000	\$ 10,000	\$ 1,000	11.1%
Copying	\$ 20,000	\$ 20,000	\$ 25,000	\$ 5,000	25.0%
Reports	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)	-100.0%
Stationary and Office Forms	\$ 6,000	\$ 6,000	\$ 5,000	\$ (1,000)	-16.7%
Equipment Repair/Service Contracts	\$ 5,000	\$ 5,000	\$ 10,000	\$ 5,000	100.0%
Bank Charges	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	0.0%
Sales and Use Tax	\$ -	\$ -	\$ -	\$ -	-
Merchant Credit Card Fees	\$ -	\$ -	\$ -	\$ -	-
Presentation and Publicity	\$ -	\$ -	\$ -	\$ -	-
<b>Total Office Costs</b>	<b>\$ 468,500</b>	<b>\$ 468,499</b>	<b>\$ 536,500</b>	<b>\$ 68,000</b>	<b>14.5%</b>

### Explanation of Significant Variances –2014 Budget versus 2013 Budget

- Computer Supplies and Maintenance expense is based on contracts currently in place and historical actual expense.

**Table B-8 - Professional Services**

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
BOT Fee	\$ 300,000	\$ 300,000	\$ 280,000	\$ (20,000)	-6.7%
BOT Search Fee	\$ -	\$ -	\$ -	\$ -	-
Legal - Reorganization	\$ -	\$ -	\$ -	\$ -	-
Accounting & Auditing Fees	\$ 290,000	\$ 290,000	\$ 300,000	\$ 10,000	3.4%
Legal Fees - Other	\$ 500,000	\$ 500,000	\$ 350,000	\$ (150,000)	-30.0%
Insurance - Commercial	\$ 30,000	\$ 30,000	\$ 36,500	\$ 6,500	21.7%
<b>Total Services</b>	<b>\$ 1,120,000</b>	<b>\$ 1,120,001</b>	<b>\$ 966,500</b>	<b>\$ (153,500)</b>	<b>-13.7%</b>

**Explanation of Significant Variances –2014 Budget versus 2013 Budget**

- Decrease in BOT Fees is due to new BOT Travel account added in 2013. BOT travel was previously recorded under BOT Fees account. The BOT Travel account is grouped with Meetings and Travel expenses.
- Decrease in Legal Fees is associated with the retention of in-house counsel in 2012.

Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation	\$ -	\$ -	\$ -	\$ -	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

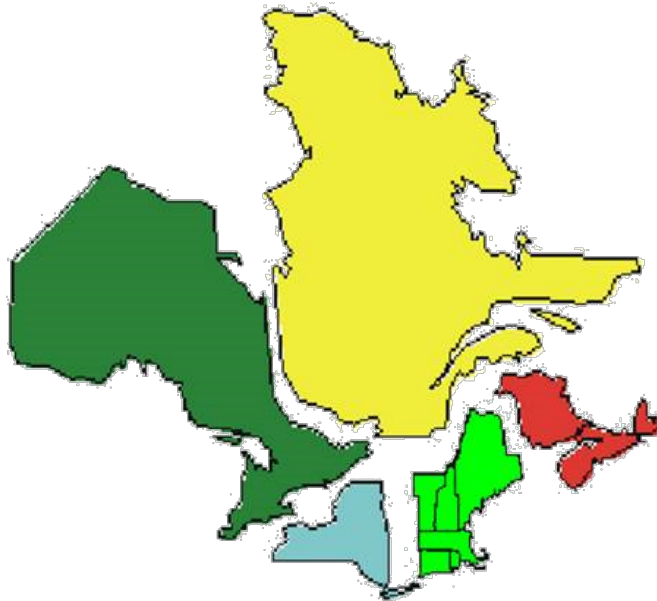
Table B-10 – 2015 and 2016 Projections

Statement of Activities and Capital Expenditures 2014 Budget & Projected 2015 and 2016 Budgets							
	2014 Budget	2015 Projection	\$ Change 14 v 15	% Change 14 v 15	2016 Projection	\$ Change 15 v 16	% Change 15 v 16
<b>Funding</b>							
<b>ERO Funding</b>							
ERO Assessments	\$ 13,611,880	\$ 14,556,831	\$ 944,951	6.9%	\$ 14,995,149	\$ 438,318	2.9%
Penalty Sanctions	153,000	-	(153,000)	-100.0%	-	-	-
<b>Total ERO Funding</b>	<b>\$ 13,764,880</b>	<b>\$ 14,556,831</b>	<b>\$ 791,951</b>	<b>5.8%</b>	<b>\$ 14,995,149</b>	<b>\$ 438,318</b>	<b>2.9%</b>
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	64,000	64,000	-	0.0%	64,000	-	0.0%
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 13,828,880</b>	<b>\$ 14,620,831</b>	<b>\$ 791,951</b>	<b>5.7%</b>	<b>\$ 15,059,149</b>	<b>\$ 438,318</b>	<b>3.0%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 5,911,227	\$ 6,088,564	\$ 177,337	3.0%	\$ 6,271,221	\$ 182,657	3.0%
Payroll Taxes	384,311	395,841	11,529	3.0%	407,716	11,875	3.0%
Benefits	1,430,261	1,516,076	85,816	6.0%	1,607,041	90,965	6.0%
Retirement Costs	1,124,361	1,158,092	33,731	3.0%	1,192,835	34,743	3.0%
<b>Total Personnel Expenses</b>	<b>\$ 8,850,160</b>	<b>\$ 9,158,573</b>	<b>\$ 308,413</b>	<b>3.5%</b>	<b>\$ 9,478,812</b>	<b>\$ 320,239</b>	<b>3.5%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 365,000	\$ 372,300	\$ 7,300	2.0%	\$ 379,746	\$ 7,446	2.0%
Travel	890,000	907,800	17,800	2.0%	925,956	18,156	2.0%
Conference Calls	77,000	78,540	1,540	2.0%	80,111	1,571	2.0%
<b>Total Meeting Expenses</b>	<b>\$ 1,332,000</b>	<b>\$ 1,358,640</b>	<b>\$ 26,640</b>	<b>2.0%</b>	<b>\$ 1,385,813</b>	<b>\$ 27,173</b>	<b>2.0%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 1,924,433	\$ 1,962,922	\$ 38,489	2.0%	\$ 2,002,180	\$ 39,258	2.0%
Office Rent	737,272	759,390	22,118	3.0%	782,172	22,782	3.0%
Office Costs	536,500	552,595	16,095	3.0%	569,173	16,578	3.0%
Professional Services	966,500	985,830	19,330	2.0%	1,005,547	19,717	2.0%
Miscellaneous	80,000	81,600	1,600	2.0%	83,232	1,632	2.0%
Depreciation	250,000	252,500	2,500	1.0%	255,025	2,525	1.0%
<b>Total Operating Expenses</b>	<b>\$ 4,494,705</b>	<b>\$ 4,594,837</b>	<b>\$ 100,132</b>	<b>2.2%</b>	<b>\$ 4,697,328</b>	<b>\$ 102,492</b>	<b>2.2%</b>
<b>Total Direct Expenses</b>	<b>\$ 14,676,865</b>	<b>\$ 15,112,050</b>	<b>\$ 435,184</b>	<b>3.0%</b>	<b>\$ 15,561,954</b>	<b>\$ 449,904</b>	<b>3.0%</b>
<b>Indirect Expenses</b>	<b>\$ (405,859)</b>	<b>\$ (418,035)</b>	<b>\$ (12,176)</b>	<b>3.0%</b>	<b>\$ (430,576)</b>	<b>\$ (12,541)</b>	<b>3.0%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses (B)</b>	<b>\$ 14,271,006</b>	<b>\$ 14,694,015</b>	<b>\$ 423,009</b>	<b>3.0%</b>	<b>\$ 15,131,377</b>	<b>\$ 437,363</b>	<b>3.0%</b>
<b>Change in Assets</b>	<b>\$ (442,126)</b>	<b>\$ (73,183)</b>	<b>\$ 368,943</b>	<b>-83.4%</b>	<b>\$ (72,228)</b>	<b>\$ 955</b>	<b>-1.3%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (250,000)	\$ (252,500)	\$ (2,500)	1.0%	\$ (255,025)	\$ (2,525)	1.0%
Computer & Software CapEx	108,000	109,080	1,080	1.0%	110,171	1,091	1.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets (C)</b>	<b>\$ (142,000)</b>	<b>\$ (143,420)</b>	<b>\$ (1,420)</b>	<b>1.0%</b>	<b>\$ (144,854)</b>	<b>\$ (1,434)</b>	<b>1.0%</b>
<b>TOTAL BUDGET (=B+C)</b>	<b>\$ 14,129,006</b>	<b>\$ 14,550,595</b>	<b>\$ 421,589</b>	<b>3.0%</b>	<b>\$ 14,986,523</b>	<b>\$ 435,929</b>	<b>3.0%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (300,126)</b>	<b>\$ 70,237</b>	<b>\$ 370,363</b>	<b>-123.4%</b>	<b>\$ 72,626</b>	<b>\$ 2,389</b>	<b>3.4%</b>
FTEs	36.86	36.86	0	0.0%	36.86	0.00	0.0%

---

## Section C – Criteria Services Division Activities 2014 Business Plan and Budget

---



## Section C —2014 Criteria Services Division Business Plan and Budget

<b>Criteria Services Division</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.14	2.14	0.00
Total Direct Expenses	\$630,191	\$683,240	\$53,050
Total Indirect Expenses	\$406,471	\$405,859	(\$612)
Other Non-Operating Expenses	\$0	\$0	\$0
Working Capital Reserve Requirement	\$117,518	(\$75,391)	(\$192,910)
Inc(Dec) in Fixed Assets	(\$14,490)	(\$24,000)	(\$9,510)
Funding Requirement for Working Capital	\$1,139,690	\$989,708	(\$149,982)

### NPCC Regionally-Specific Criteria Services Background

NPCC Criteria Services division activities are in the development, maintenance and promulgation of Regionally-specific more stringent criteria as well as criteria establishing resource adequacy requirements within the Region. These criteria contain requirements which are more stringent and more specific than the existing NERC Reliability Standards requirements.

### Membership and Governance

Full members are subject to compliance with Regionally-specific criteria, in addition to continent-wide Reliability Standards, and receive criteria-related services from the Criteria Services division.

Full Members, other than Full Members that perform the Balancing Authority function, are not assessed an annual membership fee. Those that perform Balancing Authority functions are assessed and remit a proportional net energy for load share of expenses for criteria services. NPCC would also directly assign criteria service division costs to a Balancing Authority Area or entity, where significant costs are incurred for that Balancing Authority Area. The funding for NPCC's Criteria Services division is approved by the NPCC Board of Directors.

### Criteria Services Division Functional Scope

Through its Criteria Services division, NPCC promotes the reliable and efficient operation of the international, interconnected bulk power systems in Northeastern North America through the establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria.

NPCC provides Full Members with Regional reliability assurance services, and acts as the vehicle through which States and Provinces can fulfill their political mandates, with respect to resource adequacy, as well as overseeing the Northeastern North American electric infrastructure.

## Major 2014 Assumptions and Cost Impacts

The Criteria Services division services are not expected to grow when compared to the Regional Entity division.

- The Criteria Compliance Enforcement Program (CCEP) review and evaluation process has matured and been enhanced after its inception in 2012. Criteria Compliance submittals to the CC are done as necessary.
- Past non-compliances, if any, followed the due process stated in the CCEP-1 process document and proper resolution/enforcement action taken.

## 2014 Primary Goals and Objectives

- Review, maintain, and revise the NPCC Regional Reliability Directories to facilitate compliance assessments and ensure the Criteria portions of the Directories are “not inconsistent” with nor duplicate with the approved and effective NERC Standards.
- The criteria services division and CCEP Working Group (reporting to the Compliance Committee) will work with the various Task Forces to develop Criteria Compliance Reporting Forms for additional NPCC Directories to ensure that the more stringent or Regionally-specific criteria is being met.
- The criteria services division and CCEP working group will work with TFCO, TFCP, TFSS, and TFSP to review criteria and measures within each specific NPCC Directory to identify and develop them into specific reporting forms for approval.
- Review impact of Bulk Electric System definition on Directory and Criteria content and compliance reporting.
- Review impact of Sector or NPCC organizational changes on the Directory and Criteria review, enforcement and arbitration processes
- Assist Legal with preparation of revised Directories for Regulatory filings with the individual Provinces in accordance with their respective Memorandum of Understandings (MOUs)

## NPCC Reliability Directory Maintenance and Development

The NPCC Regional Reliability Directories were developed to demonstrate that the NPCC more stringent criteria are not inconsistent with the NERC Reliability Standards as mandated by the NERC Rules of Procedure. The Directory project was also undertaken to remove any redundancies with the NERC Reliability Standards and to clearly delineate the more stringent NPCC criteria requirements. In 2013 the directories were further reviewed and revised to move the criteria language into a “requirement type” format. This further revision facilitates the NPCC Region’s CCEP and ensures the continued delineation of the more stringent and more specific Regional criteria from the latest approved and effective set of NERC ERO standards.

In 2014, work will proceed with maintenance and revision of the Directories to address any future redundancies with NERC or NPCC Reliability Standards as well as the continued need for additional more stringent or specific NPCC Regional criteria requirements as new NERC Reliability Standards are developed and existing standards are revised.

The following Directories will either be under revision or reviewed for further development based on a schedule set forth in the NPCC Reliability Assessment Program:

## **Operations and Planning Directories**

### *Directory #1, Basic Criteria for Design and Operation of Interconnected Power Systems*

This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing NERC TPL, BAL, IRO, INT, MOD, TOP, PRC and VAR standards. The NPCC Task Force on Coordination of Planning will lead a multi-disciplinary working group, consisting of operations and planning subject matter experts to review and revise this directory to reflect the FERC ruling on TPL and other TOP changes.

### *Directory #2, Emergency Operations*

This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing NERC EOP and TOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

### *Directory # 3, Maintenance Requirements for BPS Protection*

This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

### *Directory # 4, BPS Protection*

This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

### *Directory # 5, Operating Reserve Requirements*

This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing applicable NERC BAL, INT, and IRO standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

### *Directory # 7, Special Protection Systems*

This Directory documents NPCC's Regionally-specific, more stringent criteria for application and approval of SPS. The NPCC Task Force on System Protection will lead this review and revision.

### *Directory # 8 System Restoration*

This Directory documents NPCC's Regionally-specific, more stringent criteria with which each applicable entity must plan for and perform power system restoration following a major or a total blackout, and demonstrates coordination and consistency with applicable NERC EOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

### *Directory # 9, Verification of Generator Gross and Net Reactive Power Capability*

This Directory documents NPCC's Regionally-specific, more stringent criteria for verifying the Gross Reactive Power Capability and Net Reactive Power Capability of generators or generating facilities. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 11, *Disturbance Monitoring*, This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain existing



NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision until such time as the NPCC PRC-002-01 Disturbance Monitoring Regional Standard is adopted by FERC and the applicable governmental authorities.

Directory # 12, *UFLS Program*, This directory documents NPCC’s Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain existing NERC and NPCC developing PRC standard(s). The NPCC Task Force on System Studies will lead this review and revision until such time as the NPCC PRC-006-01 UFLS Regional Standard is approved by the NPCC membership, NERC BOT, the FERC and all the applicable governmental authorities in the Provinces of Canada within NPCC’s footprint.

### **NPCC Criteria Compliance Background**

The NPCC criteria services division promotes the reliable operation of the bulk power system through implementation of a comprehensive compliance program. The compliance program that includes monitoring, assessing and enforcing compliance with more stringent, Regionally specific NPCC Criteria requirements, is known as the NPCC Criteria Compliance and Enforcement Program (CCEP) described in process document CCEP-1. This program was developed by the criteria services division and the CCEP Working Group under the purview of the NPCC Compliance Committee. The products of this program support the various Task Forces in their assessments of the NPCC Directories in meeting their goals for the Reliability Coordinating Committee as stated in Section A of this Business Plan.

The more stringent, Regionally specific NPCC Criteria requirements reflect the unique operational and planning aspects of the bulk power system within the NPCC Region and are included in the NPCC “A” documents and their successors, the NPCC Directories.

NPCC issues non-monetary sanctions to enforce compliance with NPCC Criteria.

- The CCEP program is described in document CCEP-1, *NPCC Criteria Compliance and Enforcement Program (CCEP) Process Document*
- The implementation plan is described in document CCEP-2, *Implementation Plan for 2011 NPCC Criteria Compliance and Enforcement Program*
- On April 5, 2011, the above became effective upon Full Member approval of CCEP-1, and CCEP-2 and retired the following
  - NPCC Criteria A-8, Reliability Compliance and Enforcement Program (RCEP)
  - NPCC Guide B-22, Guidelines for Implementation of the NPCC Inc. Compliance Program
  - NPCC Procedure C-32, Review Process for NPCC Reliability Compliance Enforcement Program
  - Each of the above have been annotated as “retired effective 4/5/11 upon Full Member approval of CCEP-1... and CCEP-2...” on the NPCC public website

The CCEP-1 document

- recognizes the applicability of NPCC’s Regionally-specific, more stringent reliability criteria to the Full Members of NPCC, consistent with the *Amended and Restated ByLaws*, and respects the provisions of the several Canadian Memoranda of Understanding in the execution of the processes described

- provides a comprehensive CCEP Process Diagram showing the process of evaluating and approving Criteria Certification submittals, and additional processes and responsibilities in the event that non-compliances, disputes and sanctions arise
- describes the roles and responsibilities of Reporting Members, CC, RCC and Enforcement Panel in the compliance review and enforcement process
- describes Levels of Non-Compliance, associated non-monetary Sanctions, Lateness Policy and the Arbitration/Dispute Resolution process
- addresses Mitigation Plans for any violations under the enforcement process; and
- lists the mandatory Certification Forms to be submitted for review by the Task Forces to ensure compliance with NPCC Directories are being met

The CCEP currently requires annual submittal of Certification Forms by the Reliability Coordinators and Balancing Authorities to confirm compliance with various NPCC Directories. Currently the required Certification forms are for Directory #1- *Area Transmission Review*, Directory #8 - *Key Facility List*, Directory #9 – *Generator Real Power Verification*, Directory #10 - *Verification of Generator Gross and Net Reactive Power Capability*, and Directory #12 - *UFLS Program Requirements*. In 2014 NPCC anticipates expansion of the CCEP to include compliance assessment activities to all active Directories.

The CCEP identifies those specific NPCC Directories that are subject to monitoring, assessment and enforcement. These Directories also are subject to NPCC Criteria Compliance Audits.

The NPCC Compliance Committee (CC) has final approval of compliance assessments related to CCEP. The CCEP describes the roles and responsibilities of committees and panels used to resolve contested compliance and/or sanction or penalty determinations related to NPCC Directories.

### **Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

- The decrease in Membership Dues is primarily the result of the Working Capital and Operating Reserve adjustment of (\$75,391) to maintain the required total reserve level.

## 2013 Budget and Projection and 2014 Budget Comparisons

<b>Statement of Activities</b>						
<b>2013 Budget &amp; Projection, and 2014 Budget</b>						
<b>CRITERIA SERVICES DIVISION</b>						
				Variance		Variance
	2013	2013	2013 Projection	v 2013 Budget	2014	2014 Budget
	Budget	Projection	v 2013 Budget	Over(Under)	Budget	v 2013 Budget
						Over(Under)
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	1,139,690	1,139,690	-	-	989,708	(149,982)
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 1,139,690</b>	<b>\$ 1,139,690</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 989,708</b>	<b>\$ (149,982)</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 268,881	\$ 268,881	\$ -	\$ -	\$ 312,166	\$ 43,286
Payroll Taxes	19,614	19,614	-	-	21,536	1,922
Benefits	46,561	46,561	-	-	64,153	17,592
Retirement Costs	140,645	140,645	-	-	129,818	(10,826)
<b>Total Personnel Expenses</b>	<b>\$ 475,701</b>	<b>\$ 475,701</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 527,674</b>	<b>\$ 51,973</b>
<b>Meeting Expenses</b>						
Meetings	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ 10,000	\$ (10,000)
Travel	55,000	55,000	-	-	63,000	8,000
Conference Calls	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 73,000</b>	<b>\$ (2,000)</b>
<b>Operating Expenses</b>						
Consultants & Contracts	\$ 65,000	\$ 65,000	\$ -	\$ -	\$ 55,000	\$ (10,000)
Office Rent	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-	-
Miscellaneous	-	-	-	-	3,567	3,567
Depreciation	14,490	14,490	-	-	24,000	9,510
<b>Total Operating Expenses</b>	<b>\$ 79,490</b>	<b>\$ 79,490</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82,567</b>	<b>\$ 3,077</b>
<b>Total Direct Expenses</b>	<b>\$ 630,191</b>	<b>\$ 630,191</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 683,240</b>	<b>\$ 53,050</b>
<b>Indirect Expenses</b>	<b>\$ 406,471</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 405,859</b>	<b>\$ (612)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,036,662</b>	<b>\$ 1,036,662</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,089,100</b>	<b>\$ 52,438</b>
<b>Change in Assets</b>	<b>\$ 103,028</b>	<b>\$ 103,028</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (99,391)</b>	<b>\$ (202,420)</b>
<b>Fixed Assets</b>						
Depreciation	\$ (14,490)	(14,490)	\$ -	\$ -	\$ (24,000)	\$ (9,510)
Computer & Software CapEx	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(14,490)</b>	<b>(14,490)</b>	<b>-</b>	<b>-</b>	<b>(24,000)</b>	<b>(9,510)</b>
<b>TOTAL BUDGET (=B+C)</b>	<b>1,022,172</b>	<b>1,022,172</b>	<b>-</b>	<b>-</b>	<b>1,065,100</b>	<b>42,928</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ 117,518</b>	<b>\$ 117,518</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (75,391)</b>	<b>\$ (192,910)</b>

## Personnel Analysis

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs <sup>1</sup> 2014 Budget	Total FTEs 2014 Budget	Change from 2014 Budget
<b>CRITERIA SERVICES DIVISION</b>						
<b>Operational Programs</b>						
Reliability Standards	1.07	1.07	1.00	0.07	1.07	0.00
Compliance Enforcement and Organization Registration and Certification	0.00	0.00	0.00	0.00	0.00	0.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	1.07	1.07	1.00	0.07	1.07	0.00
Situation Awareness and Infrastructure Security	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total FTEs Operational Programs</b>	<b>2.14</b>	<b>2.14</b>	<b>2.00</b>	<b>0.14</b>	<b>2.14</b>	<b>0.00</b>
<b>Administrative Programs</b>						
Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General and Administrative	0.00	0.00	0.00	0.00	0.00	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Accounting and Finance	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total FTEs Administrative Programs</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total FTEs</b>	<b>2.14</b>	<b>2.14</b>	<b>2.00</b>	<b>0.14</b>	<b>2.14</b>	<b>0.00</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

## Reserve Analysis 2013–2014

Working Capital and Operating Reserve Analysis 2013-2014			
CRITERIA SERVICES DIVISION			
	Total Reserve	Working Capital	Operating Reserve
<b>Beginning Working Capital, December 31, 2012</b>	135,383	135,383	0
2013 Non-Statutory Funding (from members)	1,139,690	1,139,690	0
2013 Other funding sources	0	0	0
Less: 2013 Projected expenses	(1,036,662)	(1,036,662)	0
Less: 2013 Fixed asset additions	14,490	14,490	0
<b>Projected Working Capital, December 31, 2013</b>	<b>252,901</b>	<b>252,901</b>	<b>0</b>
<b>Desired Working Capital and Operating Reserve, December 31, 2014 <sup>1</sup></b>	177,510	88,755	88,755
Less: Projected Working Capital Reserve Balance December 31, 2013	(252,901)	(164,146)	(88,755)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>(75,391)</b>	<b>(75,391)</b>	<b>0</b>
2014 Funding requirement for expenses and fixed asset additions	1,065,100		
Adjustment to achieve desired Working Capital and Operating Reserve balance	(75,391)		
<b>2014 Funding and reserve requirement</b>	<b>989,708</b>		

<sup>1</sup> On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy which reduced the required level of total reserves to 16.66% (from 20%) and segregated funds into Working Capital and Operating Reserves, each with a desired level of 8.33% or 1 month of the annual budget of \$1,065,100

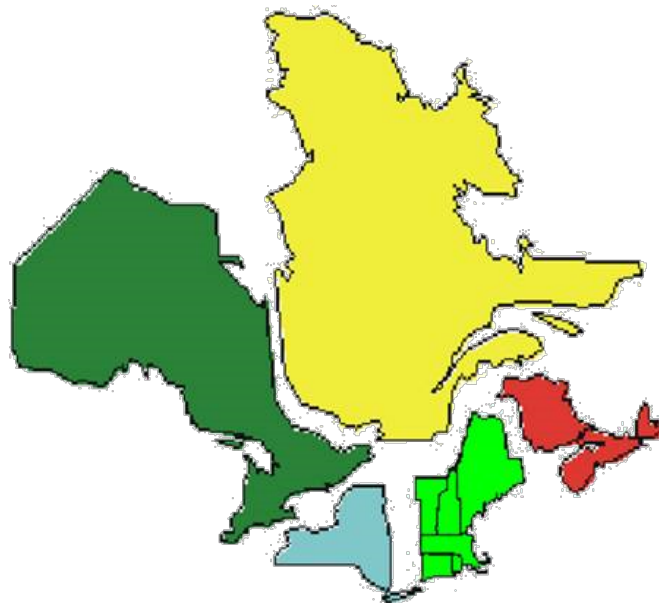
### Explanation of Changes in Reserve Policy from Prior Year

On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy. The policy calls for a reduction in the required level of total reserves from 20% to 16.66% (representing two months of the annual budget) and segregation of funds into separate Working Capital and Operating Reserves, each with a targeted level of 8.33% (one month) of the annual budget.

---

Section D – Additional Consolidated Financial  
Statements  
2014 Business Plan and Budget

---



## Section D

## Statement of Financial Position

<b>Statement of Financial Position</b>				
<b>2012 Audited, 2013 Projection, and 2014 Budget</b>				
<b>Regional Entity and Criteria Services Division</b>				
		(Per Audit)	Projected	Budget
		31-Dec-12	31-Dec-13	31-Dec-14
<b>ASSETS</b>				
Cash and cash equivalents		6,724,986	5,324,000	4,808,000
Restricted cash		649,950	452,000	300,000
Temporary cash investments		2,210,894	2,211,000	2,211,000
Prepaid expenses		271,074	271,000	271,000
Other assets		335,714	21,000	19,000
Equipment and leasehold improvements, net		1,274,059	1,048,000	888,000
<b>Total Assets</b>		<b>11,466,677</b>	<b>9,327,000</b>	<b>8,497,000</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accrued expenses and other liabilities		1,287,040	1,100,000	1,100,000
Accrued liability for pension		3,676,153	3,500,000	3,500,000
Deferred revenue		235,313	-	-
Deferred rent		767,901	774,000	741,000
<b>Total Liabilities</b>		<b>5,966,407</b>	<b>5,374,000</b>	<b>5,341,000</b>
Net Assets - unrestricted		5,500,270	3,953,000	3,156,000
<b>Total Liabilities and Net Assets</b>		<b>11,466,677</b>	<b>9,327,000</b>	<b>8,497,000</b>

Section D — Additional Financial Statements

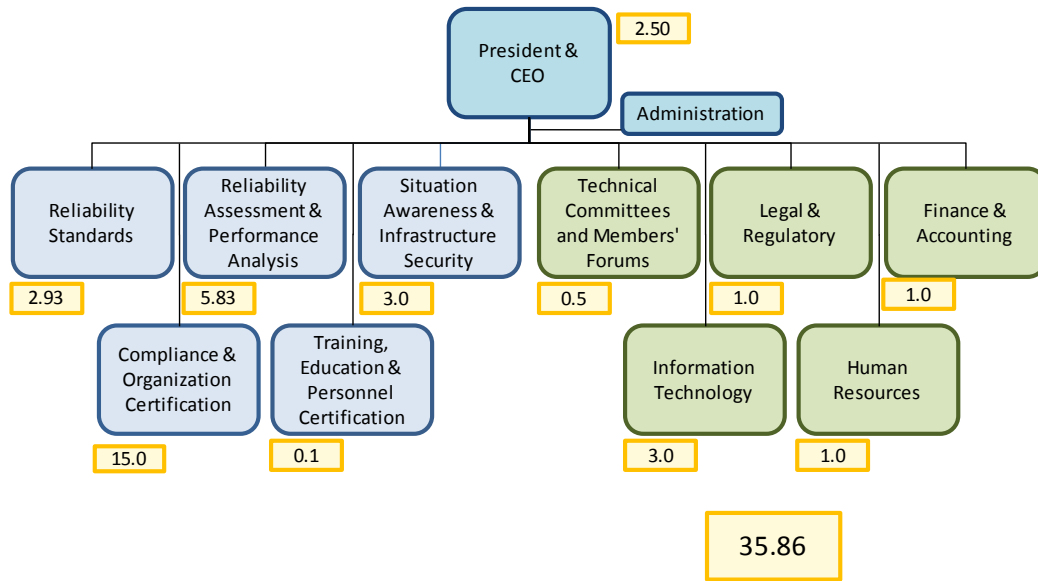
NPCC Statement of Activities 2014 Budget		RE Division Total	Reliability Standards (Section 300)	Compliance Monitoring and Enforcement and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training, Education and Operator Certification (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Technical Committees and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding													
ERO Funding	13,611,880	1,431,239	7,991,503	2,910,322	131,306	1,447,636	-	-	(300,126)	-	-	-	-
Penalty Sanctions	153,000	16,091	87,868	32,017	549	16,475	-	-	-	-	-	-	-
Total ERO Funding	13,764,880	1,447,330	8,079,371	2,942,339	131,855	1,464,111	-	-	(300,126)	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	64,000	-	-	-	64,000	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	13,828,880	1,447,330	8,079,371	2,942,339	195,855	1,464,111	-	-	(300,126)	-	-	-	-
Expenses													
Personnel Expenses													
Salaries	5,911,227	502,840	2,287,504	904,028	17,448	522,872	36,551	182,843	866,274	11,100	379,112	94,025	117,930
Payroll Taxes	1,384,511	31,305	162,571	60,329	1,063	32,861	3,113	11,100	33,695	8,364	29,724	8,364	9,887
Benefits	1,450,261	131,342	537,067	226,225	4,500	89,851	18,371	42,232	189,221	42,232	126,947	42,003	23,462
Retirement Costs	1,124,361	87,443	238,950	130,390	4,776	17,536	10,676	22,605	239,695	22,605	89,842	27,535	14,711
Total Personnel Expenses	8,850,160	752,936	3,266,052	1,380,972	27,787	762,070	68,711	229,004	1,349,084	229,004	625,624	171,931	165,991
Meeting Expenses													
Meetings	365,000	25,000	25,000	45,000	135,000	25,000	2,000	2,000	100,000	2,000	2,000	2,000	2,000
Travel	890,000	110,000	375,000	175,000	15,000	60,000	5,000	5,000	110,000	10,000	20,000	5,000	5,000
Conference Calls	77,000	-	-	-	-	-	-	-	77,000	-	-	-	-
Total Meeting Expenses	1,332,000	135,000	400,000	220,000	150,000	85,000	7,000	7,000	287,000	12,000	22,000	7,000	7,000
Operating Expenses													
Consultants & Contracts	1,924,433	30,000	1,394,433	275,000	-	75,000	-	-	140,000	-	-	-	10,000
Office Rent	737,272	-	-	-	-	737,272	-	-	737,272	-	-	-	-
Office Costs	536,500	-	-	13,000	-	-	-	-	133,500	-	390,000	-	-
Computer and Equipment Leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	966,500	-	-	-	-	-	-	-	316,500	350,000	-	-	300,000
Miscellaneous	80,000	-	-	-	-	-	-	-	250,000	-	-	-	-
Depreciation	250,000	-	-	-	-	-	-	-	250,000	-	-	-	-
Total Operating Expenses	4,494,705	30,000	1,394,433	288,000	-	75,000	-	-	1,657,272	350,000	390,000	-	310,000
Total Direct Expenses	14,676,865	917,936	5,080,485	1,888,972	177,787	922,070	75,711	621,004	3,293,356	621,004	1,037,624	178,931	482,991
Indirect Expenses	(405,859)	555,686	3,034,462	1,105,692	18,965	568,962	(75,711)	(621,004)	(3,293,356)	(621,004)	(1,037,624)	(178,931)	(482,991)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	14,271,006	1,473,622	8,114,946	2,994,654	196,753	1,491,031	-	-	-	-	-	-	-
Change in Assets	(442,126)	(26,292)	(35,575)	(52,315)	(897)	(26,920)	-	-	(300,126)	-	-	-	-
Fixed Assets													
Depreciation	(250,000)	-	-	-	-	-	-	-	(250,000)	-	-	-	-
Computer & Software CapEx	108,000	-	108,000	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	(0)	(26,292)	(143,575)	(52,315)	(897)	(26,920)	-	-	250,000	-	-	-	-
Inc (Dec) in Fixed Assets (C)	(142,000)	(26,292)	(35,575)	(52,315)	(897)	(26,920)	-	-	-	-	-	-	-
TOTAL BUDGET (=B+C)	14,129,006	1,447,330	8,079,371	2,942,339	195,855	1,464,111	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(300,126)	-	(0)	(0)	(0)	(0)	-	-	(300,126)	-	-	-	-
FTEs	36.86	2.93	16.00	5.83	0.10	3.00	0.50	1.00	2.50	1.00	3.00	1.00	1.00



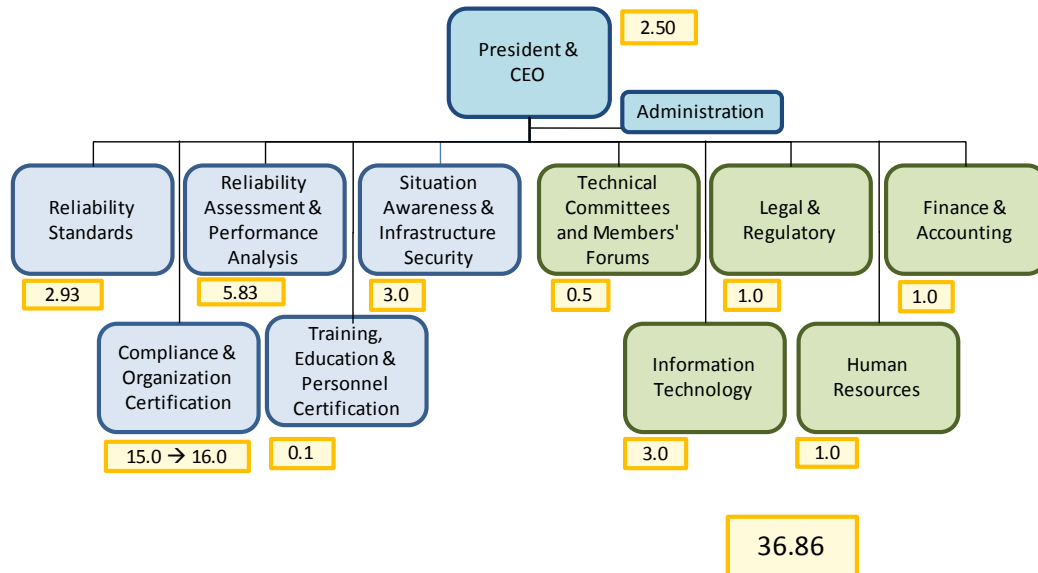
Section D — Additional Financial Statements

<b>NPCC Statement of Activities 2014 Budget</b>		<b>Criteria Services Total</b>	<b>Criteria Development</b>	<b>Criteria Assessment</b>	<b>General and Administrative</b>
<b>Funding</b>					
	<b>ERO Funding</b>				
	ERO Assessments	-			
	Penalty Sanctions	-			
	<b>Total ERO Funding</b>	-	-	-	-
	Membership Dues	989,708	582,983	482,116	(75,391)
	Testing Fees	-	-	-	-
	Services & Software	-	-	-	-
	Workshops	-	-	-	-
	Interest	-	-	-	-
	Miscellaneous	-	-	-	-
	<b>Total Funding (A)</b>	<b>989,708</b>	<b>582,983</b>	<b>482,116</b>	<b>(75,391)</b>
	<b>Expenses</b>				
	<b>Personnel Expenses</b>				
	Salaries	312,166	165,002	147,164	-
	Payroll Taxes	21,536	10,569	10,967	-
	Benefits	64,153	34,882	29,272	-
	Retirement Costs	129,818	69,818	60,001	-
	<b>Total Personnel Expenses</b>	<b>527,674</b>	<b>280,270</b>	<b>247,404</b>	<b>-</b>
	<b>Meeting Expenses</b>				
	Meetings	10,000	5,000	5,000	-
	Travel	63,000	48,000	15,000	-
	Conference Calls	-	-	-	-
	<b>Total Meeting Expenses</b>	<b>73,000</b>	<b>53,000</b>	<b>20,000</b>	<b>-</b>
	<b>Operating Expenses</b>				
	Consultants & Contracts	55,000	45,000	10,000	-
	Office Rent	-	-	-	-
	Office Costs	-	-	-	-
	Computer and Equipment Leases	-	-	-	-
	Professional Services	-	-	-	-
	Miscellaneous	3,567	1,784	1,783	-
	Depreciation	24,000	12,000	12,000	-
	<b>Total Operating Expenses</b>	<b>82,567</b>	<b>58,784</b>	<b>23,783</b>	<b>-</b>
	<b>Total Direct Expenses</b>	<b>683,240</b>	<b>392,054</b>	<b>291,187</b>	<b>-</b>
	<b>Indirect Expenses</b>	<b>405,859</b>	<b>202,930</b>	<b>202,930</b>	<b>-</b>
	<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total Expenses (B)</b>	<b>1,089,100</b>	<b>594,983</b>	<b>494,116</b>	<b>-</b>
	<b>Change in Assets</b>	<b>(99,391)</b>	<b>(12,000)</b>	<b>(12,000)</b>	<b>(75,391)</b>
	<b>Fixed Assets</b>				
	Depreciation	(24,000)	(12,000)	(12,000)	-
	Computer & Software CapEx	-	-	-	-
	Furniture & Fixtures CapEx	-	-	-	-
	Equipment CapEx	-	-	-	-
	Leasehold Improvements	-	-	-	-
	Allocation of Fixed Assets	-	-	-	-
	<b>Inc (Dec) in Fixed Assets ( C )</b>	<b>(24,000)</b>	<b>(12,000)</b>	<b>(12,000)</b>	<b>-</b>
	<b>TOTAL BUDGET (=B + C)</b>	<b>1,065,100</b>	<b>582,983</b>	<b>482,116</b>	<b>-</b>
	<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>(75,391)</b>	<b>-</b>	<b>-</b>	<b>(75,391)</b>
	<b>FTEs</b>	<b>2.14</b>	<b>1.07</b>	<b>1.07</b>	<b>0</b>

2013 Budget Staff Allocations - RE Division

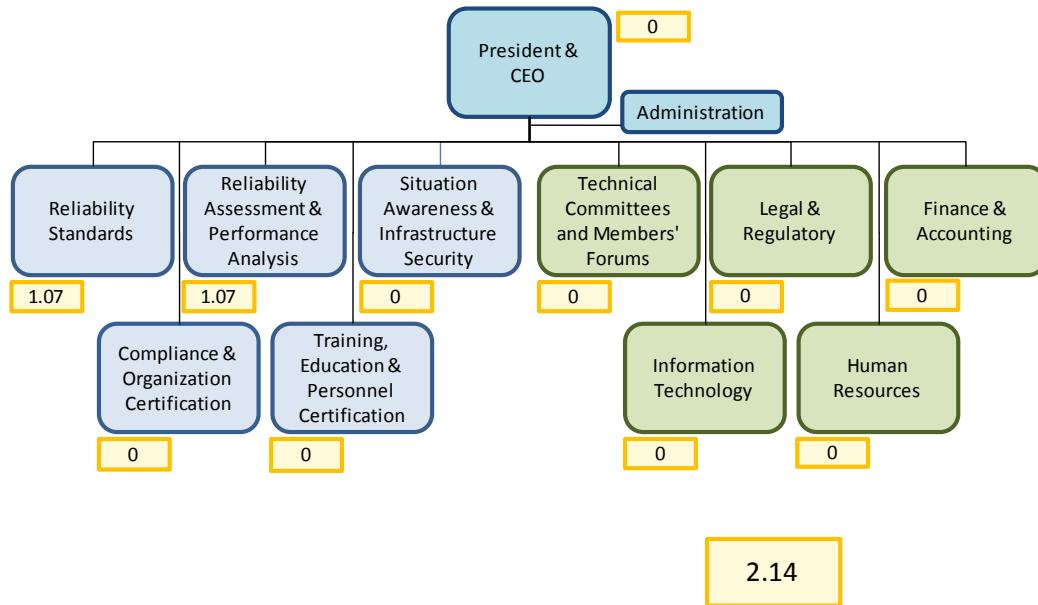


2014 Budget Staff Allocations - RE Division

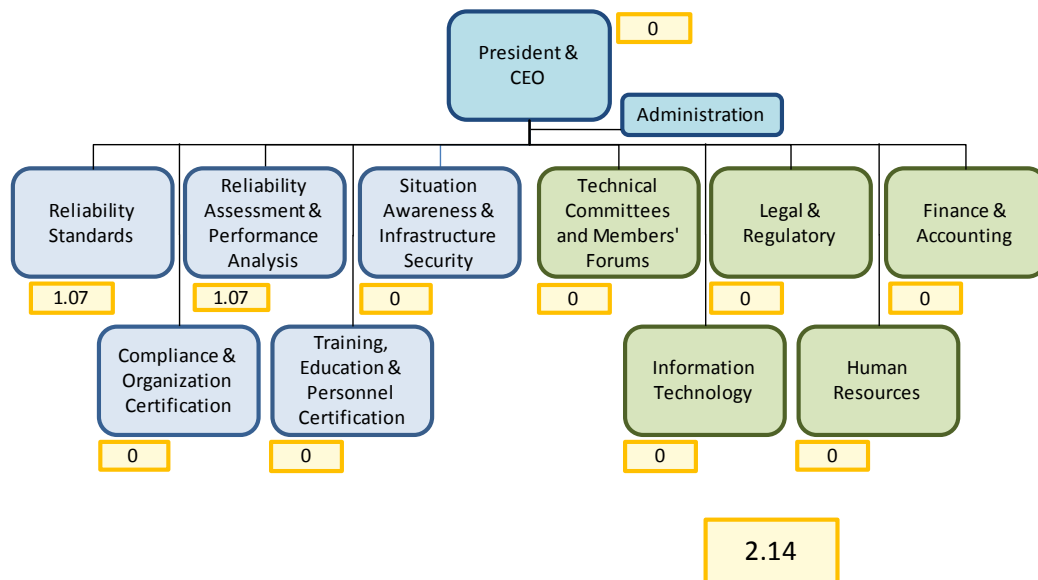


Section D — Additional Financial Statements

2013 Budget Staff Allocations - CS Division



2014 Budget Staff Allocations - CS Division



**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 6**

**RELIABILITYFIRST CORPORATION**

**PROPOSED 2014 BUSINESS PLAN AND BUDGET**



# **2014 BUSINESS PLAN AND BUDGET**

**FINAL VERSION**

**Approved by Reliability*First* Board of Directors**

**June 21, 2013**

## Table of Contents

<b>Introduction .....</b>	<b>3</b>
<b>Section A — Statutory Programs.....</b>	<b>10</b>
Reliability Standards Program.....	10
Compliance Monitoring and Enforcement, and Organization Registration and Certification Programs ..	14
Investigations & Compliance Services .....	18
Operations & Planning Audit .....	20
Critical Infrastructure Protection Audits .....	22
Enforcement Management .....	27
Reliability Assessment and Performance Analysis Program .....	32
Training, Education, and Operator Certification Program .....	37
Situation Awareness and Infrastructure Security Program .....	41
Administrative Services .....	46
Technical Committees and Member Forums.....	47
General and Administrative .....	48
Legal and Regulatory Affairs .....	51
Information Technology .....	54
Human Resources .....	58
Finance and Accounting .....	61
<b>Section B — Supplemental Financial Information.....</b>	<b>66</b>
Working Capital Reserve Analysis 2013-2014.....	66
Table B-1: Reserve Analysis .....	66
Breakdown of Statement of Activity Sections.....	67
Table B-2: Penalty Sanctions .....	67
Table B-3: Supplemental Funding .....	68
Table B-4: Personnel Expenses .....	69
Table B-5: Consultants and Contracts.....	70
Table B-6: Office Rent .....	71
Table B-7: Office Costs.....	72
Table B-8: Professional Services .....	73
<b>Section C — Non-Statutory Activities .....</b>	<b>75</b>
<b>Section D — Supplemental Information .....</b>	<b>77</b>
2014 Organizational Chart.....	77
Statement of Financial Position .....	78
Statement of Activities .....	79
2015 and 2016 Projections.....	80

# Introduction

2014 Budget (in whole dollars)	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs	72.0			
Non-statutory FTEs	-			
<b>Total FTEs</b>	72.0			
Statutory Expenses	\$ 18,291,634			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 18,291,634			
Statutory Inc(Dec) in Fixed Assets	\$ (228,433)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (228,433)			
Statutory Working Capital Requirement*	\$ (1,545,284)			
Non-Statutory Working Capital Requirement**	\$ -			
<b>Total Working Capital Requirement</b>	\$ (1,545,284)			
Total Statutory Funding Requirement	\$ 16,517,917			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 16,517,917			
<b>Statutory Funding Assessments</b>	\$ 15,159,784	\$ 15,159,784		
<b>Non-Statutory Fees</b>	\$ -	\$ -		

\*Refer to Table B-1 on page 66 in Section B.

\*\*ReliabilityFirst does not perform any Non-Statutory Functions at this time.

## Organizational Overview

ReliabilityFirst Corporation (ReliabilityFirst) is a not-for-profit company incorporated in the State of Delaware and authorized by the Federal Energy Regulatory Commission (FERC) to operate as a Regional Entity. ReliabilityFirst is responsible for overseeing the reliability of the Bulk Power System (BPS) in all or parts of thirteen states and the District of Columbia. As a Regional Entity, ReliabilityFirst performs key reliability functions delegated to it by the Electric Reliability Organization (ERO) or North American Electric Reliability Corporation (NERC). These functions include:

- Active participation in the development of North American Reliability Standards for the Bulk Electric System (BES), and as needed, development of Reliability Standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the BES.
- Promoting effective training and education of personnel.
- Promoting situational awareness and the protection of critical infrastructure.

In 2014, ReliabilityFirst intends to perform only the functions delegated to it by the ERO.

## Membership and Governance

### Members

ReliabilityFirst has an open membership policy that permits participation of all industry stakeholders through their designated representatives. There is no annual fee for ongoing membership in ReliabilityFirst. As new members join, they are required to pay a nominal one-time fee to cover the costs of processing their membership application. This one-time fee currently ranges from \$250 for associate and adjunct members to \$1,000 for regular members and can be waived by the President and CEO of ReliabilityFirst for good cause.

- There are six (6) Industry Sectors: Suppliers, Transmission Companies, Regional Transmission Organizations (RTOs), Small Load Serving Entities (LSEs), Medium LSEs, and Large LSEs.
- There are three (3) Classes of Members: Regular Members, Associate Members, and Adjunct Members.
  - A Regular Member is any entity that has joined an Industry Sector that either (i) has no Affiliates or Related Parties that are Members or (ii) is the entity designated to be the Regular Member by any related group of Associate Members.
  - An Associate Member is any entity that has joined an Industry Sector and is an Affiliate or Related Party of a Regular Member.
  - An Adjunct Member is any entity that does not qualify to join an Industry Sector but has been approved for membership. Adjunct Members may include Regulatory Participants.

There are currently 66 members of ReliabilityFirst, 43 are Regular with voting rights, 17 are Associates, and 6 are Adjunct. ReliabilityFirst's foundation has been and continues to be the broad, active participation of volunteer technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability of the BES. ReliabilityFirst believes that extensive use of industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a strong and cost effective approach to reliability that is consistent with the industry self-regulatory model envisioned by Congress in the Energy Policy Act of 2005.

### Board of Directors

ReliabilityFirst is governed by a hybrid, independent, and balanced stakeholder Board.

The Board consists of 14 directors.

(a) Eight (8) directors are elected by the Industry Sectors as follows:

- (i) Suppliers elect two (2) directors;
- (ii) Transmission Companies elect two (2) directors;
- (iii) RTOs elect one (1) director;
- (iv) Small LSEs elect one (1) director;
- (v) Medium LSEs elect one (1) director; and
- (vi) Large LSEs elect one (1) director.

(b) Three (3) directors are at-large. At-large directors are elected by all of the Industry Sectors voting together as a single class.

(c) Three (3) directors are independent from ReliabilityFirst, any Member, Affiliate or Related Party of any Member. Independent directors are elected by all of the Industry Sectors voting together as a single class.



## Budget Overview

In developing this Business Plan and Budget, ReliabilityFirst, NERC, and the other Regional Entities met and agreed upon common foundational and unique program assumptions. The common foundational assumptions can be found in the NERC 2014 - 2016 Shared Business Plan and Budget Assumptions document, provided as Exhibit A to the NERC 2014 Business Plan and Budget.

This Business Plan and Budget reflects ReliabilityFirst's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2014-2016. Overall, the ReliabilityFirst 2014 budget (\$18,063,201) increased 3.65% over the 2013 budget (\$17,426,838). The 2014 assessment (\$15,189,784) represents a 7.23% increase over the 2013 assessment (\$14,165,848).

The personnel costs (\$14,386,100) increased by 2.26% over the 2013 budget (\$14,067,807). Incorporated into this estimate is a 3% general wage increase, an 8% medical benefits increase, and a 5% dental benefits increase. For 2014, ReliabilityFirst did not include a personnel vacancy rate because the unused personnel dollars resulting from vacancies are to be used to fund the company's graduate program that the board of directors approved in 2012.

The operating and fixed asset costs (\$3,677,101) increased by 9.47% over the 2013 budget (\$3,359,031). This increase can be attributed to increased software costs, infrastructure upgrades, and the inability to secure the planned smaller internet connection.

Several years ago, NERC and the 8 Regional Entities formed an executive management group (known as the ERO EMG) which has, among other things, concentrated on developing enterprise-wide applications, thus improving efficiency and consistency across NERC and the Regional Entities. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed through a single Project Management Office (PMO) at NERC. As an example, the ERO EMG collectively prioritized the bulk electric system (BES) exception project and developed an application that is a single interface for NERC and the Regional Entities, promoting consistency and reducing cost duplications. In return, there is no expected regional IT expenditure for the BES project, or other centralized applications in the individual regional business plans and budgets for 2014. The region will periodically incur expenses in its budget to address region specific applications that may be necessary and not included within an ERO enterprise wide application.

In the development of each annual Business Plan and Budget, ReliabilityFirst examines projected workload using the common assumptions referenced above and conducts a manpower analysis to determine staffing levels required to complete necessary tasks and meet the obligations of the Regional Delegation Agreement. The manpower analysis for 2014 yielded a requirement of 75 Full Time Equivalents (FTEs) in order to fully address the expected workload. Even though the manpower analysis indicates a need for 75 FTEs, the staffing level incorporated into the 2014 budget reduces staffing to 72 FTEs, a reduction from the manpower analysis of 3 FTEs. There are many variables that affect these analyses, many of which are not clear at this point in time. Also, with the enhancements being considered in many process areas, the organization continues to mature and expects to achieve many efficiency improvements. This practice of reducing the outcome of the manpower analysis to reflect expected efficiency gains is consistent with past practice at ReliabilityFirst. At some point, the

## Introduction

---

organization and the ERO will be fully mature and this practice may need to be re-evaluated, but we are confident that we have not yet reached that state.

ReliabilityFirst has addressed current office constraints and has selected a new office facility with occupancy expected in March 2014. Although there will be increased costs associated with the office move in 2015 and beyond, there will be no impact on the 2014 budget due to the provisions of the lease agreement.

## Summary of Expenses

Program	Budget 2013	Projection 2013	Budget 2014	Variance	
				2013 Budget v 2014 Budget	Variance %
Reliability Standards	174,754	194,586	194,074	19,320	11.1%
Compliance Enforcement and Organization Registration	13,022,027	13,023,943	13,584,946	562,919	4.3%
Reliability Assessments and Performance Analysis	3,070,191	2,882,218	3,121,331	51,140	1.7%
Training, Education and Operator Certification	919,707	919,566	916,353	(3,354)	-0.4%
Situation Awareness and Infrastructure Security	240,159	235,479	246,498	6,339	2.6%

## FTEs by Program Area

Total FTEs by Program Area	Budget 2013	Projection 2013	Total FTEs 2014 Budget	Change from 2013 Budget
<b>STATUTORY</b>				
<b>Operational Programs</b>				
Reliability Standards	0.50	0.50	0.50	0.00
Compliance and Organization Registration and Certification	43.00	43.00	43.00	0.00
Reliability Assessment and Performance Analysis	10.00	10.00	10.00	0.00
Training and Education	3.10	3.10	3.10	0.00
Situation Awareness and Infrastructure Security	0.60	0.60	0.60	0.00
<b>Total FTEs Operational Programs</b>	<b>57.20</b>	<b>57.20</b>	<b>57.20</b>	<b>0.00</b>
<b>Administrative Programs</b>				
Technical Committees and Member Forums	0.00	0.00	0.00	0.00
General & Administrative	4.30	4.30	3.30	-1.00
Legal and Regulatory Affairs	2.00	2.00	2.00	0.00
Information Technology	5.50	5.00	5.00	-0.50
Human Resources	2.00	3.00	3.00	1.00
Finance and Accounting	2.00	1.50	1.50	-0.50
<b>Total FTEs Administrative Programs</b>	<b>15.80</b>	<b>15.80</b>	<b>14.80</b>	<b>-1.00</b>
<b>Total FTEs</b>	<b>73.00</b>	<b>73.00</b>	<b>72.00</b>	<b>-1.00</b>

## 2013 Budget and Projection and 2014 Budget Comparisons

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>STATUTORY</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ReliabilityFirst Assessments	\$ 14,165,848	\$ 14,165,848	\$ -	\$ 15,159,784	\$ 993,936
Penalty Sanctions	2,979,800	2,979,800	-	1,358,133	(1,621,667)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 17,145,648</b>	<b>\$ 17,145,648</b>	<b>\$ -</b>	<b>\$ 16,517,917</b>	<b>\$ (627,731)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	60,000	-	(60,000)	-	(60,000)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 17,205,648</b>	<b>\$ 17,145,648</b>	<b>\$ (60,000)</b>	<b>\$ 16,517,917</b>	<b>\$ (687,731)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 10,610,388	\$ 10,263,151	\$ (347,237)	\$ 10,674,553	\$ 64,165
Payroll Taxes	624,720	634,916	10,196	646,319	21,599
Benefits	1,318,673	1,295,234	(23,439)	1,405,661	86,988
Retirement Costs	1,514,025	1,558,063	44,038	1,659,567	145,542
<b>Total Personnel Expenses</b>	<b>\$ 14,067,806</b>	<b>\$ 13,751,363</b>	<b>\$ (316,443)</b>	<b>\$ 14,386,100</b>	<b>\$ 318,294</b>
<b>Meeting Expenses</b>					
Meetings	\$ 157,810	\$ 144,847	\$ (12,963)	\$ 149,980	\$ (7,830)
Travel	773,300	783,993	10,693	788,600	15,300
Conference Calls	43,092	36,341	(6,751)	38,400	(4,692)
<b>Total Meeting Expenses</b>	<b>\$ 974,202</b>	<b>\$ 965,181</b>	<b>\$ (9,021)</b>	<b>\$ 976,980</b>	<b>\$ 2,778</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 650,140	\$ 634,094	\$ (16,046)	\$ 627,597	\$ (22,543)
Office Rent	461,645	401,645	(60,000)	504,952	43,307
Office Costs	686,864	927,206	240,342	981,284	294,420
Professional Services	483,160	462,526	(20,634)	460,732	(22,428)
Miscellaneous	25,021	34,279	9,258	34,555	9,534
Depreciation	433,772	427,758	(6,014)	319,433	(114,339)
<b>Total Operating Expenses</b>	<b>\$ 2,740,602</b>	<b>\$ 2,887,507</b>	<b>\$ 146,905</b>	<b>\$ 2,928,554</b>	<b>\$ 187,952</b>
<b>Total Direct Expenses</b>	<b>\$ 17,782,610</b>	<b>\$ 17,604,052</b>	<b>\$ (178,558)</b>	<b>\$ 18,291,634</b>	<b>\$ 509,024</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 17,782,610</b>	<b>\$ 17,604,052</b>	<b>\$ (178,558)</b>	<b>\$ 18,291,634</b>	<b>\$ 509,024</b>
<b>Change in Assets</b>	<b>\$ (576,962)</b>	<b>\$ (458,404)</b>	<b>\$ 118,558</b>	<b>\$ (1,773,717)</b>	<b>\$ (1,196,755)</b>
<b>Fixed Assets</b>					
Depreciation	(433,772)	(427,758)	6,014	(319,433)	114,339
Computer & Software CapEx	78,000	78,000	-	91,000	13,000
Furniture & Fixtures CapEx	-	1,498	1,498	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<b>\$ (355,772)</b>	<b>\$ (348,260)</b>	<b>\$ 7,512</b>	<b>\$ (228,433)</b>	<b>\$ 127,339</b>
Allocation of Fixed Assets	-	0	0	0	0
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (355,772)</b>	<b>\$ (348,260)</b>	<b>\$ 7,512</b>	<b>\$ (228,433)</b>	<b>\$ 127,339</b>
<b>Total Budget</b>	<b>\$ 17,426,838</b>	<b>\$ 17,255,792</b>	<b>\$ (171,046)</b>	<b>\$ 18,063,201</b>	<b>\$ 636,363</b>
<b>Change in Working Capital</b>	<b>\$ (221,190)</b>	<b>\$ (110,144)</b>	<b>\$ 111,046</b>	<b>\$ (1,545,284)</b>	<b>\$ (1,324,094)</b>

---

Section A – Statutory Programs  
2014 Business Plan and Budget

---

## Section A — Statutory Programs

### Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	0.00
Direct Expenses	\$ 131,192	\$ 148,671	\$ 17,479
Indirect Expenses	\$ 44,948	\$ 46,452	\$ 1,504
Inc(Dec) in Fixed Assets	\$ (1,386)	\$ (1,050)	\$ 336
Total Funding Requirement	\$ 174,754	\$ 194,074	\$ 19,320

#### Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Sections 310 through 312, and the ReliabilityFirst Delegation Agreement, ReliabilityFirst may develop Regional Reliability Standards as deemed necessary. These standards must be developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure and must be more stringent than a NERC Reliability Standard, addressing a regional difference where a NERC Reliability Standard does not, or shall be a regional difference necessitated by a physical difference in the BES.

Pursuant to the NERC Rules of Procedure, Sections 313.1 and 313.2, ReliabilityFirst may also develop regional criteria. Regional criteria are good utility practices used to enhance the reliability of the BPS, and are necessary to implement, augment, or comply with Reliability Standards. However, Regional Criteria are not Reliability Standards, and therefore are not enforceable. ReliabilityFirst regional criteria will be developed, modified, and adopted in accordance with the ReliabilityFirst Reliability Standards Development Procedure.

The standards staff will provide direction and prioritization of Reliability Standards, regional criteria, and the associated regional standards procedures by participating in NERC and other regional standards drafting efforts. Standards staff will continue to perform the following functions:

- Facilitate the development of regional standards and regional criteria.
- Volunteer to serve as a member of the NERC Standard Authorization Request (SAR) and Standard Drafting Teams.
- Participate in the development and balloting of NERC reliability standards.

The standards staff will assist the ERO in its overall standards related objectives to develop clear, reasonable, and technically sound mandatory reliability standards in a timely and efficient manner. This includes Regional participation in NERC Standards Committee discussions, review of NERC standards and RSAWs under development, assistance in standards gap analysis, regional stakeholder outreach and assistance in NERC Cost Effective Analysis Procedure (CEAP) process.

The Standards Program relies on technical support from both the staff and stakeholder volunteers for standard and criteria drafting teams. The Reliability*First* teams are facilitated by the Standards staff with program oversight directed through the Reliability*First* Standards Committee.

Reliability*First* anticipates that in 2014 the number of Regional standards-related projects will continue to be minimal due to the Reliability*First* Board of Directors' indefinite suspension of regional standards development projects in 2012. In anticipation of approval of NERC continent-wide standards in 2013/2014, Reliability*First* expects to revisit all associated Reliability*First* standards/criteria to remove all requirements that are duplicative and no longer needed for reliability. For this reason, Reliability*First* will continue to allocate 0.5 FTEs to the Reliability Standards Program.

### **2014 Key Assumptions**

The Reliability Standards Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 - 2016 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the Reliability*First* Reliability Standards Program.

### **2014 Key Deliverables**

- Submit to NERC, and subsequently file with the FERC any new regional standards that:
  - May be needed to support revised NERC Reliability Standards,
  - May address reliability gaps not currently covered by NERC Reliability Standards, and
- Submit to Reliability*First* Board any new regional criteria that:
  - Addresses issues not within the scope of NERC Reliability Standards,
  - Promotes more consistent implementation of a NERC Reliability Standard within the Region,
  - May be needed to provide an “interim” solution to reliability enhancement until replaced by a revised NERC Reliability Standard.
- Review and possibly modify the Reliability Standards Development Procedure to align with changing NERC and FERC requirements.
- Initiate and coordinate revisions to regional standards or regional criteria in any stage of development to align with NERC and FERC requirements.
  - Prioritize the regional standards and criterion drafting effort to align with the timing of NERC Reliability Standards revisions.
  - Retire regional standards and regional criteria that are duplicative with NERC Reliability Standards or no longer needed for reliability.
- Review and provide feedback on potential Regional concerns associated with NERC Reliability Standards under development.

---

**Funding Sources and Requirements — Explanation of Variance****Funding Source**

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States) and penalty sanctions, as the Reliability Standards Program is a delegated function.

**Personnel Expenses**

- Salaries, payroll taxes, benefits and retirement costs for 2014 are budgeted for 0.5 FTE for this program area, consistent with 2013. Therefore, with no change in FTEs the increase is mainly due to the additional expenses to retain qualified staff.

**Meeting Expenses**

- Meeting expenses remained consistent.

**Operating Expense**

- Operating expenses remained consistent.

**Indirect Expenses**

- Expenses related to Administrative Services have been allocated proportionately based on FTE count to the direct programs. This method of accounting results in a slight increase compared to 2013, which is due to higher expenses allocated for 2014.

**Other Non-Operating Expenses**

- There are no other non-operating expenses expected for this budget year.

**Fixed Asset Additions**

- There are no fixed asset additions expected for this budget year.



## Reliability Standards Program

Funding sources and related expenses for the Reliability Standards Program are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Reliability Standards</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ 148,183	\$ 148,183	\$ -	\$ 182,202	\$ 34,019
Penalty Sanctions	26,047	26,047	-	11,872	(14,175)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 174,230</b>	<b>\$ 174,230</b>	<b>\$ -</b>	<b>\$ 194,074</b>	<b>\$ 19,844</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	524	-	(524)	-	(524)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 174,754</b>	<b>\$ 174,230</b>	<b>\$ (524)</b>	<b>\$ 194,074</b>	<b>\$ 19,320</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 87,336	\$ 99,885	\$ 12,549	\$ 102,707	\$ 15,371
Payroll Taxes	4,744	8,872	4,128	5,794	1,050
Benefits	10,970	10,632	(338)	11,195	225
Retirement Costs	13,974	17,181	3,207	14,462	488
<b>Total Personnel Expenses</b>	<b>\$ 117,024</b>	<b>\$ 136,570</b>	<b>\$ 19,546</b>	<b>\$ 134,158</b>	<b>\$ 17,134</b>
<b>Meeting Expenses</b>					
Meetings	-	-	-	-	-
Travel	11,500	9,273	(2,227)	12,000	500
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 11,500</b>	<b>\$ 9,273</b>	<b>\$ (2,227)</b>	<b>\$ 12,000</b>	<b>\$ 500</b>
<b>Operating Expenses</b>					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	2,668	2,470	(198)	2,513	(155)
Professional Services	-	-	-	-	-
Miscellaneous	-	121	121	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 2,668</b>	<b>\$ 2,591</b>	<b>\$ (77)</b>	<b>\$ 2,513</b>	<b>\$ (155)</b>
<b>Total Direct Expenses</b>	<b>\$ 131,192</b>	<b>\$ 148,434</b>	<b>\$ 17,242</b>	<b>\$ 148,671</b>	<b>\$ 17,479</b>
<b>Indirect Expenses</b>	<b>\$ 44,948</b>	<b>\$ 47,297</b>	<b>\$ 2,349</b>	<b>\$ 46,452</b>	<b>\$ 1,504</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 176,140</b>	<b>\$ 195,731</b>	<b>\$ 19,591</b>	<b>\$ 195,123</b>	<b>\$ 18,983</b>
<b>Change in Assets</b>	<b>\$ (1,386)</b>	<b>\$ (21,501)</b>	<b>\$ (20,115)</b>	<b>\$ (1,050)</b>	<b>\$ 336</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	(1,386)	(1,145)	241	(1,050)	336
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (1,386)</b>	<b>\$ (1,145)</b>	<b>\$ 241</b>	<b>\$ (1,050)</b>	<b>\$ 336</b>
<b>Total Budget</b>	<b>\$ 174,754</b>	<b>\$ 194,586</b>	<b>\$ 19,832</b>	<b>\$ 194,074</b>	<b>\$ 19,320</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ (20,356)</b>	<b>\$ (20,356)</b>	<b>\$ -</b>	<b>\$ (0)</b>

## Compliance Monitoring and Enforcement, and Organization Registration and Certification Programs

<b>Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	43.00	43.00	0.00
Direct Expenses	\$ 9,472,412	\$ 9,788,246	\$ 315,834
Indirect Expenses	\$ 3,865,608	\$ 3,994,892	\$ 129,284
Inc(Dec) in Fixed Assets	\$ (315,993)	\$ (198,193)	\$ 117,800
Total Funding Requirement	\$ 13,022,027	\$ 13,584,946	\$ 562,919

### Program Scope and Functional Description

The Compliance Monitoring and Enforcement, and Organization Registration and Certification Programs are structured to achieve maximum effectiveness, consistency, and provide the requisite due diligence in monitoring, investigations and assessments, data and status reporting, enforcement actions, and settlement and hearing activities with regard to compliance with the Reliability Standards.

ReliabilityFirst compliance staff consists of four groups including Compliance Services and Investigations, the Operations and Planning Audit Group(OP/PLAN), the Critical Infrastructure Protection Audit Group (CIP) and the Enforcement Management Group.

The organization registry consists of 349 registered entities covering the listed functions:

- Balancing Authority (BA),
- Distribution Provider (DP),
- Generator Operator (GOP),
- Generator Owner (GO),
- Interchange Authority (IA),
- Load Serving Entity (LSE),
- Planning Authority (PA),
- Purchase-Selling Entity (PSE),
- Reliability Coordinator (RC),
- Reserve Sharing Group (RSG),
- Resource Planner (RS),
- Transmission Owner (TO),
- Transmission Operator (TOP),
- Transmission Planner (TP) and
- Transmission Service Provider (TSP).

Compliance staff will continue to monitor compliance to Reliability Standards of registered owners, operators, and users of the BES through a variety of activities, including:

- Performing compliance audits against standard requirements applicable to their respective functions.
- Spot checking for compliance with selected standard requirements as part of a planned assessment of compliance.
- Validating mitigation plans, settlement actions, and/or other follow-up activities.
- Reviewing and verifying self-certifications and self-reports.
- Conduct investigations and assess complaints received by any parties interested in the reliable operation of the BES, including government entities.
- In proportion to the significance of the event/risk to the BES, system events are reviewed to ensure that registered entities are performing a thorough compliance self-assessment and when required develop self-reports that identify compliance issues to the standards.
- Request data submittals for standards to support reporting requirements as indicated in the standards, studies, modeling, and seasonal assessments.
- Administer exception report monitoring through self-certification process to ensure entities are appropriately assessing compliance where routine monitoring is not in place.
- Conducting risk-based assessments of Registered Entities to determine scope of compliance monitoring.
- Developing lessons learned from all aspects of the compliance monitoring processes and corrective action activities resulting from entity performance.
- Contributing to mitigation plan activities associated with violations including:
  - Reviewing proposed Mitigation Plans and accepting those that contain effective corrective actions.
  - Communicating with enforcement case managers and the Registered Entity throughout the Mitigation Plan review process to ensure that corrective actions will mitigate the violation, prevent reoccurrence, and return the Entity to compliance.
  - Verifying Mitigation Plan completion through the evaluation of evidence provided by entities to demonstrate that appropriate actions have been implemented according to established milestones and to ensure the Entity has returned to compliance.

To facilitate compliance monitoring and enforcement activities, all owners, operators, and users of the BES are required to register for the functions that are applicable to their organizations. ReliabilityFirst maintains organization registration information and submits updated information to NERC, who maintains the official compliance registry. Certification of organizations performing reliability responsibilities will continue for entities required to satisfy the RC, BA, and TOP functions.

---

**2014 Key Assumptions**

The Compliance Monitoring and Enforcement and Organization Registration and Certification Programs incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst Compliance Monitoring and Enforcement and Organization and Certification Programs include the following unique regional assumptions:

1. Compliance monitoring is conducted using a risk and performance based process where monitoring of entities will be determined by an entity's risk to BES reliability. This change in monitoring is not expected to result in a reduction in resource needs during the 2014 - 2016 timeframe.
2. ReliabilityFirst and NERC will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the auditors, enforcement, and investigation staff. As part of the training effort, at least two auditor workshops and monthly auditor calls will be provided to auditors with updates on compliance policies, actions, and requirements in order to promote consistency of audit practices and procedures. It is expected that this training and future credentialing will have an impact on staffing needs and costs (e.g., travel and lodging) to attend, certify, and maintain training and associated credentials.
3. Provide time for staff to maintain industry certifications, such as NERC System Operator Certification, Critical Infrastructure Protection (CIP) certifications, and Professional Engineer certifications, etc. Additional time to incorporate the appropriate audit and investigative skills is also being included.
4. Work with NERC to place priority on developing educational materials for Registered Entities regarding expectations for new and changes to existing Reliability Standards. Given the complexity and number of standards and requirements that are being enhanced, changed, etc., these will be required in the near term to develop guidance and training to the industry on all of the new and emerging enhanced standards.

**2014 Key Deliverables**

- Manage all compliance activities in an unbiased, fair, and consistent manner, affording all Registered Entities appropriate due process.
- Ensure all auditors receive training and meet all NERC auditor training requirements.
- Develop and enhance processes, databases, and reporting tools for accurate tracking and reporting of compliance activities including compliance audits, spot checks, self-certifications, alleged and confirmed violations of Reliability Standards, penalty and sanction actions, settlements, hearings, disposition of all violations, mitigation plans, and management of the compliance monitoring process records.

- 
- Maintain a reporting relationship with NERC and establish processes and procedures to report monitoring results, violations, levied penalties and sanctions, and track mitigation plans and settlement actions for violations. Also, develop statistical information of compliance activities to identify any trends requiring action.
  - Manage all enforcement actions to ensure consistent application of penalties for violations of Reliability Standards.
  - Prepare and distribute all compliance monitoring process reports to NERC and Registered Entities.
  - Provide enhanced analysis reports of violations and violation trends of Reliability Standards to the Reliability *First* Board Compliance Committee and NERC.
  - Identify trends pertaining to problem areas, entities that may require additional follow-up review, and communicate any lessons learned to other Registered Entities while protecting confidentiality.
  - Support the development of the compliance elements for all new or revised Reliability Standards within the Reliability *First* and NERC Standards Program.
  - Support NERC standards drafting teams as resources are available.
  - Increase efficiencies across all areas to reduce redundancy and increase productivity.
  - Support NERC with any ongoing training (e.g. auditor) and credentialing efforts to maintain an appropriate mix of credentialed and /or experienced staff to conduct and demonstrate competence in all CMEP activities.

---

## Investigations & Compliance Services

### Program Scope and Functional Description

The Investigations and Compliance Services functions include: compliance investigations, assessments of all complaints, organization registration, organization certification, perform mitigation plan acceptance and approval as required, assessment of self-certifications and periodic data submittals, review and analyze complaints, develop compliance lessons learned, provide industry training through various means and serving as a technical resource for the Corporation.

### 2014 Key Assumptions

The Investigations and Compliance Services area incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The Investigations and Compliance Services area includes the following unique regional assumptions:

1. Review the criteria and processes used to encourage prompt and complete compliance self-analysis to promote continuous improvement, shared lessons learned, and information sharing. The number of reviews requiring this analysis and follow up is expected to be significant until this process matures.
2. Conduct about thirty compliance assessments, initiate two compliance investigations, and analyze two complaints. It is anticipated that the compliance reviews will include at least one request for information to acquire any needed clarification in order to make a determination if a formal monitoring process is initiated.
3. Analyze BES exception requests, entity questions, and all entity submittals that will determine what elements are captured as part of the BES. With an expected uniform BES definition and exception process being implemented in 2014, a resulting increased workload will be required to handle these new tasks. This activity coupled with the existing compliance monitoring activity workload increases will potentially increase the overall compliance workload. It is expected that a large number of registration evaluations will be necessary based on this process.
4. Entities have expressed a desire to consolidate and where applicable, increase the number of Joint Registration Organizations, and Coordinated Functional Registrations. Requests are expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance management by registering as a corporate entity. This increase will have a direct impact on the workload associated with registration and certification.
5. Entities have expressed a desire to implement the Multi-Regional Registered Entity (MRRE) within the Regions. Requests are expected to increase as entities seek to achieve efficiency and effectiveness in compliance. The increase in requests might have a direct impact on the workload associated with implementing various compliance monitoring processes.

6. Document and continue to conduct Assist Visits in an effort to improve entities' compliance culture, practices and performance. Formalize and document the Assist Visit Program. Expecting a minimum of eight to ten assist visits to be requested in 2014.
7. Work with NERC on updating, modifying and streamlining the CMEP Implementation Plan process.
8. Work with NERC on updating and improving the Organization Certification process by looking for efficiencies and when appropriate perform these using a risk based assessment.
9. Make use of tabletop (off-site) reviews and use a risk based assessment to determine when a review is needed.
10. Work with NERC on reviewing and modifying the registration process by moving towards an ERO wide common registration database.

ReliabilityFirst does not expect a significant number of registration challenges, with efforts in registration focusing on refining the current registries across the Region. However, with the continued merger and acquisition activities in the industry and changing BES definition, some registration changes are anticipated and will require administrative, technical, and legal reviews.

#### **2014 Key Deliverables**

- Work within the region and NERC to develop criteria for processing, analyzing, and reporting BES inclusions and exclusions, and Exception requests.
- Develop criteria and a process to encourage prompt and complete compliance self-analysis.
- Develop material for Registered Entities regarding expectations for new and existing Reliability Standards.
- In proportion to the significance of the incident and risk to the BES, review and make a timely decision whether an additional compliance monitoring process needs to be implemented.
- Process all registration issues including the Joint Registration and, Organization, Coordinated Functional Registration requests in a timely fashion.
- Develop a process and share it with NERC to review and determine if applying the MRRE to an entity is appropriate and reasonable.
- Complete a registry review of all entities based upon the FERC approved BES definition to assure registration accuracy.
- Develop the documentation for the Assist Visit Program.

## Operations & Planning Audit

### Program Scope and Functional Description

The Operations & Planning Audit Group (OP/PLAN) is responsible for the completion of the operations and planning audits and spot checks, which address the FERC Order 693 Reliability Standards, investigations and certification activities, and provides Subject Matter Experts (SMEs) to the Enforcement Area as needed for mitigation plan reviews and other initiatives. The OP/PLAN area is also responsible for the completion of risk-based assessments as part of the monitoring processes.

### 2014 Key Assumptions

The OP/PLAN area incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst OP/PLAN area includes the following unique regional assumptions:

1. Audits will continue under the on-going schedule to complete the BA, TOP, and RC audits on a three year cycle. It is expected TOs identified as local control centers within PJM (TO/LCCs) will be monitored every three years through PJM directed compliance audits, with oversight by region. All Registered Entities that are registered for other functions will be audited every six years. Audits may transition to a period more reflective of their risk profile.
2. Audits will focus on a risk and performance based review of the individual entity. While some audits will be more in-depth and of greater complexity, other audits may require fewer review activities based on the risk and performance based assessment of each entity.
3. OP/PLAN staff will support investigations, organization registration and certification, assist visits, the Enforcement area as SMEs, and other compliance processes as needed in 2014.
4. OP/PLAN staff will continue to support NERC initiatives through participation on NERC committees, support of NERC audits and other monitoring processes, and existing communication processes to achieve the global initiative of providing Registered Entities with consistency, transparency, and educational opportunities.
5. Audit Plans, Internal Controls, and Risk Based Monitoring are expected to be rolled out in 2014 as part of the audit process. The extent of any resource impact is unknown at this time. Inclusion of these requirements is expected to increase auditor time and resources to complete monitoring processes.
6. Training to improve the auditing skills of the current OP/PLAN audit staff is being addressed to improve the understanding and skills of the team members. Through NERC training and other available auditing courses, RFC will provide the necessary training to continue to provide an excellent and respected audit staff.
7. ReliabilityFirst will continue to seek and employ initiatives to increase efficiencies and production in 2014. The MKInsight audit management system will be fully functional for audits and ReliabilityFirst will look to further develop the system to



address Audit Planning and Risk Based Assessments. In addition, ReliabilityFirst will look to expand the system to be a central location for all monitoring processes and as a result become a central compliance database for all registered entities which will spread the initial savings and efficiencies throughout the compliance area. Other initiatives such as audit mapping, procedure improvement, and training will be explored to support the effort to gain and maintain efficiencies and production.

### 2014 Key Deliverables

- Conduct thorough and formal compliance audits of RC, BA, TOPs and TO/LCCs. Audit teams will consist of ReliabilityFirst staff supplemented as necessary by independent contractors. No industry volunteers will serve on audit teams. Approximately 8 on-site audits will be performed.
- Conduct thorough and formal compliance audits of all other entities on a six-year cycle. These audits will be conducted off-site but may necessitate on-site reviews periodically. Approximately 65 off-site audits will be performed.
- Conduct spot checks and unscheduled audits on entities to assess risk and performance of OP/PLAN standards or as determined through any other assessment utilized by ReliabilityFirst. This type of monitoring may rise in 2014 and in the years following 2014. Risk assessments will provide a focused determination of the risks which will affect the scope of monitoring, ideally with a future reduction of overall monitoring.
- Conduct approximately 110 risk-based assessments on those entities scheduled for an audit.
- Provide efficiencies in audit and spot check processes through continued auditor training and process improvements. We will be utilizing an audit management software package that will be fully operational in the beginning of 2014 and is expected to provide efficiency gains.
- Support two reliability workshops each year, monthly “open” compliance calls, assist visits, and provide Registered Entity assistance as needed.
- Provide support to satisfy NERC and FERC oversight and monitoring activities.

The anticipated workload may exceed the 2014 available resources based upon proposed NERC initiatives for the auditing and monitoring processes, however, no additional FTEs in 2014 are being requested. For audits, contractor support will supplement the audit staff in some instances where unplanned events occur that affect the available resources.

---

## Critical Infrastructure Protection Audits

### Program Scope and Functional Description

The Critical Infrastructure Protection (CIP) Audit area is responsible for completion of the following major functional responsibilities:

- Monitor Compliance to the CIP Standards for entities subject to CIP standards through compliance audits and/or spot checks ensuring that all pre-audit, onsite or offsite, and post audit activities are completed per the established process and timelines.
- Management of Technical Feasibility Exceptions (TFEs), as outlined in Appendix 4D of the NERC Rules of Procedures, to ensure all reviews and ongoing (quarterly & annual) reporting requirements are properly managed.
- Participation in the NERC Sufficiency Review Program – CIP-OS Outreach sessions. It is expected that this program will continue to mature and be revised based on any ongoing lessons learned.
- Support the completion of risk-based entity profile assessments as part of the monitoring processes and ensure consistency of the audit and spot check processes for the CIP Reliability Standards.
- Support the development and implementation of various initiatives including the Risk Based Monitoring, Audit Planning / Scoping, and Internal Controls Assessment.
- Provide technical subject matter expertise and support for compliance investigations, assist visits, mitigation plan reviews, regional outreach efforts, and other initiatives as identified within *ReliabilityFirst* and/or the ERO.

### 2014 Key Assumptions

The CIP Audit area incorporates the regional specific common business planning assumptions as described in the NERC 2014 - 2016 Shared Business Plan and Budget Assumptions document. The *ReliabilityFirst* CIP Audit area includes the following unique regional assumptions:

1. The ERO is continuing with the “Three-Tiered Approach to Audit Scope Determination” which identifies Tier 1 requirements as the minimum scope of an audit with the potential expansion into Tier 2 and Tier 3 requirements based on the results of a risk-based entity profile assessment or as determined during the audit process. This approach is expected to continue in 2014 with the possibility of some changes that are yet to be defined within the ERO. As a result, 131 of 168 Tier 1 CIP requirements are the minimum requirements within an audit scope, with the potential addition of 28 Tier 2 and 9 Tier 3 CIP requirements for all Registered Entities that have identified Critical Assets and Critical Cyber Assets. The scoping philosophy has continued to be to incorporate Tier 2 requirements into the audit review for those Registered Entities that have not undergone a previous CIP audit or spot check. Where entities have undergone a previous CIP audit or spot check, these results and the previous scope are assessed as part of the risk-based entity profile assessment and incorporated into the audit scope recommendation for the upcoming audit or spot check.

2. The time required to complete the onsite CIP audit reviews, also includes site visits and field visits (i.e. substations, generation facilities, etc.) that may be warranted based on the scope of the audit and if initial evidence is not sufficient to substantiate that an entity meets compliance.
3. For Registered Entities subject to compliance to the CIP standards that have no Critical Cyber Assets, the audit scope focuses on Tier 1 (minimum) and Tier 2 (when warranted) requirements within CIP-002 and CIP-003 R2 and are conducted offsite by one team of two auditors.
4. It is expected that CIP spot checks will take place in 2014 and may increase with the implementation of the risk-based approach to compliance monitoring. This may increase auditor time and resources, however appropriately scoped audits based on risk-based entity assessments should lead to a focused and efficient monitoring program. ReliabilityFirst will plan to support these efforts with existing CIP audit staff and augment with OP/PLAN audit staff or contractors, as needed.
5. The TFE program will continue to require existing staff resources to perform reviews and gauge compensating measures. TFE development, review, and approval will result in compensating measure validation checks, quarterly/annual report tracking, and change management. Furthermore, the continued review and assessment of new TFEs and the tracking and updating of existing TFEs within the existing process continues to be administratively burdensome and has resulted in proposed NERC RoP, Appendix 4D process revisions, which are in the process of being filed with FERC. The timing and outcome of FERC's ruling is unknown at this time. In the interim, ReliabilityFirst will continue to support the TFE's with existing staff and incorporate any changes in TFE processing to improve overall efficiency.
6. Any approved and/or terminated TFEs are to be audited as part of a scheduled CIP audit according to Appendix 4D of the NERC Rules of Procedure. This is applicable to entities that have identified Critical Assets and Critical Cyber Assets and have such TFEs. The review of these TFEs has been incorporated into the existing audit review schedule. The effort required to review these TFEs continues to be monitored and may extend the audit review schedule or result in a separate unscheduled audit review, resulting in additional time and/or resources required to complete the audit of such TFEs.
7. With the FERC approval of the CIP Version 4 Reliability Standards, the effective date of 4/1/2014 for these standards is established. Entities will be expected to utilize the new CIP-002-4 Bright-Line Criteria (BLC) to identify and revise their Critical Assets. However, on April 18, 2013, FERC issued a Notice of Proposed Rulemaking (NPOR) proposing to approve CIP Version 5 Reliability Standards. In the NOPR, the Commission proposes to approve NERC's implementation plan to allow entities to transition from compliance with the currently-effective CIP Version 3 Reliability Standards to compliance with the CIP Version 5 Reliability Standards and, the CIP Version 4 Reliability Standards would never be mandatory and enforceable. Presently, the timing of FERC's Final Rule on CIP Version 5 is unknown and the CIP Version 4 effective date is established. Both CIP Version 4 and CIP Version 5 introduce new criteria for identifying assets that are subject to compliance with the CIP Reliability Standard. With the integration

of this new criterion, expectations are such that there may be a substantial increase in the number of entities and Critical Assets required to be monitored for CIP compliance in the near future but, there may also be a decrease in the number of entities and Critical Assets required to be monitored for CIP compliance downstream. In either case, a resource impact is anticipated along with the potential for additional burden and workload added to the CIP Program during the ensuing transition period from CIP Version 3 to CIP Version 4 or CIP Version 5. The actual impact is yet to be realized so in the interim, existing CIP audit staff will manage and monitor the impact which will guide the development of any future resource recommendations.

8. The proposed implementation plan for CIP Version 5 provides language that would allow entities to transition from CIP Version 3 to CIP Version 5, thereby bypassing implementation of CIP Version 4 completely upon Commission approval. Realizing that FERC's actions are unknown, NERC plans to issue CIP-002 Transition Guidance addressing Applicable Methodologies and Possible Outcomes and Compliance Monitoring and Enforcement guidance regarding the transition from CIP Version 3 to CIP Version 4 while CIP Version 5 is pending at FERC. Based on this status, there is little expected workload impact in 2014 regarding the Version 5 CIP Standards other than engaging in any outreach efforts identified within the ERO.
9. Will support the NERC CIP-002 Sufficiency Review Program in 2014.
10. Will support the development and implementation of various initiatives including Risk Based Monitoring, Audit Planning / Scoping, and Internal Controls Assessment.
11. Will support ongoing CIP auditor training and credentialing efforts (as applicable) to maintain an appropriate mix of credentialed and/or experienced audit staff to conduct and demonstrate competence in auditing.

### **2014 Key Deliverables**

- CIP audits will be performed as separate audits from the OP/PLAN audits. The CIP audits can be categorized as medium and small sized audits as defined by NERC and the number of requirements. The number of CIP audits targeted for 2014 is defined below and will be based on the number of entities that identify Critical Assets, as entities start assessing their Critical Assets against the approved CIP-002-4 Bright Line Criteria, and their compliance to all the requirements of CIP-003-4 thru CIP-009-4 by the effective date of April 1, 2014. It is expected that the number of CIP audits will be greater than or at least the same as in 2013 resulting in approximately:
  - 5-10 CIP medium audits of entities on the 3 year cycle (onsite).
    - Registered Entities are expected to be compliant with the Tier 1 CIP requirements (at a minimum) and any added Tier 2 or 3 CIP requirements based on the results of the risk-based entity profile assessment. These entities typically have many Critical Assets and Critical Cyber Assets due to being registered for multiple functions such as a BA, TO, TOP, and RC.

- 5-10 CIP medium audits of entities on the 6 year cycle (onsite).
  - Registered Entities are expected to be compliant with the Tier 1 CIP requirements (at a minimum) and any added Tier 2 or 3 CIP based on the results of the risk-based entity profile assessment. These entities typically have fewer Critical Cyber Assets as a result of being registered for multiple functions such as a GO, GOP, LSE, etc.
- 30-35 CIP small audits of entities on the 6 year cycle (offsite).
  - Registered Entities are expected to be compliant with the Tier 1 CIP requirements (at a minimum) and any added Tier 2 requirements, within CIP-002 and CIP-003 R2 based on the results of the risk-based entity profile assessment. These entities have identified no Critical Cyber Assets.
- CIP spot checks will be used to assess performance to selected CIP Standards as outlined in the annual *CMEP* Implementation Plan. This monitoring process will also be utilized to confirm self-certifications, self-reports, the status of mitigation plans or agreed to activities associated with settlement agreements.
- Manage the completion of TFE Part A reviews, Part B Reviews, and quarterly / annual reporting for the 14 requirements subject to TFE processing which will become more streamlined within the revised Appendix 4D. The effort required to process TFEs will continue into 2014. The rate of TFE submittals is not expected to be reduced to zero in the next few years due to technology changes, additional entities being identified with Critical Assets and Critical Cyber Assets, and the full understanding of the current and upcoming CIP Standards. ReliabilityFirst expects approximately 250 new TFEs, 225 TFE amendments, and 400 TFE Terminations to be processed. It is expected that one equivalent FTE will continuously be allocated to provide oversight and management of the TFE process.

In 2014, compliance audits of CIP Standards will continue to include the review of Approved and Terminated TFEs. The plan is to continue incorporating the review of these TFEs into the existing audit review schedule for 2014 and beyond.

- Conduct approximately 117 risk-based assessments on those entities scheduled for an audit in 2014. This includes assessments for both CIP and OP/PLAN audits conducted by an internal ReliabilityFirst Risk-Based Assessment committee comprised of cross-functional team members.
- Participate in the 2014 NERC Sufficiency Review Program – CIP-OS Outreach sessions. The expectation is that NERC will conduct 1 or 2 sufficiency reviews of entities registered in the ReliabilityFirst region.
- Provide efficiencies in audit and spot check processes through auditor training and compliance monitoring process improvements.
- Support NERC in developing and supporting a training and implementation program for Registered Entities to successfully implement the CIP-002 Version 4

Standard, as requested. Depending on the state of the CIP Version 5 standards, support similar activities.

- Support NERC in the development and implementation of Risk Based Monitoring, Audit Planning / Scoping, and Internal Controls Assessment. This may include:
  - Transitioning to performance based audits focused on the purpose, intent and reliability risk associated with applicable standards, in an effort to further identify and promote auditing efficiencies.
  - Integration of a process for assessing registered entity internal controls as part of the compliance monitoring activities to further prioritize risk-based compliance monitoring activities.

The final resource impact for supporting these initiatives is unknown at this time and will be further assessed and defined as these initiatives gain further definition.

- Support the successful implementation of the ERO 2014 Strategic Goals and Objectives with a focus on goal “1.b.i. – Facilitate smooth transition of new standards (i.e. CIP Version 5)”, and goal “1.b.ii. – Consolidate to a common set of application guides or RSAWs for all standards.” Resources are being expended throughout 2013 and expected to continue into 2014. Support for any other goals will be provided as agreed to between ReliabilityFirst and NERC.
- Support two regional compliance workshops each year, monthly “open” compliance calls and assist visits.
- CIP will support the OP/PLAN Audit Program as needed and available in 2014.

Overall, the current workload is exceeding the currently staffed available resources and this workload is not anticipated to diminish in the next few years, but instead remain the same or grow.

For 2014, the workload analysis associated with the above deliverables supports the already approved compliment of FTEs including management. These resources will be required to complete the anticipated workload as well as any new CIP-related initiatives within the CIP Audit Department. Also, contractor support is expected to remain a necessity to provide staff coverage as required to meet the fluctuating demands of the 2014 CIP audit schedule or any other responsibilities.

Furthermore, Compliance will monitor the workload during 2013 and look for efficiency gains throughout the monitoring process (i.e. MKInsight Audit Management Tool, Audit Process Mapping, etc.) to match the allocated manpower and to also collect information to make the necessary resource recommendations in the 2015 budgeting cycle.

## Enforcement Management

### Program Scope and Functional Description

ReliabilityFirst Enforcement will end 2013 with an approved Enforcement Staffing level of 12 FTEs. As has been the case in the last few budgets, ReliabilityFirst will keep flat that level of staffing within Enforcement. Enforcement work burden (defined as all necessary activities needed to successfully complete an enforcement action including but not limited to fact and circumstance review, risk-harm assessment, mitigation plan review and validation, final disposition method selection, negotiation, final document drafting, post-filing support, etc.), continues to be driven primarily by the number of enforcement actions undertaken. Historical violation levels (i.e., enforcement actions undertaken) are shown below for 2010 thru 2012. The need to make estimations almost two years in advance makes forecasting a difficult task, but ReliabilityFirst estimates the number of violations year over year during this budgeted year to remain relatively flat.

CIP		693			
Year	# of Violations	Year	# of Violations	Total	
2010	254	2010	215	469	Actual
2011	408	2011	177	585	Actual
2012	358	2012	191	549	Actual
2013	533	2013	120	653	Estimate
2014	400	2014	180	580	Estimate
2015	410	2015	180	590	Estimate

ReliabilityFirst Enforcement activities are centered on risk assessment, risk management and risk communication. As the ERO (including the Regions) bases more decisions on risks to reliability, risk analysis becomes key in dynamically managing ReliabilityFirst monitoring activities and in driving ReliabilityFirst decision making in treatment of issues within or without of Enforcement. By virtue of the necessary regulatory requirement of providing rigorous risk analysis for each Enforcement action filing, ReliabilityFirst has developed skill and expertise in this area within the Risk and Mitigation Group of the Enforcement Department. As this expertise becomes more necessary for activities throughout ReliabilityFirst outside of Enforcement, the techniques (e.g., risk-harm methodologies, root cause analysis, preventative measures, internal control attribute appraisals) developed by Enforcement will be leveraged throughout ReliabilityFirst and, with equal importance, shared with the Registered Entities within the ReliabilityFirst Region.

### 2014 Key Assumptions

The Enforcement Management area incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst Enforcement Management area includes the following unique regional assumptions:

1. ReliabilityFirst Enforcement believes the downward trend for Non-CIP (“693”) violations seen from 2010 to 2011 has stabilized and the number of Non-CIP violations will remain flat relative to the 2011 and 2012 violation levels. Additionally, ReliabilityFirst Enforcement believes the year over year increase in CIP violations (2010 to 2011 = 60% year over year increase) has moderated and the expectation is that the number of CIP violations will also remain relatively flat during this budgeted period.
2. It is expected that the majority of possible violations will continue to be handled through the settlement process (30 to 40%) and the Find, Fix and Track (FFT) program (60 to 70%).
3. Increased process efficiencies and gained experience offset the increased complexity of compliance cases and the level of effort and resources for a settlement continues to decrease. A year over year increase in efficiency of 5% is assumed.
4. The number of hearings to be conducted in 2014 is unknown, and therefore no external legal resources have been budgeted.
5. There will be a shift in focus of activities from punishing past behavior (although still necessary and required in serious circumstances) to partnering with Registered Entities to ensure compliance and reliability going forward in a proactive manner. This focus has historically been present in mitigation plan and settlement (“above and beyond” activities), but the same analysis and techniques can be used to prevent non-compliances from occurring in the first place.

#### **2014 Key Deliverables**

- Continue to increase efficiency in dispositioning enforcement actions and preparing settlements.
- Conduct initial violation fact and circumstance reviews and communicate with the entity through each step of the enforcement process. Manage all necessary activities of the enforcement process through final closure with NERC, including mitigation plans, settlements, hearings, and participate as necessary in any appeals to NERC or regulatory agencies for alleged violations that are contested.
- Enforcement will resolve serious violations in a manner that deters entities from engaging in similarly risky behavior that resulted in the serious violations.
- Enforcement will continue to tailor resolutions of violations to the risk posed by each violation.
- Enforcement will recognize that an aged violation may result in mitigating activities that are stale, and therefore, do not address reliability risks as effectively as they otherwise might. Therefore, Enforcement will work to derive internal goals that encourage addressing violations in a timely manner.
- Report all violations of Standards for which investigation, decision, and hearing processes have been completed, including the identity of the organizations involved in those violations.
- Provide the necessary information regarding all financial penalties to support the collection and disbursement of the penalty funds.



- Continue development of risk-harm analysis process to accurately quantify the risk-harm posed by violations.
- Develop or assist in the development of cross-departmental procedures to ensure FFT is implemented in a manner that maximizes its efficacy.

---

## Funding Sources and Requirements — Explanation of Variance

### Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States) and penalty sanctions, as the Compliance Monitoring, and Enforcement, and Organization and Certification Program is a delegated function.

### Personnel Expenses

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 43 FTEs for this program area, consistent with 2013. Therefore, with no change in FTEs the increase is mainly due to budgeting for yearly compensation increases based on labor market conditions, merit, inflation, etc.

### Meeting Expenses

- Meeting expenses increased as a result of an increase in travel expenses expected for the new Director of Compliance position.

### Operating Expenses

- Consultants and Contracts decreased due to the process improvements and efficiency gains that are expected to be achieved.
- Office Costs increased due to the maintenance agreements and change order requests for both Open Access Technology International's compliance portal and MKInsight's audit management tool.

### Indirect Expenses

- Expenses related to Administrative Services have been allocated proportionately based on FTE count to the direct programs. This method of accounting results in an increase compared to 2013, which is due to higher expenses allocated for 2014.

### Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

### Fixed Asset Additions

- Fixed Assets Additions increased due to budgeting for software to be used to perform additional analysis.

## Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program

Funding sources and related expenses for the Compliance Monitoring and Enforcement and Organization Registration and Certification Program are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Compliance Monitoring, and Enforcement, and Organization Registration and Certification</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ 10,736,863	\$ 10,736,863	\$ -	\$ 12,563,972	\$ 1,827,109
Penalty Sanctions	2,240,059	2,240,059		1,020,974	(1,219,085)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 12,976,922</b>	<b>\$ 12,976,922</b>	<b>\$ -</b>	<b>\$ 13,584,946</b>	<b>\$ 608,024</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	45,105	-	(45,105)	-	(45,105)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 13,022,027</b>	<b>\$ 12,976,922</b>	<b>\$ (45,105)</b>	<b>\$ 13,584,946</b>	<b>\$ 562,919</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 5,870,100	\$ 5,693,026	\$ (177,074)	\$ 6,071,377	\$ 201,277
Payroll Taxes	370,369	370,038	(331)	380,483	10,114
Benefits	838,359	774,537	(63,822)	869,013	30,654
Retirement Costs	867,559	865,178	(2,381)	950,486	82,927
<b>Total Personnel Expenses</b>	<b>\$ 7,946,387</b>	<b>\$ 7,702,780</b>	<b>\$ (243,607)</b>	<b>\$ 8,271,359</b>	<b>\$ 324,972</b>
<b>Meeting Expenses</b>					
Meetings	\$ 8,210	\$ 9,826	\$ 1,616	\$ 10,730	\$ 2,520
Travel	508,000	541,663	33,663	533,000	25,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 516,210</b>	<b>\$ 551,489</b>	<b>\$ 35,279</b>	<b>\$ 543,730</b>	<b>\$ 27,520</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 475,000	\$ 494,459	\$ 19,459	\$ 454,000	\$ (21,000)
Office Rent	-	-	-	-	-
Office Costs	311,989	280,468	(31,521)	381,527	69,538
Professional Services	15,000	15,000	-	15,000	-
Miscellaneous	1,405	1,039	(366)	2,721	1,316
Depreciation	206,421	226,207	19,786	119,909	(86,512)
<b>Total Operating Expenses</b>	<b>\$ 1,009,815</b>	<b>\$ 1,017,173</b>	<b>\$ 7,358</b>	<b>\$ 973,157</b>	<b>\$ (36,658)</b>
<b>Total Direct Expenses</b>	<b>\$ 9,472,412</b>	<b>\$ 9,271,442</b>	<b>\$ (200,970)</b>	<b>\$ 9,788,246</b>	<b>\$ 315,834</b>
<b>Indirect Expenses</b>	<b>\$ 3,865,608</b>	<b>\$ 4,067,584</b>	<b>\$ 201,976</b>	<b>\$ 3,994,892</b>	<b>\$ 129,284</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 13,338,020</b>	<b>\$ 13,339,026</b>	<b>\$ 1,006</b>	<b>\$ 13,783,139</b>	<b>\$ 445,119</b>
<b>Change in Assets</b>	<b>\$ (315,993)</b>	<b>\$ (362,104)</b>	<b>\$ (46,111)</b>	<b>\$ (198,193)</b>	<b>\$ 117,800</b>
<b>Fixed Assets</b>					
Depreciation	\$ (206,421)	\$ (226,207)	\$ (19,786)	\$ (119,909)	\$ 86,512
Computer & Software CapEx	9,600	9,600	-	12,000	2,400
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<b>\$ (196,821)</b>	<b>\$ (216,607)</b>	<b>\$ (19,786)</b>	<b>\$ (107,909)</b>	<b>\$ 88,912</b>
Allocation of Fixed Assets	\$ (119,172)	\$ (98,476)	\$ 20,696	\$ (90,284)	\$ 28,888
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (315,993)</b>	<b>\$ (315,083)</b>	<b>\$ 910</b>	<b>\$ (198,193)</b>	<b>\$ 117,800</b>
<b>Total Budget</b>	<b>\$ 13,022,027</b>	<b>\$ 13,023,943</b>	<b>\$ 1,916</b>	<b>\$ 13,584,946</b>	<b>\$ 562,919</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ (47,021)</b>	<b>\$ (47,021)</b>	<b>\$ -</b>	<b>\$ -</b>

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessments and Performance Analysis</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	10.00	10.00	0.00
Direct Expenses	\$ 2,198,926	\$ 2,213,283	\$ 14,357
Indirect Expenses	\$ 898,979	\$ 929,045	\$ 30,066
Inc(Dec) in Fixed Assets	\$ (27,714)	\$ (20,996)	\$ 6,718
Total Funding Requirement	\$ 3,070,191	\$ 3,121,331	\$ 51,140

### Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Section 800, ReliabilityFirst's engineering staff will independently analyze, assess, and report on the reliability and adequacy of the BES within its footprint. This includes performance of seasonal, near-term and long-term resource and transmission assessments, special investigations as warranted, analysis and reporting of system disturbances and events, and collection and dissemination of data, lessons learned, and other information.

### 2014 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the ReliabilityFirst Reliability Assessment and Performance Program.

### 2014 Key Deliverables

#### Assessments of Reliability Performance

- Perform seasonal (summer and winter) and long term resource adequacy assessments and produce reports per NERC Rules of Procedure Section 800 and NERC Standards MOD-016, TPL-005, and TPL-006.
- Perform seasonal (summer and winter) transmission assessment studies, a near-term (1 through 5 years into the future) transmission assessment, and a long-term (5 through 10 years into the future) transmission assessment and produce reports per Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.
- Collect data and produce assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, long-term, and post-seasonal operational reports per NERC Rules of Procedure Section 800.
- Work with neighboring Regional Entities in the Eastern Interconnection Reliability Assessment Group (ERAG) to perform seasonal, near-term, and long-term transmission assessment studies and produce reports per NERC Standards TPL-005, and TPL-006.

### Model Development to Conduct Assessments

- Develop a series of thirteen power flow base case models per NERC Standards MOD-011 and MOD-014 (ERAG/Multiregional Modeling Working Group (MMWG) effort).
- Develop power flow base case models per NERC Standards MOD-011 and MOD-014 (regional and interregional study efforts).
- Develop a series of eight dynamic base case models per NERC Standards MOD-013 and MOD-015 (ERAG/MMWG effort).
- Develop any needed dynamic base case models per NERC Standards MOD-013 and MOD-015 (regional and interregional study efforts).

### Event Analysis Activities

- The staff will collect, review, and analyze disturbances as described in the NERC ERO Event Analysis Process and cooperate with NERC and FERC staff and other Regional Entity staff to assure root cause, corrective actions, and lessons learned are identified.
- Collect and review disturbance reports as required in NERC Standard EOP-004.
- Collect and review disturbance reports as required by the Department of Energy in form OE-417.
- Assist NERC in the collection and validation of data for the Events Information Data System (EIDS).

### Reporting Requirements

- Submit Reliability*First* load, capacity, and transmission data and power flow base cases annually for the DOE EIA-411 report.
- Assist NERC in the collection and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS) and the Demand Response Availability Data System (DADS)
- Assist NERC in the collection and validation of data for the Reliability Assessment Data System (RADS). This project has been created to help automate the data collection, validation, submission and analysis process for the reliability assessment reports.
- Submit Reliability*First* power flow data annually for the FERC 715 report.
- Submit an assessment report to the Public Utilities Commission of Ohio as required by Ohio law.

### Other Requirements and Activities

- Publish any lessons learned that are developed from analyzed system events, misoperation reporting, and other sources.
- Continue to actively participate in ERAG, which includes the Management Committee, MMWG, and the study forums.

- Analyze protective relay misoperation information and track corrective action plans as required in NERC Standard PRC-003.
- Conduct initial and periodic Special Protection System (SPS) reviews as required in NERC Standards PRC-012, PRC-013, and PRC-014.
- Conduct under-frequency load shed (UFLS) reviews as required in NERC Standard PRC-006.
- Conduct under-voltage load shed (UVLS) reviews.
- Coordinate disturbance monitoring equipment placement as required in NERC Standard PRC-002.
- Develop and maintain a Reliability*First* BES facilities map.
- Develop and maintain a linear contingency database for transmission assessment studies.
- In support of the ERO, actively participate in NERC committees, subcommittees, task forces, and other technical groups, such as the Planning Committee, Operating Committee, and associated subgroups.
- Compliance Monitoring and Enforcement and Organization and Certification Program and Reliability Assessment and Performance Analysis Program will manage the NERC BES definition exception process and coordinate with NERC according to the Rules of Procedure exception process.
- Continue to support stakeholder participation through various regional technical groups. The Reliability Committee is the primary technical advisory body to the Reliability*First* Board of Directors. Other technical subcommittees analyze and discuss technical issues related to reliability assessments, disturbance reporting, event analysis, and other technical and assessment related activities.

## **Funding Sources and Requirements — Explanation of Variance**

### **Funding Sources**

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States) and penalty sanctions, as the Reliability Assessment and Performance Analysis Program is a delegated function.

### **Personnel Expenses**

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 10 FTEs, consistent with 2013. Therefore, with no change in FTEs the increase in personnel expenses is mainly due to budgeting for yearly compensation increases based on labor market conditions, merit, inflation, etc.

### **Meeting Expenses**

- Meeting expenses increased due to the expectation that meeting activity will be similar to 2012 levels.
- Travel expenses decreased due to an expected reduction in participation on various committees and subcommittees.

### **Operating Expenses**

- Office costs decreased due to a reduction in an annual fee for software licenses.

### **Indirect Expenses**

- Expenses related to Administrative Services have been allocated proportionately based on FTE count to the direct programs. This method of accounting results in an increase compared to 2013, which is due to higher expenses allocated for 2014.

### **Other Non-Operating Expenses**

- There are no other non-operating expenses expected for this budget year.

### **Fixed Asset Additions**

- There are no fixed asset additions expected for this budget year.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis Program are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ 2,538,757	\$ 2,538,757	\$ -	\$ 2,883,895	\$ 345,138
Penalty Sanctions	520,944	520,944		237,436	(283,508)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 3,059,701</b>	<b>\$ 3,059,701</b>	<b>\$ -</b>	<b>\$ 3,121,331</b>	<b>\$ 61,630</b>
Membership Dues			\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	10,490	-	(10,490)	-	(10,490)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 3,070,191</b>	<b>\$ 3,059,701</b>	<b>\$ (10,490)</b>	<b>\$ 3,121,331</b>	<b>\$ 51,140</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,479,629	\$ 1,322,999	\$ (156,630)	\$ 1,495,659	\$ 16,030
Payroll Taxes	86,964	79,126	(7,838)	90,649	3,685
Benefits	154,494	119,118	(35,376)	150,700	(3,794)
Retirement Costs	218,462	198,569	(19,893)	236,514	18,052
<b>Total Personnel Expenses</b>	<b>\$ 1,939,549</b>	<b>\$ 1,719,812</b>	<b>\$ (219,737)</b>	<b>\$ 1,973,522</b>	<b>\$ 33,973</b>
<b>Meeting Expenses</b>					
Meetings	\$ 15,000	\$ 12,119	\$ (2,881)	\$ 22,000	\$ 7,000
Travel	106,500	97,170	(9,330)	85,500	(21,000)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 121,500</b>	<b>\$ 109,289</b>	<b>\$ (12,211)</b>	<b>\$ 107,500</b>	<b>\$ (14,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 77,140	\$ 77,140	\$ -	\$ 77,097	\$ (43)
Office Rent	-	-	-	-	-
Office Costs	60,687	52,870	(7,817)	54,963	(5,724)
Professional Services	-	-	-	-	-
Miscellaneous	50	59	9	200	150
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 137,877</b>	<b>\$ 130,069</b>	<b>\$ (7,808)</b>	<b>\$ 132,260</b>	<b>\$ (5,617)</b>
<b>Total Direct Expenses</b>	<b>\$ 2,198,926</b>	<b>\$ 1,959,170</b>	<b>\$ (239,756)</b>	<b>\$ 2,213,283</b>	<b>\$ 14,357</b>
<b>Indirect Expenses</b>	<b>\$ 898,979</b>	<b>\$ 945,950</b>	<b>\$ 46,971</b>	<b>\$ 929,045</b>	<b>\$ 30,066</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 3,097,905</b>	<b>\$ 2,905,120</b>	<b>\$ (192,785)</b>	<b>\$ 3,142,327</b>	<b>\$ 44,422</b>
<b>Change in Assets</b>	<b>\$ (27,714)</b>	<b>\$ 154,581</b>	<b>\$ 182,295</b>	<b>\$ (20,996)</b>	<b>\$ 6,718</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (27,714)	\$ (22,901)	\$ 4,813	\$ (20,996)	\$ 6,718
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (27,714)</b>	<b>\$ (22,901)</b>	<b>\$ 4,813</b>	<b>\$ (20,996)</b>	<b>\$ 6,718</b>
<b>Total Budget</b>	<b>\$ 3,070,191</b>	<b>\$ 2,882,218</b>	<b>\$ (187,973)</b>	<b>\$ 3,121,331</b>	<b>\$ 51,140</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ 177,483</b>	<b>\$ 177,483</b>	<b>\$ -</b>	<b>\$ (0)</b>



## Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.10	3.10	0.00
Direct Expenses	\$ 649,614	\$ 634,858	\$ (14,756)
Indirect Expenses	\$ 278,684	\$ 288,004	\$ 9,320
Inc(Dec) in Fixed Assets	\$ (8,591)	\$ (6,509)	\$ 2,082
Total Funding Requirement	\$ 919,707	\$ 916,353	\$ (3,354)

### Program Scope and Functional Description

The Training, Education, and Operator Certification staff focuses on providing relevant training to entities operating in the ReliabilityFirst region and participates in the NERC Training and Education Group (TEG) in identifying training needs of the industry and Regional Entity staff. This training is structured to provide timely information in a concise format to enable participation at all levels within an organization.

### 2014 Key Assumptions

The Training, Education, and Operator Certification Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst Training, Education and Operator Certification Program includes the following unique regional assumption:

1. ReliabilityFirst will provide timely publication of lessons learned and recommendations from system events and track responses to recommendations on compliance related issues and concerns.

### 2014 Key Deliverables

#### Board of Directors' Training

- Per the Bylaws of ReliabilityFirst, the Board of Directors will receive training annually to keep current with activities within the ReliabilityFirst footprint and to stay abreast of changes affecting the industry.
- In addition, ReliabilityFirst also has a requirement to conduct orientation training for newly-elected Directors. This training is conducted soon after a new Director has been elected and provides an overview of ReliabilityFirst including our organization, governance, goals, and objectives.

#### Industry Education and Workshops

- In 2014, ReliabilityFirst will increase and add greater focus to its activities aimed at helping industry participants achieve excellence in reliability. These activities include:
  - The development and publication of lessons learned/best practices from system events.

- Identification of common reasons why Reliability Standards are violated.
- Efforts to better prepare entities for compliance audits and also for enforcement activities.
- Increased focus on any lessons learned or trends in reliability assessments.
- Continued workshops and forums to allow for free exchange of information between Reliability*First* and its stakeholders. Workshops to be conducted in 2014 include:
  - Two Compliance Monitoring and Enforcement Program workshops to promote an understanding of the program and educate the entities on understanding what is required to meet compliance for a requirement, what is needed for a sufficient data submittal, and the concepts of Risk Based and Internal Control Programs. This effort includes “Open” compliance calls.
  - Open forums to provide insight into new standards developed and approved by the industry changes in the Compliance Monitoring and Enforcement Program, Infrastructure Protection issues, or other topics requested by Members/Registered Entities.
  - CIP Standards Webinars to provide insight into the evolution of these standards and to provide a forum for representatives of registered entities to share thoughts, problems, and solutions.
  - Updates to the base case development process used for developing computer models used to perform reliability assessments.
  - Develop and post timely compliance-related lessons learned.
  - Assist NERC, in the development of educational materials for our Registered Entities.

## **Funding Sources and Requirements — Explanation of Variance**

### **Funding Sources**

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States) and penalty sanctions, as the Training, Education, and Operator Certification Program is a delegated function.

### **Personnel Expenses**

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 3.1 FTEs for this program area, consistent with 2013. Therefore, with no change in FTEs the increase in personnel expenses is mainly due to budgeting for yearly compensation increases based on labor market conditions, merit, inflation, etc.

### **Meeting Expenses**

- Meetings decreased as a result of the exclusion of two additional workshops that were included within the 2013 budget.
- Travel increased due to the travel expenses relating to the anticipated assist visits.

### **Operating Expenses**

- There are no operating expenses expected for this budget year.

### **Indirect Expenses**

- Expenses related to Administrative Services have been allocated proportionately based on FTE count to the direct programs. This method of accounting results in an increase compared to 2013, which is due to higher expenses allocated for 2014.

### **Other Non-Operating Expenses**

- There are no other non-operating expenses expected for this budget year.

### **Fixed Asset Additions**

- There are no fixed asset additions expected for this budget year.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification Program are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Training, Education, and Operator Certification Program</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ 754,962	\$ 754,962	\$ -	\$ 842,748	\$ 87,786
Penalty Sanctions	161,493	161,493		73,605	(87,888)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 916,455</b>	<b>\$ 916,455</b>	<b>\$ -</b>	<b>\$ 916,353</b>	<b>\$ (102)</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	3,252	-	(3,252)	-	(3,252)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 919,707</b>	<b>\$ 916,455</b>	<b>\$ (3,252)</b>	<b>\$ 916,353</b>	<b>\$ (3,354)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 411,250	\$ 415,132	\$ 3,882	\$ 428,516	\$ 17,266
Payroll Taxes	27,473	28,131	658	28,687	1,214
Benefits	51,900	51,622	(278)	53,484	1,584
Retirement Costs	64,991	64,036	(955)	67,571	2,580
<b>Total Personnel Expenses</b>	<b>\$ 555,614</b>	<b>\$ 558,920</b>	<b>\$ 3,306</b>	<b>\$ 578,258</b>	<b>\$ 22,644</b>
<b>Meeting Expenses</b>					
Meetings	\$ 90,000	\$ 69,134	\$ (20,866)	\$ 45,000	\$ (45,000)
Travel	4,000	5,367	1,367	11,600	7,600
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 94,000</b>	<b>\$ 74,501</b>	<b>\$ (19,499)</b>	<b>\$ 56,600</b>	<b>\$ (37,400)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 649,614</b>	<b>\$ 633,421</b>	<b>\$ (16,193)</b>	<b>\$ 634,858</b>	<b>\$ (14,756)</b>
<b>Indirect Expenses</b>	<b>\$ 278,684</b>	<b>\$ 293,244</b>	<b>\$ 14,560</b>	<b>\$ 288,004</b>	<b>\$ 9,320</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 928,298</b>	<b>\$ 926,666</b>	<b>\$ (1,632)</b>	<b>\$ 922,862</b>	<b>\$ (5,436)</b>
<b>Change in Assets</b>	<b>\$ (8,591)</b>	<b>\$ (10,211)</b>	<b>\$ (1,620)</b>	<b>\$ (6,509)</b>	<b>\$ 2,082</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (8,591)	\$ (7,099)	1,492	(6,509)	\$ 2,082
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (8,591)</b>	<b>\$ (7,099)</b>	<b>\$ 1,492</b>	<b>\$ (6,509)</b>	<b>\$ 2,082</b>
<b>Total Budget</b>	<b>\$ 919,707</b>	<b>\$ 919,566</b>	<b>\$ (141)</b>	<b>\$ 916,353</b>	<b>\$ (3,354)</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ (3,111)</b>	<b>\$ (3,111)</b>	<b>\$ -</b>	<b>\$ (0)</b>

## Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.60	0.60	0.00
Direct Expenses	\$ 188,308	\$ 192,440	\$ 4,132
Indirect Expenses	\$ 53,939	\$ 55,743	\$ 1,804
Inc(Dec) in Fixed Assets	\$ (2,088)	\$ (1,685)	\$ 403
Total Funding Requirement	\$ 240,159	\$ 246,498	\$ 6,339

### Program Scope and Functional Description

In support of the ERO and pursuant to the NERC Rules of Procedure, Section 1000, Situation Awareness and Infrastructure Security (SAIS) staff, in coordination with members of the Engineering staff, will monitor present conditions on the BES.

The SAIS activity continues to evolve to provide the tools and information required by the staff and stakeholders to promote infrastructure protection. The SAIS program area addresses two separate but related functions, Situation Awareness and CIP.

The SAIS program area focuses on supporting the staff and Registered Entities in understanding potential threats to the electricity sector, implementation of Reliability Standards developed to reinforce infrastructure security, and maintaining an awareness of conditions on the BES.

### 2014 Key Assumptions

The SAIS Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The ReliabilityFirst SAIS Program includes the following unique regional assumption:

- National level security exercises will be conducted to examine industry's cyber security and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control systems, System Control and Data Acquisition, and information technology assets. ReliabilityFirst will participate in these exercises as appropriate.

### 2014 Key Deliverables

#### Support of the ReliabilityFirst Critical Infrastructure Protection Committee (CIPC)

- The purpose of the ReliabilityFirst CIPC is to share information concerning CIP and to promote CIP within the ReliabilityFirst region. SAIS staff will support the committee through scheduling and facilitation of committee meetings and webinars and dissemination of messages, alerts, and warnings from NERC and Department of Homeland Security (DHS).

#### Support/Oversee ReliabilityFirst Staff Resources Compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009)

- ReliabilityFirst is committed to complying with the NERC Cyber Security Standards. The SAIS staff will provide training, guidance, and oversight to the staff, particularly the Information Technology staff, in achieving compliance to these standards.

#### Provide Information on CIP-Related Issues

- This activity involves dissemination of information to Registered Entities from agencies such as the Electricity Sector Information Sharing and Analysis Center (ES-ISAC), the U.S.DHS, and others containing information on events or suspected events representing potential threats to the electricity sector.
- SAIS staff will work with other members of the NERC CIPC and NERC staff to develop a robust messaging system for dissemination of CIP-related messages to the appropriate target audience.

#### Monitor the Health of the BES

- The use of situation awareness tools by staff has been evolving over the last few years. SAIS staff continues to participate in the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) project and is making use of the SAFNR displays developed through this project. ReliabilityFirst is a signatory to the NERC Operating Reliability Data Confidentiality Agreement and the SAFNR Subscriber Agreement and as such staff has been using tools such as the Reliability Coordinator Information System (RCIS), System Data eXchange (SDX), Area Control Error (ACE), and Abnormal Frequency System Monitoring, in addition to SAFNR Version 2, to monitor the health of the BES within the ReliabilityFirst geographical area.

#### Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the ReliabilityFirst Office

- A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets. Disaster recovery deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout. A pandemic plan focuses on business continuity in the face of a declared pandemic.
- The ReliabilityFirst Board of Directors approved the implementation of a full Disaster Recovery site. Staff refined its Emergency Response plan to develop a true Business Continuity Plan and investigated the options for providing Disaster Recovery. During 2013, ReliabilityFirst staff continued to evaluate disaster recovery capabilities and conducted a simplified tabletop exercise to test the plan. In 2014, ReliabilityFirst will conduct additional exercises to further test and refine the plan and to identify areas for additional improvement.

#### Assist stakeholders in complying with NERC and ReliabilityFirst Standards Dealing with CIP

- The Standards currently addressing this issue continue to be the NERC Cyber Security Standards (CIP-002 – CIP-009). As these standards evolve, ReliabilityFirst stakeholders will continue to monitor and implement revisions to the standards as those revisions are completed and approved. ReliabilityFirst SAIS staff will be available to answer questions concerning these standards and,

in coordination with the ReliabilityFirst CIPC, will sponsor regional workshops and webinars as needed to foster the exchange of ideas and solutions developed by stakeholders.

Support the ReliabilityFirst Compliance Monitoring and Enforcement Program

- The SAIS program area will support the activities involving CIP related issues and events and Compliance Monitoring and Enforcement program area by providing expertise on CIP monitoring, mitigation plans and settlements that include assessment of compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009).

## **Funding Sources and Requirements — Explanation of Variance**

### **Funding Sources**

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States) and penalty sanctions, as the Situation Awareness and Infrastructure Security Program is a delegated function.

### **Personnel Expenses**

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 0.6 FTEs for this program area, consistent with 2013.

### **Meeting Expenses**

- Meeting expenses increased due to hosting more meetings at third party facilities.
- Travel expenses decreased due to an additional year's worth of historical data, which allows a more accurate estimate to be forecasted.

### **Operating Expenses**

- Operating expenses remained consistent.

### **Indirect Expenses**

- Expenses related to Administrative Services have been allocated proportionately based on FTE count to the direct programs. This method of accounting results in an increase compared to 2013, which is due to higher expenses allocated for 2014.

### **Other Non-Operating Expenses**

- There are no other non-operating expenses expected for this budget year.

### **Fixed Asset Additions**

- There are no fixed asset additions expected for this budget year.



## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security Program are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ 208,273	\$ 208,273	\$ -	\$ 232,251	\$ 23,978
Penalty Sanctions	31,257	31,257	-	14,246	(17,011)
<b>Total ReliabilityFirst Funding</b>	<b>\$ 239,530</b>	<b>\$ 239,530</b>	<b>\$ -</b>	<b>\$ 246,498</b>	<b>\$ 6,968</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	629	-	(629)	-	(629)
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 240,159</b>	<b>\$ 239,530</b>	<b>\$ (629)</b>	<b>\$ 246,498</b>	<b>\$ 6,339</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 120,045	\$ 119,631	\$ (414)	\$ 123,160	\$ 3,115
Payroll Taxes	5,984	6,136	152	6,112	128
Benefits	7,251	7,287	36	7,265	14
Retirement Costs	19,207	19,285	78	19,593	386
<b>Total Personnel Expenses</b>	<b>\$ 152,487</b>	<b>\$ 152,339</b>	<b>\$ (148)</b>	<b>\$ 156,130</b>	<b>\$ 3,643</b>
<b>Meeting Expenses</b>					
Meetings	\$ 2,000	\$ 6,573	\$ 4,573	\$ 7,000	\$ 5,000
Travel	30,000	17,220	(12,780)	25,000	(5,000)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 32,000</b>	<b>\$ 23,793</b>	<b>\$ (8,207)</b>	<b>\$ 32,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	2,496	3,084	588	3,036	540
Professional Services	-	-	-	-	-
Miscellaneous	900	880	(20)	848	(52)
Depreciation	425	656	231	425	-
<b>Total Operating Expenses</b>	<b>\$ 3,821</b>	<b>\$ 4,620</b>	<b>\$ 799</b>	<b>\$ 4,309</b>	<b>\$ 488</b>
<b>Total Direct Expenses</b>	<b>\$ 188,308</b>	<b>\$ 180,752</b>	<b>\$ (7,556)</b>	<b>\$ 192,440</b>	<b>\$ 4,132</b>
<b>Indirect Expenses</b>	<b>\$ 53,939</b>	<b>\$ 56,757</b>	<b>\$ 2,818</b>	<b>\$ 55,743</b>	<b>\$ 1,804</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 242,247</b>	<b>\$ 237,509</b>	<b>\$ (4,738)</b>	<b>\$ 248,182</b>	<b>\$ 5,935</b>
<b>Change in Assets</b>	<b>\$ (2,088)</b>	<b>\$ 2,021</b>	<b>\$ 4,109</b>	<b>\$ (1,685)</b>	<b>\$ 403</b>
<b>Fixed Assets</b>					
Depreciation	\$ (425)	\$ (656)	\$ (231)	\$ (425)	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (425)	\$ (656)	\$ (231)	\$ (425)	\$ -
Allocation of Fixed Assets	\$ (1,663)	\$ (1,374)	289	\$ (1,260)	\$ 403
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (2,088)</b>	<b>\$ (2,031)</b>	<b>\$ 57</b>	<b>\$ (1,685)</b>	<b>\$ 403</b>
<b>Total Budget</b>	<b>\$ 240,159</b>	<b>\$ 235,479</b>	<b>\$ (4,680)</b>	<b>\$ 246,498</b>	<b>\$ 6,339</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ 4,051</b>	<b>\$ 4,051</b>	<b>\$ -</b>	<b>\$ -</b>

## Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	15.80	14.80	(1.00)
Total Direct Expenses	\$ 5,142,158	\$ 5,314,136	\$ 171,978
Inc(Dec) in Fixed Assets	\$ (158,526)	\$ (120,099)	\$ 38,427
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 4,983,632	\$ 5,194,037	\$ 210,405
Funding Requirements for Working Capital Requirement	\$ (221,190)	\$ (1,545,284)	\$ (1,324,094)

### Program Scope and Functional Description

Administrative Services is comprised of the following programs; Technical Committees and Member Forums, General and Administrative, Legal and Regulatory Affairs, Information Technology, Human Resources, and Finance and Accounting.

### Methodology for Allocation of Administrative Services Expenses to Programs

- The majority of the Operating Expenses are accounted for within the related department's budget. If an expense cannot be specifically associated to a department, it is included in one of the Administrative Services programs. All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated proportionately based on FTE count to the direct programs. This allocation provides improved financial perspective for the direct program areas.

## Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.00	0.00	0.00
Total Direct Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The ReliabilityFirst technical committees and subcommittees continue to work exclusively on reliability assessment and performance analysis activities, and therefore, all associated costs have been included within the Reliability Assessment and Performance Analysis Program. There are no member forums supported in the region.

## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	4.30	3.30	(1.00)
Total Direct Expenses	\$ 2,384,637	\$ 2,401,886	\$ 17,249
Inc(Dec) in Fixed Assets	\$ (45,326)	\$ (41,920)	\$ 3,406
Working Capital Requirement	\$ (221,190)	\$ (1,545,284)	\$ (1,324,094)

### Program Scope and Functional Description

The General and Administrative Department consists of the President and CEO, Senior Vice President, Executive Assistant, and the Corporate Secretary. Responsibilities include leadership, oversight, and management of all ReliabilityFirst Corporation's activities, interaction with the Board of Directors and other Regional Entity Management Groups, managing the relationships with governmental agencies, regulators, members, stakeholders, and other industry organizations.

### 2013 Key Assumptions

The General and Administrative Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the General and Administrative Program.

---

## Funding Requirements — Explanation of Variance

### Funding Sources

- The increase or decrease in ERO assessments to achieve the desired working capital reserve balance is reflected in the General and Administrative Program.

### Personnel Expenses

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 3.3 FTEs for this program area, a decrease of one FTE from 2013. The decrease in Salaries is a result of the reallocation of the Event Planner/Receptionist to the Human Resource Program and the reallocation of compensation as a result of the implementation of a deferred compensation plan.
- The increase in Retirement Costs is due to the reallocation of compensation as a result of the implementation of a deferred compensation plan.

### Meeting Expenses

- Meeting expenses increased due to the increase costs associated with the quarterly board meetings.

### Operating Expenses

- Consultants and Contracts increased as a result of budgeting for leadership training and project management support of the Regional Entity Management Group.
- Office Costs increased due to the annual fees associated with the online solutions used to manage board materials and company surveys.
- Professional Services decreased due to a reduction in the number of board committee conference calls. In addition, the anticipated cost of commercial insurance decreased.

### Indirect Expenses

- Expenses related to Administrative Services, including General and Administrative have been allocated proportionately based on FTE count to the direct programs for 2014.

### Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

### Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

## General and Administrative

Funding sources and related expenses for the General and Administrative Program are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>General and Administrative</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ (221,190)	\$ (221,190)	\$ -	\$ (1,545,284)	\$ (1,324,094)
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<u>\$ (221,190)</u>	<u>\$ (221,190)</u>	<u>\$ -</u>	<u>\$ (1,545,284)</u>	<u>\$ (1,324,094)</u>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ (221,190)</u>	<u>\$ (221,190)</u>	<u>\$ -</u>	<u>\$ (1,545,284)</u>	<u>\$ (1,324,094)</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,245,216	\$ 1,172,075	\$ (73,141)	\$ 1,134,062	\$ (111,154)
Payroll Taxes	40,166	45,186	5,020	46,893	6,727
Benefits	68,109	74,559	6,450	68,963	854
Retirement Costs	110,326	159,135	48,809	155,262	44,936
<b>Total Personnel Expenses</b>	<u>\$ 1,463,817</u>	<u>\$ 1,450,956</u>	<u>\$ (12,861)</u>	<u>\$ 1,405,181</u>	<u>\$ (58,636)</u>
<b>Meeting Expenses</b>					
Meetings	\$ 25,800	\$ 30,248	\$ 4,448	\$ 47,500	\$ 21,700
Travel	59,800	59,800	-	57,500	(2,300)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 85,600</u>	<u>\$ 90,048</u>	<u>\$ 4,448</u>	<u>\$ 105,000</u>	<u>\$ 19,400</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 21,000	\$ 18,750	\$ (2,250)	\$ 59,500	\$ 38,500
Office Rent	401,645	401,645	-	404,952	3,307
Office Costs	39,623	60,921	21,298	71,057	31,434
Professional Services	315,650	300,976	(14,674)	302,400	(13,250)
Miscellaneous	11,976	12,150	174	11,876	(100)
Depreciation	45,326	28,500	(16,826)	41,920	(3,406)
<b>Total Operating Expenses</b>	<u>\$ 835,220</u>	<u>\$ 822,942</u>	<u>\$ (12,278)</u>	<u>\$ 891,706</u>	<u>\$ 56,486</u>
<b>Total Direct Expenses</b>	<u>\$ 2,384,637</u>	<u>\$ 2,363,946</u>	<u>\$ (20,691)</u>	<u>\$ 2,401,886</u>	<u>\$ 17,249</u>
<b>Indirect Expenses</b>	<u>\$ (2,384,637)</u>	<u>\$ (2,363,946)</u>	<u>\$ 20,691</u>	<u>\$ (2,401,886)</u>	<u>\$ (17,249)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ (221,190)</u>	<u>\$ (221,190)</u>	<u>\$ -</u>	<u>\$ (1,545,284)</u>	<u>\$ (1,324,094)</u>
<b>Fixed Assets</b>					
Depreciation	\$ (45,326)	\$ (28,500)	\$ 16,826	\$ (41,920)	\$ 3,406
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	1,498	1,498	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<u>\$ (45,326)</u>	<u>\$ (27,002)</u>	<u>\$ 18,324</u>	<u>\$ (41,920)</u>	<u>\$ 3,406</u>
Allocation of Fixed Assets	\$ 45,326	\$ 27,002	(18,324)	\$ 41,920	\$ (3,406)
<b>Inc/(Dec) in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Budget</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Total Change in Working Capital</b>	<u>\$ (221,190)</u>	<u>\$ (221,190)</u>	<u>\$ -</u>	<u>\$ (1,545,284)</u>	<u>\$ (1,324,094)</u>

## Legal and Regulatory Affairs

<b>Legal and Regulatory Affairs</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	2.00	2.00	0.00
Total Direct Expenses	\$ 571,560	\$ 634,132	\$ 62,572
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -

### Program Scope and Functional Description

Legal activities include the areas of Corporate Governance; Legal and Regulatory Compliance; Contract Law; Employment Law; General Counsel Activities; FERC Filings; General Corporate Needs; serving as Advisor to the President & CEO and the Board of Directors; working with FERC, NERC, industry, and other entities or individuals on specific issues relating to ReliabilityFirst and/or its performance of its delegated functions; advising senior executives on strategic planning, governance, corporate risk, and various strategic and tactical initiatives for the corporation; and advocating and advancing the corporation's strategic initiatives to FERC and other government authorities, NERC and the Regional Entities, stakeholders, and the general public.

### 2014 Key Assumptions

The Legal and Regulatory Affairs Program provides legal support to all other programs to make all necessary regulatory filings with NERC, the Commission, and any other agency, as well as support NERC in its efforts to do the same.

### 2014 Key Deliverables

Support all legal and regulatory needs of the corporation.

## **Funding Requirements — Explanation of Variance**

### **Personnel Expenses**

- Salaries, payroll taxes, employee benefits, and retirement costs for 2014 are budgeted for two FTEs, consistent with 2013. Therefore, with no change in the total number of FTEs, the increase in personnel expenses is mainly due to the reallocation of one FTE at a higher compensation level, then the two .5 FTEs previously included in the budget.

### **Meeting Expenses**

- Travel expenses increased due to the additional travel anticipated of the general counsel.

### **Operating Expenses**

- Consultants and Contracts increased as a result of budgeting for leadership training.
- Office Costs increased due to budgeting for a subscription to LexisNexis that was previously budgeted in the Compliance department.

### **Indirect Expenses**

- Expenses related to Administrative Services, including Legal and Regulatory Affairs, have been allocated proportionately based on FTE count to the direct programs for 2014.

### **Other Non-Operating Expenses**

- There are no other non-operating expenses expected for this budget year.

### **Fixed Asset Additions**

- There are no fixed asset additions expected for this budget year.



## Legal and Regulatory Affairs

Funding sources and related expenses for the Legal and Regulatory Affairs Program are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Legal and Regulatory Affairs</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 373,908	\$ 384,220	\$ 10,312	\$ 399,449	\$ 25,541
Payroll Taxes	19,523	19,745	222	20,114	591
Benefits	18,245	26,827	8,582	28,452	10,207
Retirement Costs	58,576	60,850	2,274	62,462	3,886
<b>Total Personnel Expenses</b>	<u>\$ 470,252</u>	<u>\$ 491,641</u>	<u>\$ 21,389</u>	<u>\$ 510,477</u>	<u>\$ 40,225</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ 147	\$ 147	\$ -	\$ -
Travel	28,000	28,000	-	38,000	10,000
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 28,000</u>	<u>\$ 28,147</u>	<u>\$ 147</u>	<u>\$ 38,000</u>	<u>\$ 10,000</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Office Rent	-	-	-	-	-
Office Costs	8,308	14,176	5,868	15,655	7,347
Professional Services	65,000	65,000	-	65,000	-
Miscellaneous	-	8	8	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 73,308</u>	<u>\$ 79,184</u>	<u>\$ 5,876</u>	<u>\$ 85,655</u>	<u>\$ 12,347</u>
<b>Total Direct Expenses</b>	<u>\$ 571,560</u>	<u>\$ 598,972</u>	<u>\$ 27,412</u>	<u>\$ 634,132</u>	<u>\$ 62,572</u>
<b>Indirect Expenses</b>	<u>\$ (571,560)</u>	<u>\$ (598,972)</u>	<u>\$ (27,412)</u>	<u>\$ (634,132)</u>	<u>\$ (62,572)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc/(Dec) in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Budget</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Total Change in Working Capital</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>

## Information Technology

<b>Information Technology</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	5.50	5.00	(0.50)
Total Direct Expenses	\$ 1,423,923	\$ 1,513,858	\$ 89,935
Inc(Dec) in Fixed Assets	\$ (109,258)	\$ (75,583)	\$ 33,675

### Program Scope and Functional Description

The strategy of the Information Technology (IT) Program is one of cost effectively providing users with information technology tools and proactively delivering enabling technologies to assist the departments in meeting their goals, objectives, and deliverables. The IT department minimizes the outsourcing of any of the critical infrastructure services and as such must implement and manage controls to maintain a security posture that minimizes ReliabilityFirst's risks. IT provides necessary technical services to cover the following categories:

- Data Center Management
- Website Hosting
- VOIP Phone System
- Voice Conferencing (outsource)
- Web Conferencing (outsource)
- Email
- Document Management
- Desktop Support
- Telecommuter Support
- Application Support and Development
- Business Analysis
- Information Security Awareness and Monitoring
- Business Continuity and Disaster Recovery

IT will align itself and provide customer service to the departments so that the systems built, enhanced, and supported are done in response to our organization's changing needs. ReliabilityFirst must be active in the Regional Entity community by continuing to participate in discussions concerning current and future implementation of technology solutions within the ERO.

### 2014 Key Assumptions

The IT Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. The IT Program includes the following unique regional assumptions:

1. Provide IT support services to all corporate functions to ensure efficient and effective performance.
2. Continue monitoring of the security posture across the company-wide data infrastructure and remediate any vulnerability to protect sensitive data.
3. Continue to evaluate the Disaster Recovery strategy.
4. Maintain lower fixed asset costs (infrastructure servers) by extending useful life of these systems, therefore minimizing replacement costs.
5. Continue to improve departmental processes and efficiencies where automation is needed.
6. Continue departmental training exercises for implemented technologies in order to maintain proficiency.

### **2014 Key Deliverables**

- Perform necessary software upgrades including, but not limited to, the upgrade of Windows 7 Enterprise using software encryption and the upgrade to Office 2013 Professional.
- Continue hardware preventative maintenance program to replace aging hardware before end-of-life affects organizational productivity. In 2014, user systems (i.e. laptops), the core network switch, and the spam firewall devices are scheduled to be replaced. Warranty coverage on infrastructure servers will be extended into 2015+ to extend usage and level costs.
- Continue the enhancements in the development, integration, and expansion of databases and applications into a unified company-wide Information Management System.
- Continue enhancements of the internal "intranet" website and related applications to further improve employee efficiency. Focus will continue to be with the Document Management System, Time Management System, and Report Management System.
- Working closely with the SAIS staff to continue security awareness of staff by providing training documents, questionnaires, simulated exercises, and/or seminars on existing "work-place" vulnerabilities.
- Continue supporting ERO initiatives of developing, testing, and deploying ERO enterprise solutions.

---

**Funding Sources and Requirements — Explanation of Variance****Personnel Expenses**

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 5 FTEs, a decrease of 0.5 FTE from 2013. The decrease is a result of the elimination of a position that was shared with Finance and Accounting.
- The increase in Benefits is due to the increase in education reimbursement costs for 2014.

**Meeting Expenses**

- Meeting expenses decreased slightly as a result of efficiencies gained by use of conference call tools and technologies.

**Operating Expenses**

- Consultants and Contracts decreased due to using contractors for support and maintenance roles instead of performing more extensive system upgrades.
- Office rent increased due to the outsourcing of the data center.
- Office costs increased due to the continued use of the high bandwidth data line and the scheduled replacement of hardware and software.

**Indirect Expenses**

- Expenses related to Administrative Services, including IT, have been allocated proportionately based on FTE count to the direct programs for 2014.

**Other Non-Operating Expenses**

- There are no other non-operating expenses expected for this budget year.

**Fixed Asset Additions**

- Fixed Asset expenses increased due to the scheduled replacement of the core switch, scheduled hardware replacement of the spam firewall devices, and the implementation of a wireless infrastructure.

**Information Technology**

Funding sources and related expenses for the Information Technology Program are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Information Technology</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 618,029	\$ 614,770	\$ (3,259)	\$ 541,390	\$ (76,639)
Payroll Taxes	41,356	43,394	2,038	38,462	(2,894)
Benefits	85,791	87,269	1,478	89,227	3,436
Retirement Costs	97,312	90,733	(6,579)	86,074	(11,238)
<b>Total Personnel Expenses</b>	<b>\$ 842,488</b>	<b>\$ 836,166</b>	<b>\$ (6,322)</b>	<b>\$ 755,153</b>	<b>\$ (87,335)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 600	\$ 600	\$ -	\$ 720	\$ 120
Travel	11,000	11,000	-	11,000	-
Conference Calls	43,092	36,341	(6,751)	38,400	(4,692)
<b>Total Meeting Expenses</b>	<b>\$ 54,692</b>	<b>\$ 47,941</b>	<b>\$ (6,751)</b>	<b>\$ 50,120</b>	<b>\$ (4,572)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 36,000	\$ 25,000	\$ (11,000)	\$ 22,000	\$ (14,000)
Office Rent	60,000	-	(60,000)	100,000	40,000
Office Costs	253,085	500,256	247,171	432,002	178,917
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	177,658	168,228	(9,430)	154,583	(23,075)
<b>Total Operating Expenses</b>	<b>\$ 526,743</b>	<b>\$ 693,484</b>	<b>\$ 166,741</b>	<b>\$ 708,585</b>	<b>\$ 181,842</b>
<b>Total Direct Expenses</b>	<b>\$ 1,423,923</b>	<b>\$ 1,577,591</b>	<b>\$ 153,668</b>	<b>\$ 1,513,858</b>	<b>\$ 89,935</b>
<b>Indirect Expenses</b>	<b>\$ (1,423,923)</b>	<b>\$ (1,577,591)</b>	<b>\$ (153,668)</b>	<b>\$ (1,513,858)</b>	<b>\$ (89,935)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	\$ (177,658)	\$ (168,228)	\$ 9,430	\$ (154,583)	\$ 23,075
Computer & Software CapEx	68,400	68,400	-	79,000	10,600
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<b>\$ (109,258)</b>	<b>\$ (99,828)</b>	<b>\$ 9,430</b>	<b>\$ (75,583)</b>	<b>\$ 33,675</b>
Allocation of Fixed Assets	\$ 109,258	\$ 99,828	(9,430)	75,583	(33,675)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Human Resources

Human Resources (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.00	3.00	1.00
Total Direct Expenses	\$ 414,901	\$ 514,231	\$ 99,330
Inc(Dec) in Fixed Assets	\$ (799)	\$ (799)	\$ -

### Program Scope and Functional Description

ReliabilityFirst realizes that talented, experienced employees are its greatest resource, and that finding, nurturing, and developing that talent is one of our most important tasks. Therefore, the responsibilities of the Human Resources program center on its greatest resource, the ReliabilityFirst staff. These responsibilities include attraction and retention, employee development through performance management and training initiatives, policy and procedure development and adherence measures, as well as compensation and benefits administration. The Human Resources staff must be vigilant in understanding and complying both with federal and state employment laws covering five (5) states and the respective reporting requirements for each.

In 2014, ReliabilityFirst will have assembled a staff of 73, a reduction of one (1) FTE from 2013. (This includes two part-time positions equaling one (1) FTE, which brings the total to an equivalent of 72 FTEs.) The ReliabilityFirst staff is comprised of qualified management, professional, and technical employees with the expertise necessary to serve our stakeholders and to support the ERO by properly carrying out our delegated functions.

### 2014 Key Assumptions

The Human Resource Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the ReliabilityFirst Human Resource Program.

### 2014 Key Deliverables

- Recruit highly skilled and excellent employees.
- Provide training programs and career development.
  - Beginning in 2013, ReliabilityFirst conducts an entire week of training for staff directed at providing cost-effective training. ReliabilityFirst will continue this training in 2014. The training topics are selected to improve the knowledge of staff in areas relevant to staff members' functions.
- Review and manage employee benefits.
- Review succession plans.

---

## Funding Sources and Requirements — Explanation of Variance

### Personnel Expenses

- Salaries, payroll taxes, employee benefits, and retirement costs are for 3.0 FTEs for this program area, an increase of one FTE from 2013. The increase is a result of the reallocation of the Event Planner/Receptionist from the General & Administrative Program.
- Benefits also increased due to the additional expenses related to a week of training scheduled for the entire staff. This week of training is instituted in an effort to take advantage of economies of scale. It will include all required general training, as well as training targeted toward maintaining specific licensures and/or certifications.
- Retirement costs also increased due to administrative costs relating to the management of the company's retirement plan that was previously budgeted in Professional Services.

### Meeting Expenses

- Meeting expenses remained consistent.

### Operating Expenses

- Consultants & Contracts decreased by not planning for a compensation and benefits study.
- Professional Services decreased due to the administrative costs relating to the management of the company's retirement plan that is now being budgeted in Retirement Costs.
- Miscellaneous expenses increased as a result of implementing an employee wellness program.

### Indirect Expenses

- Expenses related to Administrative Services, including Human Resources, have been allocated proportionately based on FTE count to the direct programs for 2014.

### Other Non-Operating Expenses

- There are no other non-operating expenses expected for this budget year.

### Fixed Asset Additions

- There are no fixed asset additions expected for this budget year.

**Human Resources**

Funding sources and related expenses for the Human Resources Program are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Human Resources</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 202,709	\$ 245,314	\$ 42,605	\$ 250,049	\$ 47,340
Payroll Taxes	15,076	18,689	3,613	18,989	3,913
Benefits	49,487	113,599	64,112	103,512	54,025
Retirement Costs	31,626	56,426	24,800	46,682	15,056
<b>Total Personnel Expenses</b>	<u>\$ 298,898</u>	<u>\$ 434,027</u>	<u>\$ 135,129</u>	<u>\$ 419,232</u>	<u>\$ 120,334</u>
<b>Meeting Expenses</b>					
Meetings	\$ 16,200	\$ 16,200	\$ -	\$ 17,030	\$ 830
Travel	8,500	8,500	-	9,000	500
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 24,700</u>	<u>\$ 24,700</u>	<u>\$ -</u>	<u>\$ 26,030</u>	<u>\$ 1,330</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 31,000	\$ 18,745	\$ (12,255)	\$ 10,000	\$ (21,000)
Office Rent	-	-	-	-	-
Office Costs	4,404	5,023	619	4,428	24
Professional Services	44,410	35,891	(8,519)	34,832	(9,578)
Miscellaneous	10,690	20,022	9,332	18,910	8,220
Depreciation	799	799	(0)	799	-
<b>Total Operating Expenses</b>	<u>\$ 91,303</u>	<u>\$ 80,480</u>	<u>\$ (10,823)</u>	<u>\$ 68,969</u>	<u>\$ (22,334)</u>
<b>Total Direct Expenses</b>	<u>\$ 414,901</u>	<u>\$ 539,207</u>	<u>\$ 124,306</u>	<u>\$ 514,231</u>	<u>\$ 99,330</u>
<b>Indirect Expenses</b>	<u>\$ (414,901)</u>	<u>\$ (539,207)</u>	<u>\$ (124,306)</u>	<u>\$ (514,231)</u>	<u>\$ (99,330)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	\$ (799)	\$ (799)	\$ 0	\$ (799)	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	<u>\$ (799)</u>	<u>\$ (799)</u>	<u>\$ 0</u>	<u>\$ (799)</u>	<u>\$ -</u>
Allocation of Fixed Assets	\$ 799	\$ 799	\$ (0)	\$ 799	\$ -
<b>Inc/(Dec) in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Budget</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Change in Working Capital</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



## Finance and Accounting

<b>Finance and Accounting</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	2.00	1.50	(0.50)
Total Direct Expenses	\$ 347,137	\$ 250,029	\$ (97,108)
Inc(Dec) in Fixed Assets	\$ (3,143)	\$ (1,797)	\$ 1,346

### Program Scope and Functional Description

The Finance and Accounting department is responsible for linking the strategy of ReliabilityFirst and its major departments to their annual operating budgets, managing accounting practices to ensure the accuracy of reported results, and making meaningful financial information available to decision makers. The Finance and Accounting department is responsible for directing the complete cycle of financial management activities of ReliabilityFirst Corporation, including:

- Leading the creation of the annual business plan and budget that adequately supports its delegated functions;
- Establishing and maintaining accounting policies and procedures to guide the preparation of ReliabilityFirst's internal and external financial statements in accordance with GAAP;
- Overseeing the annual external audit of ReliabilityFirst's financials and all required filings;
- Supporting the ERO's funding/collection mechanism, ReliabilityFirst will annually collect and supply the ERO with a list of LSEs within the ReliabilityFirst footprint and their associated Net Energy for Load (NEL) data as mandated by FERC; and
- Working with the ERO to develop common accounting practices throughout NERC and the Regions.

### 2014 Key Assumptions

The Accounting and Finance Program incorporates the regional specific common business planning assumptions as described in the NERC 2014 – 2016 Shared Business Plan and Budget Assumptions document. There are no additional assumptions unique to the Finance and Accounting Program.

### 2014 Key Deliverables

- Work with all Regional Entities through the Electric Reliability Organization Finance Group (EROFG) to provide consistency in budget submittals to the ERO and to FERC.
- Provide all ReliabilityFirst program areas, the Board of Directors, and the ERO with financial clarity and understanding of ReliabilityFirst's financial position.

- Direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, tax, audit activities, and financial and accounting system controls and standards.
- Participate with NERC on the annual Regional Entity true-up filing.
- In an effort to continuously improve the entire accounting and budgeting process, actions to monitor operating expenses at a more granular level need to be advanced and implemented.
- Provide advice from the financial perspective on contracts into which the organization may enter.

---

**Funding Sources and Requirements — Explanation of Variance****Personnel Expenses**

- Salaries, payroll taxes, benefits, and retirement costs for 2014 are budgeted for 1.5 FTEs for this program area, a decrease of 0.5 FTE from 2013. The decrease is a result of the elimination of a position that was shared with Information Technology.

**Meeting Expenses**

- Meeting expenses remained consistent.

**Operating Expenses**

- Consultants & Contracts decreased due to the cost for the automated expense report system that is now being budgeted in office costs.
- Office Costs increased due to transitioning from a manual to an automated expense report process.

**Indirect Expenses**

- Expenses related to Administrative Services, including Finance and Accounting, have been allocated proportionately based on FTE count to the direct programs for 2014.

**Other Non-Operating Expenses**

- There are no other non-operating expenses expected for this budget year.

**Fixed Asset Additions**

- There are no fixed asset additions expected for this budget year.

**Finance and Accounting**

Funding sources and related expenses for the Finance and Accounting Program are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Finance and Accounting</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ReliabilityFirst Funding</b>					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 202,166	\$ 196,099	\$ (6,067)	\$ 128,182	\$ (73,984)
Payroll Taxes	13,065	15,599	2,534	10,136	(2,929)
Benefits	34,067	29,784	(4,283)	23,850	(10,217)
Retirement Costs	31,992	26,671	(5,321)	20,461	(11,531)
<b>Total Personnel Expenses</b>	<b>\$ 281,290</b>	<b>\$ 268,152</b>	<b>\$ (13,138)</b>	<b>\$ 182,629</b>	<b>\$ (98,661)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	6,000	6,000	-	6,000	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 6,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 10,000	\$ -	\$ (10,000)	\$ -	\$ (10,000)
Office Rent	-	-	-	-	-
Office Costs	3,604	7,938	4,334	16,103	12,499
Professional Services	43,100	45,659	2,559	43,500	400
Miscellaneous	-	-	-	-	-
Depreciation	3,143	3,368	225	1,797	(1,346)
<b>Total Operating Expenses</b>	<b>\$ 59,847</b>	<b>\$ 56,965</b>	<b>\$ (2,882)</b>	<b>\$ 61,400</b>	<b>\$ 1,553</b>
<b>Total Direct Expenses</b>	<b>\$ 347,137</b>	<b>\$ 331,117</b>	<b>\$ (16,020)</b>	<b>\$ 250,029</b>	<b>\$ (97,108)</b>
<b>Indirect Expenses</b>	<b>\$ (347,137)</b>	<b>\$ (331,117)</b>	<b>\$ 16,020</b>	<b>\$ (250,029)</b>	<b>\$ 97,108</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	\$ (3,143)	\$ (3,368)	\$ (225)	\$ (1,797)	\$ 1,346
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>\$ (3,143)</b>	<b>\$ (3,368)</b>	<b>\$ (225)</b>	<b>\$ (1,797)</b>	<b>\$ 1,346</b>
Allocation of Fixed Assets	\$ 3,143	\$ 3,368	225	\$ 1,797	\$ (1,346)
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Change in Working Capital</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

---

Section B – Supplemental Financial Information  
2014 Business Plan and Budget

---

## Section B — Supplemental Financial Information

### Working Capital Reserve Analysis 2013-2014

#### Table B-1: Reserve Analysis

Working Capital Reserve Analysis 2013-2014	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2012	5,741,861
Less: Penalty sanctions to be used as offset to 2014 assessments <sup>2</sup>	(166,633)
Plus: 2013 ReliabilityFirst Funding (from LSEs or designees)	14,165,848
Plus: 2013 Other funding sources	60,000
Less: 2013 Projected expenses & capital expenditures	(17,255,792)
<b>Projected Working Capital Reserve (Deficit), December 31, 2013</b>	<b>2,545,284</b>
Desired Operating Reserve, December 31, 2014 <sup>3</sup>	1,000,000
Less: Projected Working Capital Reserve, December 31, 2013	(2,545,284)
<b>Increase(decrease) in Assessments to Achieve Desired Operating Reserve</b>	<b>(1,545,284)</b>
2014 Expenses and Capital Expenditures	18,063,201
Less: Penalty Sanctions <sup>4</sup>	(1,358,133)
Less: Other Funding Sources	0
Adjustment to achieve desired Operating Reserve	(1,545,284)
<b>2014 ReliabilityFirst Assessment</b>	<b>15,159,784</b>

<sup>1</sup> Includes penalty sanctions collected from July 1, 2012 to December 31, 2012.

<sup>2</sup> Represents penalty sanctions collected from July 1, 2012 to December 31, 2012.

<sup>3</sup> On February 20, 2013, the ReliabilityFirst Board of Directors approved a desired working capital reserve of \$1,000,000.

<sup>4</sup> Represents penalty sanctions collected from July 1, 2012 to June 30, 2013.

#### Explanation of Operating Reserve

The amount of ReliabilityFirst's operating reserve fund is determined and recommended for approval by the Audit Committee during the annual budget process. In the beginning of the 2014 budgeting process, it was determined that the operating reserve fund would be \$1,000,000 for the year, consistent with 2013. This determination was based on the assumption that the operating reserve fund and the \$1,000,000 line of credit will be sufficient for any anticipated expenditures where the specific amount and timing are uncertain, and any unbudgeted and unexpected expenditures.

## Breakdown of Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditures Table (as seen on page 8) in the Introduction section.

The explanations of variances are provided based on the following criteria:

- Variances equal to or greater than +/- 10%, and
- Variances greater than \$10,000.

### Table B-2: Penalty Sanctions

<b>Penalty Sanctions Collected Between July 1, 2012 and June 30, 2013</b>	
<b>Dates Received</b>	<b>Amount Received</b>
Collected July 1, 2012 to December 31, 2012	166,633
Collected January 1, 2013 to June 30, 2013	1,191,500
<b>Total</b>	<b>1,358,133</b>

Penalty monies received between July 1, 2012 and June 30, 2013, are totaled above and are to be used to offset assessments in the 2014 Budget, as documented in the NERC Policy – “Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standard.” Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

#### Allocation Method

Penalty monies received have been allocated based upon the number of FTEs to the following direct programs to reduce assessments: Reliability Standards; Compliance Monitoring and Enforcement and Organization Registration and Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security.

**Table B-3: Supplemental Funding**

Outside Funding Breakdown By Program (excluding ReliabilityFirst Assessments & Penalty Sanctions)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
Interest Income	\$ 60,000	\$ -	\$ -	\$ (60,000)
<b>Total</b>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (60,000)</u>
<b>Total Outside Funding</b>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (60,000)</u>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

- Due to the volatility of the financial markets ReliabilityFirst will be reevaluating investment options, and as such there has been no interest income included in the budget.



Table B-4: Personnel Expenses

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 10,437,514	\$ 10,090,626	\$ 10,565,531	\$ 128,017	1.23%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Vacation Expense	172,875	158,630	109,022	(63,853)	-36.94%
<b>Total Salaries</b>	<b>\$ 10,610,389</b>	<b>\$ 10,249,256</b>	<b>\$ 10,674,553</b>	<b>\$ 64,164</b>	<b>0.60%</b>
<b>Total Payroll Taxes</b>	<b>\$ 624,720</b>	<b>\$ 634,542</b>	<b>\$ 646,319</b>	<b>\$ 21,599</b>	<b>3.46%</b>
<b>Benefits</b>					
Workers Compensation	\$ 20,027	\$ 22,662	\$ 19,492	\$ (535)	-2.67%
Medical Insurance	1,019,054	995,117	1,096,713	77,659	7.62%
Life-LTD Insurance	113,207	75,631	88,706	(24,501)	-21.64%
Education	156,385	182,253	184,750	28,365	18.14%
Relocation	10,000	12,141	16,000	6,000	60.00%
<b>Total Benefits</b>	<b>\$ 1,318,673</b>	<b>\$ 1,287,804</b>	<b>\$ 1,405,661</b>	<b>\$ 86,988</b>	<b>6.60%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 908,862	\$ 980,660	\$ 1,032,854	\$ 123,992	13.64%
Savings Plan	605,163	559,406	619,713	14,550	2.40%
<b>Total Retirement</b>	<b>\$ 1,514,025</b>	<b>\$ 1,540,066</b>	<b>\$ 1,652,567</b>	<b>\$ 138,542</b>	<b>9.15%</b>
<b>Total Personnel Costs</b>	<b>\$ 14,067,807</b>	<b>\$ 13,711,668</b>	<b>\$ 14,379,100</b>	<b>\$ 311,293</b>	<b>2.21%</b>
<b>FTEs</b>	73.00	73.00	72.00	-1.00	-1.37%
<b>Cost per FTE</b>					
Salaries	\$ 145,348	\$ 140,401	\$ 148,258	2,910	2.00%
Payroll Taxes	8,558	8,692	8,977	419	4.89%
Benefits	18,064	17,641	19,523	1,459	8.08%
Retirement	20,740	21,097	22,952	2,212	10.67%
<b>Total Cost per FTE</b>	<b>\$ 192,710</b>	<b>\$ 187,831</b>	<b>\$ 199,710</b>	<b>\$ 7,000</b>	<b>3.63%</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- The decrease in **Vacation Expense** is due to the change in the company's vacation policy regarding the maximum annual carryover and the banked vacation.
- The decrease in **Life-LTD-Insurance** is due to the consolidation of the two policies by different providers.
- The increase in **Education** is due to increase costs associated with the annual week of corporate training and education for the entire staff.
- The increase in **Discretionary 401(k) Contribution** is due to the implementation of a deferred compensation plan.

Table B-5: Consultants and Contracts

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	475,000	494,459	454,000	(21,000)	-4.42%
Reliability Assessment and Performance Analysis	77,140	77,140	77,097	(43)	-0.06%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security Committee and Member Forums	-	-	-	-	
General and Administrative	21,000	18,750	59,500	38,500	183.33%
Legal and Regulatory	-	-	5,000	5,000	
Information Technology	36,000	25,000	22,000	(14,000)	-38.89%
Human Resources	31,000	18,745	10,000	(21,000)	-67.74%
Accounting and Finance	10,000	-	-	(10,000)	-100.00%
<b>Consultants Total</b>	<b>\$ 650,140</b>	<b>\$ 634,094</b>	<b>\$ 627,597</b>	<b>\$ (22,543)</b>	<b>-3.47%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 650,140</b>	<b>\$ 634,094</b>	<b>\$ 627,597</b>	<b>\$ (22,543)</b>	<b>-3.47%</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- The increase in **General and Administrative** is a result of budgeting for leadership training and project management support of the Regional Entity Management Group.
- The increase in **Legal and Regulatory** is a result of budgeting for leadership training.
- The decrease in **Information Technology** is due to using contractors for support and maintenance roles instead of performing more extensive system upgrades.
- The decrease in **Human Resources** is a result of not planning for a compensation and benefits study.
- The decrease in **Finance and Accounting** is a result of the costs for the automated expense report system that are now being budgeted in office costs.

**Table B-6: Office Rent**

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 400,818	\$ 400,818	\$ 447,634	46,816	11.68%
Utilities	60,827	60,827	57,318	(3,509)	-5.77%
Maintenance	-	-	-	-	
Security	-	-	-	-	
	-	-	-	-	
<b>Total Office Rent</b>	<b>\$ 461,645</b>	<b>\$ 461,645</b>	<b>\$ 504,952</b>	<b>\$ 43,307</b>	<b>9.38%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

- Office rent increased due to the outsourcing of the data center.

Table B-7: Office Costs

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Telephone	\$ 144,477	\$ 240,472	\$ 156,534	\$ 12,057	8.35%
Internet	53,026	195,520	168,124	115,098	217.06%
Office Supplies	30,697	27,606	31,925	1,228	4.00%
Computer Supplies and Maintenance	397,365	416,385	568,310	170,945	43.02%
Publications & Subscriptions	22,259	13,204	17,903	(4,356)	-19.57%
Dues	14,505	11,239	16,712	2,207	15.21%
Postage	3,055	3,012	2,946	(109)	-3.57%
Express Shipping	2,600	2,571	2,830	230	8.85%
Copying	14,000	12,852	14,000	-	0.00%
Reports	600	-	-	(600)	-100.00%
Stationary Forms	320	573	540	220	68.75%
Equipment Repair/Service Contracts	3,460	3,507	960	(2,500)	-72.25%
Bank Charges	500	265	500	-	0.00%
Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity	-	-	-	-	
<b>Total Office Costs</b>	<b>\$ 686,864</b>	<b>\$ 927,206</b>	<b>\$ 981,284</b>	<b>\$ 294,420</b>	<b>42.86%</b>

#### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- The increase in **Internet** is due to the continued use of the high bandwidth data line through October 2014, which was anticipated to have been cancelled by the end of 2012.
- The increase in **Computer Supplies and Maintenance** is due to scheduled hardware replacement of user systems along with the maintenance agreements for Open Access Technology International's compliance portal and the MKInsight's audit management tool.

**Table B-8: Professional Services**

<b>Professional Services</b>	<b>Budget 2013</b>	<b>Projection 2013</b>	<b>Budget 2014</b>	<b>Variance 2014 Budget v 2013 Budget</b>	<b>Variance %</b>
Independent Trustee Fees	\$ 232,650	\$ 223,135	\$ 225,900	\$ (6,750)	-2.90%
Outside Legal	80,000	80,000	80,000	-	0.00%
Accounting & Auditing Fees	87,510	81,550	78,332	(9,178)	-10.49%
Insurance Commercial	83,000	77,841	76,500	(6,500)	-7.83%
				-	
<b>Total Services</b>	<b>\$ 483,160</b>	<b>\$ 462,526</b>	<b>\$ 460,732</b>	<b>\$ (22,428)</b>	<b>-4.64%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

- No explanations needed.

---

Section C – Non-Statutory Activities  
2014 Business Plan and Budget

---

## Section C — Non-Statutory Activities

ReliabilityFirst performed only those functions delegated to it by the ERO in 2013 and the organization does not intend to perform any functions outside its ERO delegated activities in 2014, therefore Section C is not applicable.

---

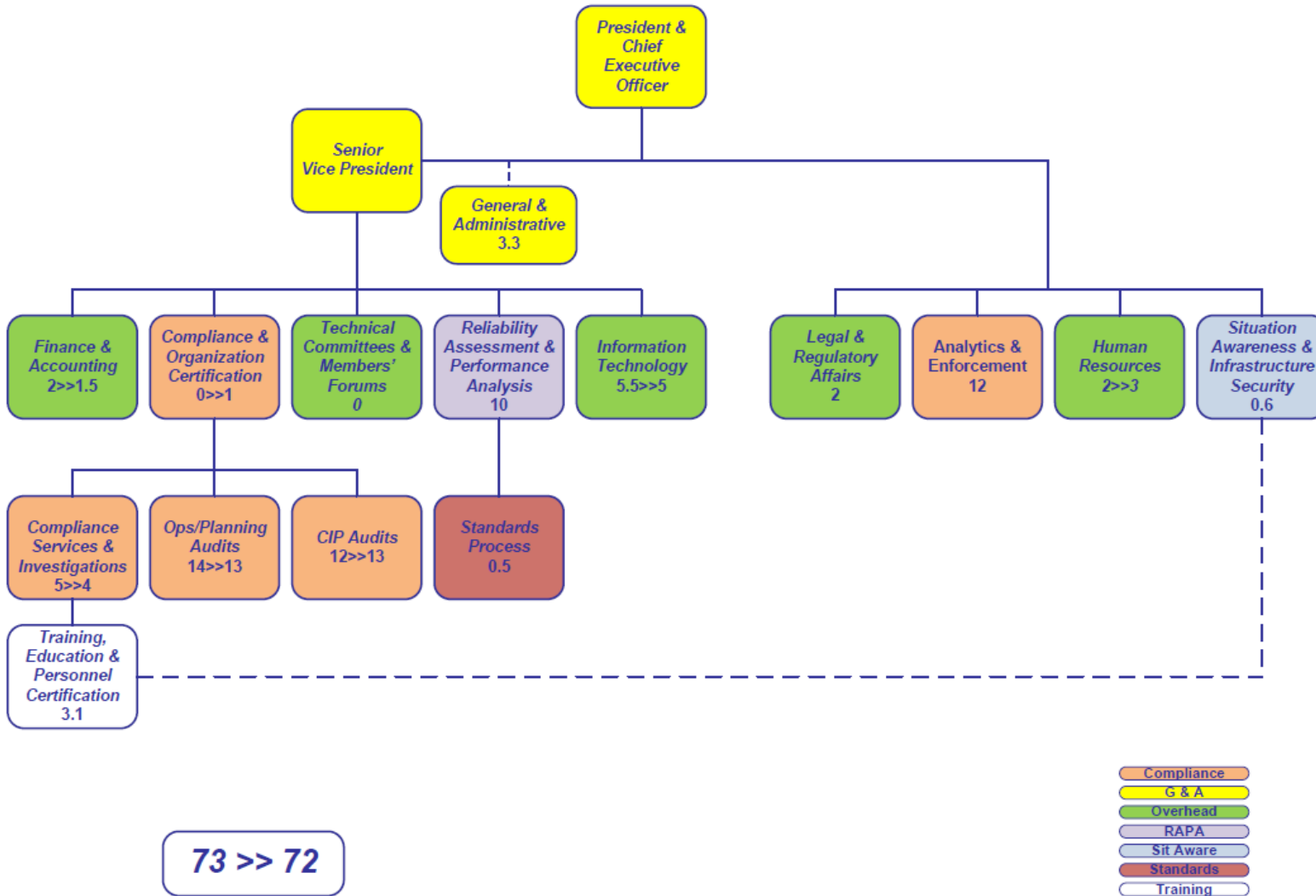
Section D – Supplemental Information  
2014 Business Plan and Budget

---



# Section D — Supplemental Information

## 2014 Organizational Chart



## Statement of Financial Position

### Statement of Financial Position 2012 Audited, 2013 Projection, and 2014 Budget

#### STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-12	Projected 31-Dec-13	Budget 31-Dec-14
<b>ASSETS</b>			
Cash	8,506,130	5,476,186	3,930,902
Accounts receivable, net of allowance for uncollectible accounts	891,634	53,267	53,267
Other receivables	-	-	-
Prepaid expenses and other current assets	203,305	163,305	123,305
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	1,137,872	979,567	979,567
<b>Total Assets</b>	<b>10,738,941</b>	<b>6,672,325</b>	<b>5,087,041</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	3,542,939	3,542,939	3,542,939
Deferred income	-	-	-
Regional assessments collected in advance	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	-	-	-
<b>Total Current Liabilities</b>	<b>3,542,939</b>	<b>3,542,939</b>	<b>3,542,939</b>
<b>Long Term Liabilities</b>			
Accrued expenses	316,269	392,962	392,962
<b>Total Long Term Liabilities</b>	<b>316,269</b>	<b>392,962</b>	<b>392,962</b>
Net Assets - unrestricted	2,916,800	1,536,291	151,140
Net Assets - restricted	3,962,933	1,200,133	1,000,000
<b>Total Liabilities and Net Assets</b>	<b>10,738,941</b>	<b>6,672,325</b>	<b>5,087,041</b>

Section D — Supplemental Information

Statement of Activities

Statement of Activities and Capital Expenditures by Program 2013 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
<b>Funding</b>															
<b>ReliabilityFirst Funding</b>															
ReliabilityFirst Assessments	15,159,784	15,159,784	-	15,159,784	182,202	12,563,972	2,883,895	842,748	232,251	-	(1,545,284)	-	-	-	-
Penalty Sanctions	1,358,133	1,358,133	-	1,358,133	11,872	1,020,974	237,436	73,605	14,246	-	-	-	-	-	-
<b>Total ReliabilityFirst Funding</b>	<b>16,517,917</b>	<b>16,517,917</b>	<b>-</b>	<b>16,517,917</b>	<b>194,074</b>	<b>13,584,946</b>	<b>3,121,331</b>	<b>916,353</b>	<b>246,498</b>	<b>-</b>	<b>(1,545,284)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>16,517,917</b>	<b>16,517,917</b>	<b>-</b>	<b>16,517,917</b>	<b>194,074</b>	<b>13,584,946</b>	<b>3,121,331</b>	<b>916,353</b>	<b>246,498</b>	<b>-</b>	<b>(1,545,284)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>															
<b>Personnel Expenses</b>															
Salaries	10,674,553	10,674,553	-	10,674,553	102,707	6,071,377	1,495,659	428,516	123,160	-	1,134,062	399,449	541,390	250,049	128,182
Payroll Taxes	646,319	646,319	-	646,319	5,794	380,483	90,649	28,687	6,112	-	46,893	20,114	38,462	18,989	10,136
Benefits	1,405,661	1,405,661	-	1,405,661	11,195	869,013	150,700	53,484	7,265	-	68,963	28,452	89,227	103,512	23,850
Retirement Costs	1,659,567	1,659,567	-	1,659,567	14,462	950,486	236,514	67,571	19,593	-	155,262	62,462	86,074	46,682	20,461
<b>Total Personnel Expenses</b>	<b>14,386,100</b>	<b>14,386,100</b>	<b>-</b>	<b>14,386,100</b>	<b>134,158</b>	<b>8,271,359</b>	<b>1,973,522</b>	<b>578,258</b>	<b>156,130</b>	<b>-</b>	<b>1,405,181</b>	<b>510,477</b>	<b>755,153</b>	<b>419,232</b>	<b>182,629</b>
<b>Meeting Expenses</b>															
Meetings	149,980	149,980	-	149,980	-	10,730	22,000	45,000	7,000	-	47,500	-	720	17,030	-
Travel	788,600	788,600	-	788,600	12,000	533,000	85,500	11,600	25,000	-	57,500	38,000	11,000	9,000	6,000
Conference Calls	38,400	38,400	-	38,400	-	-	-	-	-	-	-	-	38,400	-	-
<b>Total Meeting Expenses</b>	<b>976,980</b>	<b>976,980</b>	<b>-</b>	<b>976,980</b>	<b>12,000</b>	<b>543,730</b>	<b>107,500</b>	<b>56,600</b>	<b>32,000</b>	<b>-</b>	<b>105,000</b>	<b>38,000</b>	<b>50,120</b>	<b>26,030</b>	<b>6,000</b>
<b>Operating Expenses</b>															
Consultants & Contracts	627,597	627,597	-	627,597	-	454,000	77,097	-	-	-	59,500	5,000	22,000	10,000	-
Office Rent	504,952	504,952	-	504,952	-	-	-	-	-	-	404,952	-	100,000	-	-
Office Costs	981,284	981,284	-	981,284	2,513	381,527	54,963	-	3,036	-	71,057	15,655	432,002	4,428	16,103
Professional Services	460,732	460,732	-	460,732	-	15,000	-	-	-	-	302,400	65,000	-	34,832	43,500
Miscellaneous	34,555	34,555	-	34,555	-	2,721	200	-	848	-	11,876	-	-	18,910	-
Depreciation	319,433	319,433	-	319,433	-	119,909	-	425	41,920	-	41,920	-	154,583	799	1,797
<b>Total Operating Expenses</b>	<b>2,928,554</b>	<b>2,928,554</b>	<b>-</b>	<b>2,928,554</b>	<b>2,513</b>	<b>973,157</b>	<b>132,260</b>	<b>-</b>	<b>4,309</b>	<b>-</b>	<b>891,706</b>	<b>85,655</b>	<b>708,585</b>	<b>68,969</b>	<b>61,400</b>
<b>Total Direct Expenses</b>	<b>18,291,634</b>	<b>18,291,634</b>	<b>-</b>	<b>18,291,634</b>	<b>148,671</b>	<b>9,788,246</b>	<b>2,213,283</b>	<b>634,858</b>	<b>192,440</b>	<b>-</b>	<b>2,401,886</b>	<b>634,132</b>	<b>1,513,858</b>	<b>514,231</b>	<b>250,029</b>
Indirect Expenses	0	0	-	0	46,452	3,994,692	929,045	288,004	55,743	-	(2,401,886)	(634,132)	(1,513,858)	(514,231)	(250,029)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>18,291,634</b>	<b>18,291,634</b>	<b>-</b>	<b>18,291,634</b>	<b>195,123</b>	<b>13,783,139</b>	<b>3,142,327</b>	<b>922,862</b>	<b>248,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>(1,773,717)</b>	<b>(1,773,717)</b>	<b>-</b>	<b>(1,773,717)</b>	<b>(1,050)</b>	<b>(198,193)</b>	<b>(20,996)</b>	<b>(6,509)</b>	<b>(1,685)</b>	<b>-</b>	<b>(1,545,284)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>															
Depreciation	(319,433)	(319,433)	-	(319,433)	-	(119,909)	-	-	(425)	-	(41,920)	-	(154,583)	(799)	(1,797)
Computer & Software CapEx	91,000	91,000	-	91,000	-	12,000	-	-	-	-	-	-	79,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>(228,433)</b>	<b>(228,433)</b>	<b>-</b>	<b>(228,433)</b>	<b>-</b>	<b>(107,909)</b>	<b>-</b>	<b>-</b>	<b>(425)</b>	<b>-</b>	<b>(41,920)</b>	<b>-</b>	<b>(75,583)</b>	<b>(799)</b>	<b>(1,797)</b>
Allocation of Fixed Assets	0	0	-	0	(1,050)	(90,284)	(20,996)	(6,509)	(1,260)	-	41,920	-	75,583	799	1,797
<b>Inc/(Dec) Fixed Assets</b>	<b>(228,433)</b>	<b>(228,433)</b>	<b>-</b>	<b>(228,433)</b>	<b>(1,050)</b>	<b>(198,193)</b>	<b>(20,996)</b>	<b>(6,509)</b>	<b>(1,685)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Budget</b>	<b>18,063,201</b>	<b>18,063,201</b>	<b>-</b>	<b>18,063,201</b>	<b>194,074</b>	<b>13,584,946</b>	<b>3,121,331</b>	<b>916,353</b>	<b>246,498</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Working Capital</b>	<b>(1,545,284)</b>	<b>(1,545,284)</b>	<b>-</b>	<b>(1,545,284)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,545,284)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 2015 and 2016 Projections

Statement of Activities  
2015 and 2016 Projections

	2014 Budget	2015 Projection	\$ Change 14 v 15	% Change 14 v 15	2016 Projection	\$ Change 15 v 16	% Change 15 v 16
<b>Funding</b>							
<b>ERO Funding</b>							
ERO Assessments	\$ 15,159,784	\$ 18,770,190	\$ 3,610,405	23.8%	\$ 19,472,701	\$ 702,511	3.7%
Penalty Sanctions	1,358,133	-	-1,358,133	-100%	-	-	-
<b>Total ERO Funding</b>	<b>\$ 16,517,917</b>	<b>\$ 18,770,190</b>	<b>\$ 2,252,272</b>	<b>13.6%</b>	<b>\$ 19,472,701</b>	<b>\$ 702,511</b>	<b>3.7%</b>
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Federal Grants	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 16,517,917</b>	<b>\$ 18,770,190</b>	<b>\$ 2,252,272</b>	<b>13.6%</b>	<b>\$ 19,472,701</b>	<b>\$ 702,511</b>	<b>3.7%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 10,674,553	\$ 10,982,497	\$ 307,944	2.9%	\$ 11,308,972	\$ 326,475	3.0%
Payroll Taxes	646,319	658,950	12,631	2.0%	678,538	19,588	3.0%
Benefits	1,405,661	1,487,605	81,944	5.8%	1,611,358	123,752	8.3%
Retirement Costs	1,659,567	1,738,145	78,578	4.7%	1,789,210	51,064	2.9%
<b>Total Personnel Expenses</b>	<b>\$ 14,386,100</b>	<b>\$ 14,867,197</b>	<b>\$ 481,097</b>	<b>3.3%</b>	<b>\$ 15,388,077</b>	<b>\$ 520,880</b>	<b>3.5%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 149,980	\$ 155,229	\$ 5,249	3.5%	\$ 160,662	\$ 5,433	3.5%
Travel	788,600	816,201	27,601	3.5%	844,768	28,567	3.5%
Conference Calls	38,400	40,000	1,600	4.2%	42,000	2,000	5.0%
<b>Total Meeting Expenses</b>	<b>\$ 976,980</b>	<b>\$ 1,011,430</b>	<b>\$ 34,450</b>	<b>3.5%</b>	<b>\$ 1,047,430</b>	<b>\$ 36,000</b>	<b>3.6%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 627,597	\$ 700,000	\$ 72,403	11.5%	\$ 600,000	\$ (100,000)	-14.3%
Office Rent	504,952	665,431	160,478	31.8%	773,810	108,379	16.3%
Office Costs	981,284	840,000	(141,284)	-14.4%	966,000	126,000	15.0%
Professional Services	460,732	500,367	39,635	8.6%	500,367	-	0.0%
Miscellaneous	34,555	35,765	1,209	3.5%	37,016	1,252	3.5%
Depreciation	319,433	319,433	-	0.0%	319,433	-	0.0%
<b>Total Operating Expenses</b>	<b>2,928,554</b>	<b>3,060,995</b>	<b>132,441</b>	<b>4.5%</b>	<b>3,196,626</b>	<b>135,631</b>	<b>4.4%</b>
<b>Total Direct Expenses</b>	<b>\$ 18,291,634</b>	<b>\$ 18,939,623</b>	<b>\$ 647,988</b>	<b>3.5%</b>	<b>\$ 19,632,134</b>	<b>\$ 692,511</b>	<b>3.7%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses</b>	<b>\$ 18,291,634</b>	<b>\$ 18,939,623</b>	<b>\$ 647,988</b>	<b>3.5%</b>	<b>\$ 19,632,134</b>	<b>\$ 692,511</b>	<b>3.7%</b>
<b>Change in Assets</b>	<b>\$ (1,773,717)</b>	<b>\$ (169,433)</b>	<b>\$ 1,604,284</b>	<b>-90.4%</b>	<b>\$ (159,433)</b>	<b>\$ 10,000</b>	<b>-5.9%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (319,433)	\$ (319,433)	\$ -	0.0%	\$ (319,433)	\$ -	0.0%
Computer & Software CapEx	91,000	150,000	59,000	64.8%	160,000	10,000	6.7%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
	<b>\$ (228,433)</b>	<b>\$ (169,433)</b>	<b>\$ 59,000</b>	<b>-25.8%</b>	<b>\$ (159,433)</b>	<b>\$ 10,000</b>	<b>-5.9%</b>
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
<b>Inc/(Dec) in Fixed Assets</b>	<b>\$ (228,433)</b>	<b>\$ (169,433)</b>	<b>\$ 59,000</b>	<b>-25.8%</b>	<b>\$ (159,433)</b>	<b>\$ 10,000</b>	<b>-5.9%</b>
<b>Total Budget</b>	<b>\$ 18,063,201</b>	<b>\$ 18,770,190</b>	<b>\$ 706,988</b>	<b>3.9%</b>	<b>\$ 19,472,701</b>	<b>\$ 702,511</b>	<b>3.7%</b>
<b>Change in Working Capital</b>	<b>\$ (1,545,284)</b>	<b>\$ -</b>	<b>\$ 1,545,284</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>FTEs</b>	<b>72</b>	<b>72</b>	<b>-</b>	<b>0.0%</b>	<b>72</b>	<b>-</b>	<b>0.0%</b>

### **Explanation of 2015 and 2016 Projections**

The total budget projection for 2015 and 2016 is 3.7% and 3.5%, respectively.

Personnel expenses are expected to increase by 3.1% in both 2015 and 2016. Incorporated into these projections is a 3% general wage increase and a 10% medical benefits increase.

The 2015 and 2016 meeting expenses are expected to increase by 3.5% and 3.6%, respectively.

Operating expenses are expected to increase 4.5% in 2015, and 4.4% in 2016. The increase in 2015 is due to a 31.8% rent increase for the new office space, and a 16.3% rent increase for 2016.

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 7**

**SERC RELIABILITY CORPORATION**

**PROPOSED 2014 BUSINESS PLAN AND BUDGET**



SERC Reliability Corporation  
2815 Coliseum Centre Drive | Suite 500  
Charlotte, NC 28217  
704.357.7372 | Fax 704.357.7914 | [www.serc1.org](http://www.serc1.org)

# **SERC Reliability Corporation**

## **2014 Business Plan and Budget**

**FINAL 2.0**  
**July 11, 2013**

## TABLE OF CONTENTS

Introduction.....	3
Section A — 2014 Business Plan .....	13
Reliability Standards Program .....	13
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	16
Reliability Assessment and Performance Analysis Program .....	21
Training, Education, and Operator Certification Program .....	25
Situation Awareness and Infrastructure Security Program .....	29
Administrative Services .....	32
Technical Committees and Member Forums.....	33
General and Administrative .....	37
Legal and Regulatory.....	40
Information Technology .....	43
Human Resources .....	47
Finance and Accounting .....	50
Section B — Supplemental Financial Information .....	54
Reserve Balance.....	54
Breakdown by Statement of Activity Sections .....	55
Section C — 2014 Non-Statutory Business Plan and Budget .....	63
Section D .....	65
2014 Consolidated Statement of Activities by Program, Statutory and Non-Statutory .....	65
Statement of Financial Position .....	66
Organizational Chart .....	67



## Introduction

TOTAL RESOURCES (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs	79.20			
Non-statutory FTEs	-			
<b>Total FTEs</b>	79.20			
Statutory Expenses	\$ 16,585,941			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 16,585,941			
Statutory Inc(Dec) in Fixed Assets	\$ 291,347			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ 291,347			
Statutory Working Capital Requirement	\$ (502,184)			
Non-Statutory Working Capital Requirement	\$ -			
<b>Total Working Capital Requirement</b>	\$ (502,184)			
Total Statutory Funding Requirement	\$ 16,375,104			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 16,375,104			
<b>Statutory Funding Assessments</b>	\$ 13,734,499	\$ 13,734,499	\$ -	\$ -
<b>Non-Statutory Fees</b>	\$ -	\$ -	\$ -	\$ -
NEL	1,018,699,975	1,018,699,975	-	-
NEL%	100.00%	100.00%	0.00%	0.00%

\*Refer to Table B-1 on page 54 in Section B.

\*\*As noted in Section C, SERC does not support any non-statutory functions.

## Organizational Overview

The SERC Reliability Corporation (SERC) is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power systems in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles and electric systems in the region serve approximately 25.8% of the net energy for load (NEL) in North America and 29.8% of the NEL in the Eastern Interconnection.

SERC executed an agreement with the North American Electric Reliability Corporation (NERC) on May 2, 2007, for the purpose of delegating to SERC certain responsibilities and authorities of a regional entity as defined by Section 215 of the Federal Power Act; Chapter I, Title 18, Code of Federal Regulations, Part 39; other Federal Energy Regulatory Commission (FERC) regulations and directives, and NERC Rules of Procedure.

SERC, originally called the Southeastern Electric Reliability Council, was formed in 1970 as a voluntary association of members comprising electric industry reliability stakeholders in the southeast. Throughout its history, SERC has been successful in promoting reliability of the bulk power system using an industry electric reliability organization (ERO) model, relying on reciprocity, peer influence, and the mutual reliability focus of owners, operators, and users of the bulk power system to ensure that the system remains reliable and secure.

SERC was incorporated as a 501(c)(6) nonprofit corporation in the state of Alabama on April 29, 2005 to position SERC to become a regional entity with an appropriate stakeholder governance structure. In April 2006, SERC changed its name to SERC Reliability Corporation.

SERC has a 2014 targeted staffing level of 79.2 Full-Time Equivalents (FTEs) (2014 total headcount of 79.7) comprised of power industry professionals and support personnel.

## Membership and Governance

As part of its delegated duties, SERC monitors 247 registered entities in the SERC region for compliance with the NERC Reliability Standards. Membership in SERC, however, which is voluntary and free, affords participants the opportunity to participate in the technical activities and governance of the organization. SERC currently has 57 member companies.

SERC is governed by a Board of Directors (Board) comprised of a representative from each member company. The Board delegates responsibility for operational oversight of the corporation to an Executive Committee of 12 directors. The Board has formed a Board Compliance Committee to oversee the program that monitors and enforces compliance of registered entities in the region to FERC-approved reliability standards; a Human Resources and Compensation Committee to advise the President, Board officers, and the Board on matters of employee compensation and human resources; and a Finance and Audit Committee, headed by the Treasurer of the Board, to advise the President, Board officers and Board on matters involving the organization's finances and internal controls.

## Statutory Functional Scope

SERC provides statutory functions in support of the electric reliability organization, in accordance with its delegation agreement between SERC and NERC. The functions are:

- Promoting situational awareness and conducting event analyses to identify lessons learned for the improvement of reliability
- Promoting the reliability, adequacy and security of the Bulk Power System
- Actively participating in the development of North American reliability standards for the bulk-power system, and as needed development of reliability standards applicable within the SERC Region.
- Monitoring and enforcement of approved reliability standards, including the registration of responsible entities, and as needed certification of such entities.
- Assessment of the past, present and future reliability, adequacy, and security of the bulk-power system.
- Promoting effective training and education of reliability personnel, and assisting in the certification of operating personnel.

SERC does not perform any non-statutory functions at this time.

## 2014 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The 2014-2016 Shared Business Plan and Budget Assumptions document is located in Exhibit A of NERC's 2014 Business Plan and Budget.

---

## 2014 Goals and Key Deliverables

### 1. Be an enforcement authority that is independent, without conflict of interest, objective and fair.

- a. Register entities commensurate to the risk to the bulk power system and ensure all key reliability entities are certified to have essential capabilities.
- b. Enforce compliance with mandatory reliability standards by registered entities within the SERC region, in accordance with the delegation agreement and CMEP while performing timely and transparent reviews.
- c. Ensure timely, thorough and comprehensive mitigation of all violations of mandatory reliability standards including prevention of recurrence.

### 2. Promote a culture of compliance that addresses reliability risks across the SERC region and the ERO.

- a. Ensure the industry understands the essential purpose of standards and compliance expectations.
- a. Work with industry to maintain effective risk control programs for compliance, reliability and security.
- b. Use efficient processes and proportional exercise of discretion to verify that compliance objectives are met by industry.

### 3. Identify the most significant risks to reliability in the SERC region.

- a. Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources and emerging issues.
- b. Events and system performance are consistently analyzed for sequence, cause, and remediation to identify reliability risks and trends to inform standards, compliance and other programs.
- c. Ensure industry is well informed of emerging trends, risk analysis, lessons learned and expected actions.

### 4. Be accountable for mitigating reliability risks.

- a. Ensure industry is aware of and is effectively addressing security vulnerability and threats.
- b. Facilitate information sharing between industry, regions, ERO and government.
- c. Work with ERO to track industry accountability for critical reliability and security recommendations.

### 5. Promote a culture of reliability excellence.

- a. Ensure reliability modeling and data accurately represent system behavior and facilitate sharing among reliability entities.
- b. Be a leading resource to industry and policy makers for reliability information.

### 6. Improve transparency, consistency, quality and timeliness of results; work in collaboration with NERC and the other regions; improve efficiencies and cost effectiveness.

- a. Identify, understand and manage internal risks
- b. Ensure processes are effective, efficient and continuously improved.

## 2014 Overview of Cost Impacts

SERC proposes to increase its operating budget from \$15,907,603 to \$16,877,288 in 2014, an increase of \$969,685 or 6.1%. The proposed 2014 assessment of \$13,734,499 is a decrease of 0.69% from the 2013 assessment of \$13,829,878. SERC believes that in 2014 it will continue to realize material efficiencies that allow the region to remain an efficient provider of statutory functions as SERC will continue to be one of the lowest cost regional entities on a cost per NEL basis. SERC's culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition of affordable and reliable electricity across SERC's geography.

SERC has applied its penalty funds as an offset to assessments and as a temporary increase to SERC's Operating Reserve, as detailed in Table B-1.

The following is a list of targeted budget increases to allow SERC to accomplish the specific objectives outlined in the business plan (dollars are stated as an increase in the 2014 budget compared to the 2013 budget). SERC will continue to perform Cross-Regional Compliance Monitoring and Enforcement for other regions, if requested. The costs associated with any Cross-Regional Compliance Monitoring and Enforcement performed by SERC with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entity. \$32,000 is included in the 2014 Business Plan and Budget under Other Funding and various expense accounts for the performance of these services.

The most significant impacts on the budget are in the area of payroll, which is described as two components:

- **Staff additions proposed in 2014** – The targeted staffing level for 2014 is 79.2 Full-time Equivalents (FTEs), an increase of an additional 1.75 FTEs (headcount of 1.0) as compared to the 2013 budget, of which 0.75 FTE represents the FTEs added in the 2013 budget that are now included in the budget for a full year. In 2013, SERC budgeted for 3 entry level engineering positions to assist in information transfer and succession planning. SERC has continued to fund these entry level positions. The General and Administrative program has been increased by 1.0 FTE, to reflect a position to coordinate for regional activities. The costs associated with this position will be shared equally with the other regional entities and included in "Contracts and Consultant Expense" in each of the regional entities respective budgets, \$39,500 each, and the related offset of \$276,500 is included in SERC's Miscellaneous Income. The 2014 budget impact for the new FTEs in personnel costs is \$469,333, including salary and related payroll taxes, benefits and retirement costs.
- **Cost decrease for maintaining staff budgeted in 2014** – The remaining decrease in personnel costs of \$124,696 compared to 2013 reflects a budgeted average increase in salary for existing staff of 2.5%, and an overall increase in costs associated with employee benefits. Additionally, SERC has realigned the Reliability Services and Reliability Assessments group under one director with supervisors assisting the management of the various program areas, as well as reducing the scope of a position. These changes in structure have caused a decrease in personnel expenses.

Other notable changes in the proposed budget from year to year include the following:

- **Consultants** – A net increase of \$62,083 or 5.3% is due to (1) enhancements to the modeling process for the ERAG Assessments; (2) a change in the trainers and tools used for the System Operator Conference; (3) ongoing training and development of SERC's management team and development of a communications plan; and (4) to be more in line with historical costs.

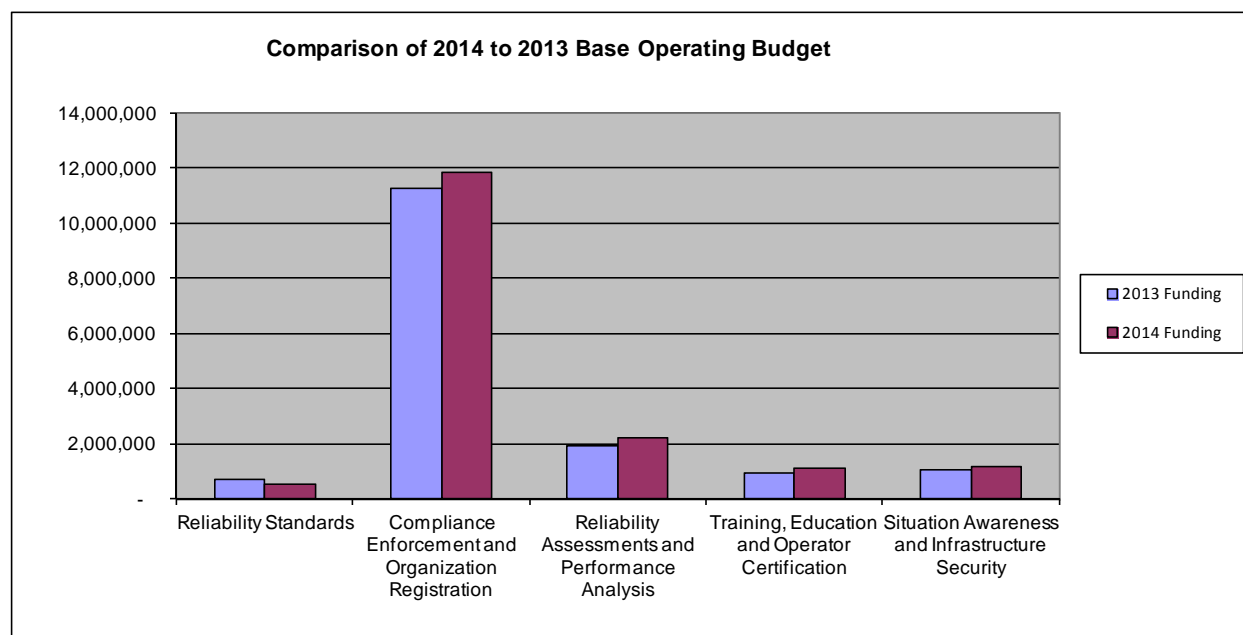
- **Office Costs** – An increase of \$115,848 or 32.0% is due to one-time costs related to the relocation of office space, including furnishings and equipment, and an upgrade of computer software for all employees.
- **Depreciation** – A decrease of \$81,736 or 27.2% is due to an increase in the capital assets purchased in previous years are now fully depreciated. Additionally, there has been a decrease in the assets capitalized over the past budget year which would now incur a full year of depreciation.
- **Other Non-Operating Costs** – An increase of \$15,000 due to one-time costs related to the relocation of office space, for a moving company.

SERC's budget is defined and approved by the Board of Directors in aggregate. SERC works within the total budget to perform its delegated duties. Any variances will be explained in the quarterly variance reports.

### Summary by Program

Base Operating Budget	Budget 2013	Projection 2013	Budget 2014	Change	
				2014 Budget v 2013 Budget	% Change
Reliability Standards	701,238	430,238	546,740	(154,498)	-22.0%
Compliance Enforcement and Organization Registration	11,252,443	10,445,606	11,875,409	622,966	5.5%
Reliability Assessments and Performance Analysis	1,944,140	2,487,258	2,201,059	256,919	13.2%
Training, Education and Operator Certification	949,537	826,957	1,107,144	157,607	16.6%
Situation Awareness and Infrastructure Security	1,050,245	764,338	1,146,936	96,691	9.2%
<b>Total</b>	<b>15,897,603</b>	<b>14,954,397</b>	<b>16,877,288</b>	<b>979,685</b>	<b>6.2%</b>
Working Capital Reserve	(1,705,725)	(732,669)	(502,184)	1,203,541	
<b>Total Funding</b>	<b>14,191,878</b>	<b>14,221,728</b>	<b>16,375,104</b>	<b>2,183,226</b>	<b>15.4%</b>

This graphical representation does not include an allocation of working capital requirements among the Program Areas



This graphical representation does not include an allocation of working capital requirements among the Program Areas

**Reliability Standards** – The 22.0% decrease in total funding from \$701,238 budgeted in 2013 to \$546,740 budgeted in 2014 results from a change in the management structure, and a reclassification of an FTE, as described below in the Total FTEs by Program Area schedule. The decrease in indirect expenses being allocated to the Reliability Standards program is due to the reduction of FTEs.

**Compliance Enforcement and Organization Registration** – The 5.5% increase in total funding from \$11,252,443 budgeted in 2013 to \$11,875,409 budgeted in 2014 is primarily due to the addition of 1.0 FTE as described below in the Total FTEs by Program Area schedule, as well as the increase in salaries and benefits costs for existing staff. The increase is offset by a decrease in travel expenses. The increase in indirect expenses being allocated to the Compliance Enforcement and Organization Registration program is due to the addition of FTEs.

**Reliability Assessments and Performance Analysis** – The 13.2% increase in total funding from \$1,944,140 budgeted in 2013 to \$2,201,059 budgeted in 2014 is due to the addition of 0.40 FTEs as described below in the Total FTEs by Program Area schedule, as well as the increase in salaries and benefits costs for existing staff. Additionally, there is an increase in Consultants and Contracts for the Eastern Interconnection Reliability Assessments Group due to an increase in enhancements to the modeling process. The increase in indirect expenses being allocated to the Reliability Assessments program is due to the addition of FTEs.

**Training, Education and Operator Certification** – The 16.6% increase in total funding from \$949,537 budgeted in 2013 to \$1,107,144 budgeted in 2014 is primarily due to an increase in Consultants and Contracts for the trainer and tools used at the System Operator Conferences and the addition of 0.4 FTEs described below in the Total FTEs by Program Area schedule, as well as the increase in salaries and benefits costs for existing staff. The increase in indirect expenses being allocated to the Training, Education and Operator Certification program is due to the addition of FTEs.

**Situation Awareness and Infrastructure Security** – The 9.2% increase in total funding from \$1,050,245 budgeted in 2013 to \$1,146,936 budgeted in 2014 is due to the addition of 0.4 FTEs as described below in the Total FTEs by Program Area schedule, as well as the increase in salaries and benefits costs for existing staff. The increase in indirect expenses being allocated to the Situation Awareness and Infrastructure Security program is due to the addition of FTEs.

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2013	2013	2014	FTEs <sup>1</sup> 2014	2014	from 2013
	Budget	Budget	Budget	Budget	Budget	Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	2.66	1.74	2.31	-	2.31	(0.35)
Compliance Monitoring and Enforcement and Organization Registration and Certification	41.50	38.96	42.50	-	42.50	1.00
Training and Education	2.41	2.00	2.81	-	2.81	0.40
Reliability Assessment and Performance Analysis	7.20	9.00	7.60	-	7.60	0.40
Situation Awareness and Infrastructure Security	3.75	2.88	4.15	-	4.15	0.40
<b>Total FTEs Operational Programs</b>	<b>57.52</b>	<b>54.58</b>	<b>59.37</b>	<b>-</b>	<b>59.37</b>	<b>1.85</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	4.93	3.00	4.83	-	4.83	(0.10)
General & Administrative	15.00	15.00	15.00	-	15.00	-
Legal and Regulatory	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	-	-	-	-	-	-
<b>Total FTEs Administrative Programs</b>	<b>19.93</b>	<b>18.00</b>	<b>19.83</b>	<b>-</b>	<b>19.83</b>	<b>(0.10)</b>
<b>Total FTEs</b>	<b>77.45</b>	<b>72.58</b>	<b>79.20</b>	<b>-</b>	<b>79.20</b>	<b>1.75</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

This chart reflects the following changes:

1. An increase in the Reliability Standards, Compliance Monitoring and Enforcement, and Reliability Assessments programs is due to a full year of staffing for the FTEs added at staggered points throughout the 2013 budget.
2. During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.
3. SERC reclassified an existing position as a Technical Writer, evenly split among Reliability Assessments, Reliability Standards, Training and Education, Situation Awareness and Infrastructure Security, and Technical Committees and Member Forums, to support the program areas with report writing; meeting agendas and minutes; training materials and developing corporate process documents, causing a net decrease of 0.8 FTE in Reliability Standards and a 0.2 FTE increase in each of the programs previously listed.
4. During 2013, a 0.5 FTE was reclassified from the Technical Committees and Members Forums program into the Situation Awareness and Infrastructure Security program, causing a net change of 0 FTEs between the two programs.
5. Within the General and Administrative program (1) the addition of a coordinator working with the regional entities; the costs associated with this FTE are evenly split among the regional entities; and (2) one (1) staff position was reclassified from the General & Administrative program into the Compliance Monitoring and Enforcement program, causing a net decrease of 1.0 FTE in General and Administrative and an increase of 1.0 FTE in Compliance and Enforcement, for a net change of 0 FTEs .



## 2013 Budget and Projection and 2014 Budget Comparisons

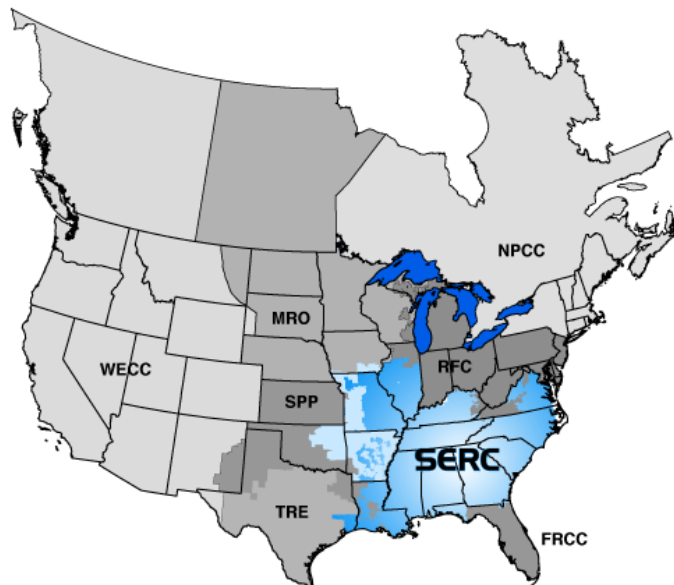
Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
STATUTORY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 13,829,878	\$ 13,829,878	\$ -	\$ 13,734,499	\$ (95,379)
Penalty Sanctions	51,000	51,000	-	2,054,500	2,003,500
<b>Total NERC Funding</b>	<b>\$ 13,880,878</b>	<b>\$ 13,880,878</b>	<b>\$ -</b>	<b>\$ 15,788,999</b>	<b>\$ 1,908,121</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	246,000	200,850	(45,150)	267,605	21,605
Interest	10,000	16,000	6,000	10,000	-
Miscellaneous	65,000	140,000	75,000	308,500	243,500
<b>Total Funding (A)</b>	<b>\$ 14,201,878</b>	<b>\$ 14,237,728</b>	<b>\$ 35,850</b>	<b>\$ 16,375,104</b>	<b>\$ 2,173,226</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 9,925,148	\$ 9,269,176	\$ (655,972)	\$ 10,187,444	\$ 262,296
Payroll Taxes	595,509	602,678	7,169	611,246	15,737
Benefits	916,100	828,958	(87,142)	941,806	25,706
Retirement Costs	1,353,524	1,266,992	(86,532)	1,394,422	40,898
<b>Total Personnel Expenses</b>	<b>\$ 12,790,281</b>	<b>\$ 11,967,804</b>	<b>\$ (822,477)</b>	<b>\$ 13,134,918</b>	<b>\$ 344,637</b>
<b>Meeting Expenses</b>					
Meetings	\$ 309,160	\$ 303,092	\$ (6,068)	\$ 317,195	\$ 8,035
Travel	595,023	606,629	11,606	605,484	10,461
Conference Calls	60,000	48,000	(12,000)	48,000	(12,000)
<b>Total Meeting Expenses</b>	<b>\$ 964,183</b>	<b>\$ 957,721</b>	<b>\$ (6,462)</b>	<b>\$ 970,679</b>	<b>\$ 6,496</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 1,166,947	\$ 1,064,720	\$ (102,227)	\$ 1,229,030	\$ 62,083
Office Rent	405,407	406,140	733	419,861	14,454
Office Costs	361,552	318,394	(43,158)	477,400	115,848
Professional Services	105,900	132,285	26,385	120,400	14,500
Miscellaneous	-	10,000	10,000	-	-
Depreciation	300,389	140,000	(160,389)	218,653	(81,736)
<b>Total Operating Expenses</b>	<b>\$ 2,340,195</b>	<b>\$ 2,071,539</b>	<b>\$ (268,656)</b>	<b>\$ 2,465,344</b>	<b>\$ 125,149</b>
<b>Total Direct Expenses</b>	<b>\$ 16,094,659</b>	<b>\$ 14,997,064</b>	<b>\$ (1,097,595)</b>	<b>\$ 16,570,941</b>	<b>\$ 476,282</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>
<b>Total Expenses (B)</b>	<b>\$ 16,094,659</b>	<b>\$ 14,997,064</b>	<b>\$ (1,097,595)</b>	<b>\$ 16,585,941</b>	<b>\$ 491,282</b>
<b>Change in Assets</b>	<b>\$ (1,892,781)</b>	<b>\$ (759,336)</b>	<b>\$ 1,133,445</b>	<b>\$ (210,837)</b>	<b>\$ 1,681,944</b>
<b>Fixed Assets</b>					
Depreciation	\$ (300,389)	\$ (140,000)	\$ 160,389	\$ (218,653)	\$ 81,736
Computer & Software CapEx	113,333	113,333	-	460,000	346,667
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	50,000	50,000
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(187,056)</b>	<b>(26,667)</b>	<b>160,389</b>	<b>291,347</b>	<b>478,403</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 15,907,603</b>	<b>\$ 14,970,397</b>	<b>\$ (937,206)</b>	<b>\$ 16,877,288</b>	<b>\$ 969,685</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,705,725)</b>	<b>\$ (732,669)</b>	<b>\$ 973,056</b>	<b>\$ (502,184)</b>	<b>\$ 1,203,541</b>
<b>FTEs</b>	77.45	72.58	(4.87)	79.20	1.75

---

## Section A – Statutory Programs

### 2014 Business Plan and Budget

---



## Section A — 2014 Business Plan

### Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.66	2.31	(0.35)
Direct Expenses	\$ 448,546	\$ 302,921	\$ (145,625)
Indirect Expenses	\$ 261,342	\$ 232,483	\$ (28,859)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,650)	\$ 11,336	\$ 19,986
Total Funding Requirement	\$ 701,238	\$ 546,740	\$ (154,499)

#### Program Scope and Functional Description

The SERC Reliability Standards program will develop regional reliability standards in accordance with Exhibit C to the Delegation Agreement as well as develop regional criteria. The program will also promote the development and maintenance of NERC reliability standards that enable NERC and regional entities to measure the reliability performance of bulk power system owners, operators, and users.

#### 2014 Key Assumptions

- SERC regional standards development activity will be limited
- SERC resources will support ERO initiatives in the areas of:
  - improvements in the timely and efficient development of clear, reasonable and technically sound mandatory reliability standards
  - standards guidance including related training activities.
- The ERO Regional Standards Development Plan goal to transition from the current set of reliability standards to a world class body of reliability standards that are clear, concise, and will ensure the reliability of the bulk power system in North America will require a significant increase in throughput.
  - The resource implications of facilitating collaboration to build consensus on the front end of standards development will be mitigated by increasing the efficiency of this collaboration using web-based tools.
- The ERO goal to implement a cost effectiveness analysis or assessment of proposed standards will require additional stakeholder review and input on developing standards.
- The resource implications of facilitating this collaboration will be mitigated by increasing the efficiency of industry time spent using web-based tools.

#### 2014 Goals and Key Deliverables

- The SERC Reliability Standards program will manage SERC's catalog of Regional Criteria and administer the SERC Regional Reliability Standards development procedure
- Additionally, the SERC Reliability Standards program will:
  - Support the ERO in development of clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- The 2013 budget included an entry level engineer to provide for employee development and succession planning. The individual in this position will rotate over time through other SERC program areas in order to obtain a broad background in SERC's organization and to increase SERC's personnel related flexibility. This FTE had a staggered entry date in 2013. The increase in the 2014 budget represents this FTE at a full year.
- During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.
- SERC reclassified a position as a Technical Writer, evenly split among Reliability Assessments, Reliability Standards, Training and Education, Situation Awareness and Infrastructure Security, and Technical Committees and Member Forums, to support the program areas with report writing; meeting agendas and minutes; training materials and developing corporate process documents, causing a net decrease of 0.8 FTE in Reliability Standards and a 0.2 FTE, each, increase in the programs previously listed

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>RELIABILITY STANDARDS</b>					
	<b>2013</b>	<b>2013</b>	<b>Variance</b>	<b>2014</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2013 Projection</b>	<b>Budget</b>	<b>2014 Budget</b>
			<b>v 2013 Budget</b>		<b>v 2013 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 698,880	\$ 698,880	\$ -	\$ 466,802	\$ (232,078)
Penalty Sanctions	2,358	2,358	-	79,938	77,580
<b>Total NERC Funding</b>	<b>\$ 701,238</b>	<b>\$ 701,238</b>	<b>\$ -</b>	<b>\$ 546,740</b>	<b>\$ (154,498)</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 701,238</b>	<b>\$ 701,238</b>	<b>\$ -</b>	<b>\$ 546,740</b>	<b>\$ (154,498)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 337,825	\$ 200,548	\$ (137,277)	\$ 221,774	\$ (116,051)
Payroll Taxes	20,270	13,040	(7,230)	13,306	(6,964)
Benefits	34,294	18,615	(15,679)	24,786	(9,508)
Retirement Costs	46,701	27,350	(19,351)	31,259	(15,442)
<b>Total Personnel Expenses</b>	<b>\$ 439,090</b>	<b>\$ 259,553</b>	<b>\$ (179,537)</b>	<b>\$ 291,125</b>	<b>\$ (147,965)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	9,101	7,900	(1,201)	11,696	2,595
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 9,101</b>	<b>\$ 7,900</b>	<b>\$ (1,201)</b>	<b>\$ 11,696</b>	<b>\$ 2,595</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	355	-	(355)	100	(255)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 355</b>	<b>\$ -</b>	<b>\$ (355)</b>	<b>\$ 100</b>	<b>\$ (255)</b>
<b>Total Direct Expenses</b>	<b>\$ 448,546</b>	<b>\$ 267,453</b>	<b>\$ (181,093)</b>	<b>\$ 302,921</b>	<b>\$ (145,625)</b>
<b>Indirect Expenses</b>	<b>\$ 261,342</b>	<b>\$ 163,635</b>	<b>\$ (97,707)</b>	<b>\$ 232,483</b>	<b>\$ (28,859)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 709,888</b>	<b>\$ 431,088</b>	<b>\$ (278,800)</b>	<b>\$ 535,404</b>	<b>\$ (174,484)</b>
<b>Change in Assets</b>	<b>\$ (8,650)</b>	<b>\$ 270,150</b>	<b>\$ 278,800</b>	<b>\$ 11,336</b>	<b>\$ 19,986</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (8,650)	(850)	7,800	11,336	19,986
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>(8,650)</b>	<b>(850)</b>	<b>7,800</b>	<b>11,336</b>	<b>19,986</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 701,238</b>	<b>\$ 430,238</b>	<b>\$ (271,000)</b>	<b>\$ 546,740</b>	<b>\$ (154,498)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 271,000</b>	<b>\$ 271,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	2.66	1.74	(0.92)	2.31	(0.35)

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	41.50	42.50	1.0
Direct Expenses	\$ 7,310,081	\$ 7,389,556	\$ 79,476
Indirect Expenses	\$ 4,077,321	\$ 4,277,293	\$ 199,972
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (134,959)	\$ 208,560	\$ 343,519
Total Funding Requirement	\$ 11,252,443	\$ 11,875,409	\$ 622,967

### Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program is implemented by SERC's Compliance and Enforcement staffs, which are independent of stakeholders and registered entities. To accomplish this objective, SERC's Compliance Monitoring and Enforcement and Organization Registration and Certification Program area is further divided into four areas: operations and planning compliance monitoring, CIP compliance monitoring, compliance programs, and enforcement.

#### **Compliance**

SERC's Compliance staff is responsible for implementing the Compliance Monitoring processes and Organization and Registration activities pursuant to the Delegation Agreement and Uniform Compliance Monitoring and Enforcement Program (CMEP).

The Compliance Program consists of three primary functional areas: Operations and Planning Audits, responsible for conducting compliance audits and spot checks for, and serving as subject matter experts for, the operating and planning related standards; CIP Compliance Monitoring, responsible for conducting compliance audits and spot checks for, and serving as subject matter experts for, CIP related standards, and for implementing the process for Technical Feasibility Exceptions to the CIP standards; and Compliance Programs, responsible for Organization Registration and Certification, and Compliance Investigations, as well as compliance-related outreach to registered entities.

#### **Enforcement**

SERC's Enforcement staff evaluates all possible violations of reliability standards and conducts a thorough assessment to determine whether there is a sufficient basis to allege a violation. This evaluation includes determining the complete scope of the violation and the actual and potential risk to the reliability of the bulk power system. The Enforcement staff will notify the Registered Entity of its findings regarding the violation and any applicable penalties or sanctions. Enforcement staff reviews the Registered Entity's mitigation plan to ensure it corrects the issue and prevents recurrence. The Enforcement staff may also engage in settlement negotiations with the Registered Entity. The proposed enforcement action, along with any proposed penalty or sanctions, is submitted to NERC for its review and approval, and subsequent submittal to FERC. If a Registered Entity challenges the findings of the violation and/or penalty, the Enforcement staff would prosecute the case before the Board Compliance

Committee, a balanced committee of the SERC Board of Directors, which acts as SERC's hearing body.

## 2014 Key Assumptions

### *Compliance*

- Primary compliance monitoring processes (audits, spot check and self-certification) will continue to follow traditional processes and scheduling, based on the three-year and six-year audit schedules applicable to function types.
- SERC estimates it will perform 6 onsite CIP audits and 8 offsite CIP audits or spot checks and 21 onsite Operations and Planning audits and 25 offsite Operations and Planning audits or spot checks.
- Implementation of proposed changes to Technical Feasibility Exception processes will have insignificant change in resources required for implementation of the process.
- Implementation of Version 4 or 5 of the CIP standards will not have an appreciable impact on resource requirements.
- SERC Compliance staff will conduct workshops focused on upcoming enforceable standards. During audits, time permitting, SERC audit staff will review registered entities' progress towards compliance with upcoming standards.
- SERC will employ risk principles in compliance monitoring processes throughout 2014 including in the development of the annual monitoring plan, and through execution of monitoring programs, with limited impact on resources.
- SERC anticipates conducting one or more Reliability Assurance Initiative pilots during 2014, as well as staff and registered entity training activities.
- Training of Compliance staff on risk principles and implementation of enhanced audit practices will continue through 2014 and beyond. It is expected that ongoing training activity may have an impact on staffing needs and costs (e.g., travel, lodging, and labor) to participate and attend relevant training.
- Implementation of improved data systems and audit processes will result in an overall reduction in on-site time for CIP audits of larger registered entities for evidence collection and review.
- The numbers of Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration (MRRE) documents are expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance. This increase will have a direct impact on the workload associated with registration and compliance monitoring within the Region.
- The level of resources to support cross-regional monitoring activities will be lower than 2013 with only follow up compliance monitoring activities anticipated for SPP and FRCC registered entities.

### *Enforcement*

- The rate of incoming Possible Violations will remain steady.
- Actions to process or dismiss Possible Violations are timely and transparent to industry.
- As the Reliability Assurance Initiative is defined and implemented, appropriate training will be provided to ensure that staff has the necessary skills required to implement the Reliability Assurance Initiative.
- Travel for Enforcement staff to follow-up with processing Possible Violations and Mitigation Plan validation will remain steady.
- No BCC hearings will be held to resolve contested findings of a violation or penalty.

---

**2014 Goals and Key Deliverables*****Compliance***

- Conduct scheduled compliance monitoring activities pursuant to the 2014 Implementation Plan and in conformance with current 3 and 6 year audit intervals.
- Facilitate smooth transition of new standards through workshops focused on upcoming enforceable standards and review of registered entities' progress towards compliance with upcoming standards.
- Continue to implement improvements to compliance monitoring processes to incorporate risk principles.
- Actively participate in Reliability Assurance Initiative development and implementation activities.
- Seamless implementation of CIP Version 4-5 transition.
- Promote strong compliance programs, internal control environments, and risk based compliance monitoring through day to day interactions with other regions and registered entities, and through outreach activities.
- Improve transparency, consistency, quality and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness by working with other SERC staff and with interregional working groups and NERC staff in a collaborative process to identify commonalities, best practices, correctable inconsistencies, and efficiency and cost effectiveness improvement opportunities.
- Provide appropriate training for Compliance staff consistent with the Reliability Assurance Initiative.

***Enforcement***

- Process all issues and penalties in a fair, consistent, timely, and unbiased manner.
- Focus attention, resources and actions on issues most important to bulk power system reliability and process those issues to FERC within a 12 month cycle time.
- Review mitigation plans for effective corrective action and acceptance.
- Validate the completion of mitigation plans to ensure the Registered Entity has returned to compliance.
- Continue to expand use of the Find, Fix, and Track filing mechanism.
- Develop and implement enforcement strategies based on the Reliability Assurance Initiative.
- Develop and implement violation processing management tools and training to improve the efficiency, transparency, consistency, quality, and timeliness of violation processing.
- Identify trends in violations and their causes and provide lessons learned and outreach to registered entities, including CIP V4 and V5 implementation training.



---

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- There are no significant changes requiring an explanation. Other Funding includes the costs associated with SERC performing Cross-Regional Compliance Monitoring of Registered Entity functions performed by other Regional Entity organizations. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to Registered Entity functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contracts between SERC and the other Regional Entities.

**Personnel Expenses**

- The 2013 budget included a registration engineer and an entry level engineer to provide for employee development and succession planning. These FTEs had a staggered entry date in 2013. The increase in the 2014 budget represents these FTEs at a full year.

**Meeting Expenses**

- Decrease in travel is due to less offsite meetings.

**Operating Expenses**

- There are no significant changes requiring an explanation.

**Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

**Other Non-Operating Expenses**

- There are no significant changes requiring an explanation.

**Fixed Asset Additions**

- There are no significant changes requiring an explanation.

## Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION</b>					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 11,150,647	\$ 11,150,647	\$ -	\$ 10,372,696	\$ (777,951)
Penalty Sanctions	36,796	36,796	-	1,470,713	1,433,917
<b>Total NERC Funding</b>	<b>\$ 11,187,443</b>	<b>\$ 11,187,443</b>	<b>\$ -</b>	<b>\$ 11,843,409</b>	<b>\$ 655,966</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	65,000	140,000	75,000	32,000	(33,000)
<b>Total Funding (A)</b>	<b>\$ 11,252,443</b>	<b>\$ 11,327,443</b>	<b>\$ 75,000</b>	<b>\$ 11,875,409</b>	<b>\$ 622,966</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 5,125,600	\$ 4,743,255	\$ (382,345)	\$ 5,224,607	\$ 99,007
Payroll Taxes	307,536	308,404	868	313,476	5,940
Benefits	483,978	430,028	(53,950)	523,055	39,077
Retirement Costs	705,346	657,677	(47,669)	716,689	11,343
<b>Total Personnel Expenses</b>	<b>\$ 6,622,460</b>	<b>\$ 6,139,364</b>	<b>\$ (483,096)</b>	<b>\$ 6,777,827</b>	<b>\$ 155,367</b>
<b>Meeting Expenses</b>					
Meetings	\$ 17,910	\$ 17,662	\$ (248)	\$ 14,010	\$ (3,900)
Travel	392,966	407,903	14,937	323,862	(69,104)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 410,876</b>	<b>\$ 425,565</b>	<b>\$ 14,689</b>	<b>\$ 337,872</b>	<b>\$ (73,004)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 249,167	\$ 220,800	\$ (28,367)	\$ 245,000	\$ (4,167)
Office Rent	-	-	-	-	-
Office Costs	12,578	-	(12,578)	13,857	1,279
Professional Services	15,000	15,000	-	15,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 276,745</b>	<b>\$ 235,800</b>	<b>\$ (40,945)</b>	<b>\$ 273,857</b>	<b>\$ (2,888)</b>
<b>Total Direct Expenses</b>	<b>\$ 7,310,081</b>	<b>\$ 6,800,729</b>	<b>\$ (509,352)</b>	<b>\$ 7,389,556</b>	<b>\$ 79,475</b>
<b>Indirect Expenses</b>	<b>\$ 4,077,321</b>	<b>\$ 3,663,913</b>	<b>\$ (413,408)</b>	<b>\$ 4,277,293</b>	<b>\$ 199,972</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 11,387,402</b>	<b>\$ 10,464,642</b>	<b>\$ (922,760)</b>	<b>\$ 11,666,849</b>	<b>\$ 279,447</b>
<b>Change in Assets</b>	<b>\$ (134,959)</b>	<b>\$ 862,801</b>	<b>\$ 997,760</b>	<b>\$ 208,560</b>	<b>\$ 343,519</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (134,959)	\$ (19,036)	115,923	208,560	343,519
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ (134,959)</b>	<b>\$ (19,036)</b>	<b>\$ 115,923</b>	<b>\$ 208,560</b>	<b>\$ 343,519</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 11,252,443</b>	<b>\$ 10,445,606</b>	<b>\$ (806,837)</b>	<b>\$ 11,875,409</b>	<b>\$ 622,966</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 881,837</b>	<b>\$ 881,837</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>41.50</b>	<b>38.96</b>	<b>(2.54)</b>	<b>42.50</b>	<b>1.00</b>

## Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	7.20	7.60	0.40
Direct Expenses	\$ 1,260,164	\$ 1,398,882	\$ 138,718
Indirect Expenses	\$ 707,391	\$ 764,881	\$ 57,490
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (23,415)	\$ 37,296	\$ 60,711
Total Funding Requirement	\$ 1,944,140	\$ 2,201,059	\$ 256,918

### Program Scope and Functional Description

SERC's Reliability Assessment and Performance Analysis (RAPA) program provides bulk electric system (BES) analysis, data gathering, and analysis of events in order to identify bulk electric system reliability risks in the SERC footprint in accordance with the Delegation Agreement and NERC's Rules of Procedure. The mission of this program is to produce measurable reliability improvement within the SERC BES through the identification and prioritization of significant risks to reliability, and to facilitate a culture of reliability excellence.

SERC conducts data gathering and analysis to perform an independent reliability assessment of the BES within the SERC region. The program utilizes information from its internal data collection sources along with other programs, such as NERC Transmission Availability Data System (TADS), Generating Availability Data Systems (GADS), and Demand Response Availability Data System (DADS) programs. SERC conducts and reports the results of its independent assessments of the overall reliability and adequacy of the SERC region in support of the NERC obligation to perform similar analysis of the interconnected North American bulk power systems.

### 2014 Key Assumptions

- Work-loads will increase to support the development of data and information necessary to drive the necessary analyses. However, the increases in work-load will be mitigated by development and application of project management and matrix management procedures which will improve the utilization of existing resources.
- Workloads are increasing to meet risk identification and mitigation requirements. Project management software will be utilized in 2014 to balance work and resources.

### 2014 Goals and Key Deliverables

- Identify Model improvements to support reliability/risk management and performance analysis reporting systems
- Implement annual portal improvements to support RAPA information analysis and reporting requirements
- Complete quarterly TADS, DADs, GADS data submittals.
- Complete reliability assessment studies and support through the NERC RAS and regional planning requirements, according to agreed upon metrics

- Complete FERC form 715 and EIA submittals on behalf of SERC entities within specified time frames.
- Implement scenario analyses to support SERC RAPA studies in accordance with agreed upon performance metrics between NERC and the regions.
- Update Subject Matter Expert teams and enhance analysis of 2014 risk identification process
- Correlate Events and Analysis information to identify risk trends
- Determine risk control initiatives and required mitigation actions
- Publish reports and notices of SERC primary reliability risks from 2014 process

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- The 2013 budget included an assessment engineer and an entry level engineer to provide for employee development and succession planning. These FTEs had a staggered entry date in 2013. The increase in the 2014 budget represents these FTEs at a full year.
- During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.

## Meeting Expenses

- Increase in Travel Expense is due to an increase in the meetings located off-site.

## Operating Expenses

- Consultants and contracts expenses increased by \$29,500 from the 2013 budget due to the ERAG Assessments for enhancements to the modeling process.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 1,937,756	\$ 1,937,756	\$ -	\$ 1,938,061	\$ 305
Penalty Sanctions	6,384	6,384	-	262,998	256,614
<b>Total NERC Funding</b>	<b>\$ 1,944,140</b>	<b>\$ 1,944,140</b>	<b>\$ -</b>	<b>\$ 2,201,059</b>	<b>\$ 256,919</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 1,944,140</b>	<b>\$ 1,944,140</b>	<b>\$ -</b>	<b>\$ 2,201,059</b>	<b>\$ 256,919</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 743,697	\$ 1,046,564	\$ 302,867	\$ 818,555	\$ 74,858
Payroll Taxes	44,622	68,047	23,425	49,113	4,491
Benefits	99,594	122,880	23,286	95,406	(4,188)
Retirement Costs	103,868	130,401	26,533	115,313	11,445
<b>Total Personnel Expenses</b>	<b>\$ 991,781</b>	<b>\$ 1,367,892</b>	<b>\$ 376,111</b>	<b>\$ 1,078,387</b>	<b>\$ 86,606</b>
<b>Meeting Expenses</b>					
Meetings	\$ 32,285	\$ 28,350	\$ (3,935)	\$ 39,990	\$ 7,705
Travel	30,667	33,826	3,159	45,487	14,820
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 62,952</b>	<b>\$ 62,176</b>	<b>\$ (776)</b>	<b>\$ 85,477</b>	<b>\$ 22,525</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 203,000	\$ 215,200	\$ 12,200	\$ 232,500	\$ 29,500
Office Rent	-	-	-	-	-
Office Costs	2,431	-	(2,431)	2,518	87
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 205,431</b>	<b>\$ 215,200</b>	<b>\$ 9,769</b>	<b>\$ 235,018</b>	<b>\$ 29,587</b>
<b>Total Direct Expenses</b>	<b>\$ 1,260,164</b>	<b>\$ 1,645,268</b>	<b>\$ 385,104</b>	<b>\$ 1,398,882</b>	<b>\$ 138,718</b>
<b>Indirect Expenses</b>	<b>\$ 707,391</b>	<b>\$ 846,387</b>	<b>\$ 138,996</b>	<b>\$ 764,881</b>	<b>\$ 57,490</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,967,555</b>	<b>\$ 2,491,655</b>	<b>\$ 524,100</b>	<b>\$ 2,163,763</b>	<b>\$ 196,208</b>
<b>Change in Assets</b>	<b>\$ (23,415)</b>	<b>\$ (547,515)</b>	<b>\$ (524,100)</b>	<b>\$ 37,296</b>	<b>\$ 60,711</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (23,415)	\$ (4,397)	\$ 19,018	37,296	\$ 60,711
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (23,415)</b>	<b>\$ (4,397)</b>	<b>\$ 19,018</b>	<b>\$ 37,296</b>	<b>\$ 60,711</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 1,944,140</b>	<b>\$ 2,487,258</b>	<b>\$ 543,118</b>	<b>\$ 2,201,059</b>	<b>\$ 256,919</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (543,118)</b>	<b>\$ (543,118)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>7.20</b>	<b>9.00</b>	<b>1.80</b>	<b>7.60</b>	<b>0.40</b>

## Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.41	2.81	0.40
Direct Expenses	\$ 720,595	\$ 810,549	\$ 89,954
Indirect Expenses	\$ 236,779	\$ 282,805	\$ 46,026
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (7,837)	\$ 13,790	\$ 21,627
Total Funding Requirement	\$ 949,537	\$ 1,107,144	\$ 157,607

### Program Scope and Functional Description

The SERC Training, Education, and Operator Certification program provides education and training necessary to understand and operate the bulk power system. The target audience of the program is bulk power system operating personnel - including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports SERC staff training and development as well as the administration of records necessary to maintain status as a NERC Continuing Education provider.

### 2014 Key Assumption

- The ERO goal to implement Reliability Assurance Initiative changes that enhance the effectiveness and reflect the attributes of a mature compliance monitoring program by 2016 will require a robust training component of the human capital management function.
  - The resource implications of supporting the development of qualifications requirements (competencies, etc.) for auditors and other key staff positions across the ERO and implementing training as needed will be addressed through contract support and shared, common ERO training for these positions.
- The ERO goal to transition from the current set of reliability standards to a world class body of reliability standards that are clear, concise, and will ensure the reliability of the bulk power system in North America will generate a large volume of change.
  - The resource implications of supporting the communication to and understanding by bulk power system operating personnel of these changes will be mitigated by continuing to provide education and training necessary to understand and reliably operate the bulk power system within the context of changes to ERO procedures and programs that monitor, detect, correct, report, and prevent compliance, reliability, and security issues.

### 2014 Goals and Key Deliverables

- The SERC Training program will maintain SERC's status as a NERC-certified Continuing Education Provider.
- Additionally, the SERC Training program will support the:
  - Development and delivery of shared, common training on required knowledge, skills and abilities for auditors and other key staff positions across the ERO.
  - Delivery of 4 System Operator Conferences to assure that real-time operating personnel have the competencies required to operate the BES with the highest degree of reliability.

- Delivery of 1 Wide Area Restoration Drill to assure that restoration plans and real-time operating personnel have the resources and competencies required to recover the BES, and restore available resources and load to a stable interconnected operating state expeditiously after a major system Disturbance.
- Delivery of Standards Focused Workshops to promote bulk power system operating personnel (including system operations personnel, operations support personnel, supervisors and managers, and training personnel) understanding of changed expectations within new or revised Reliability Standards and related procedures and programs.



---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- Workshop revenue increased \$21,605 due to an increase in costs related to the System Operator Conferences, which is a self-funded conference.

## Personnel Expenses

- During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- Increase in Consultants and Contracts expense is due to an anticipated change in the tools used for the System Operator Conferences.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 701,400	\$ 701,400	\$ -	\$ 742,299	\$ 40,899
Penalty Sanctions	2,137	2,137	-	97,240	95,103
<b>Total NERC Funding</b>	<b>\$ 703,537</b>	<b>\$ 703,537</b>	<b>\$ -</b>	<b>\$ 839,539</b>	<b>\$ 136,002</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	246,000	200,850	(45,150)	267,605	21,605
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 949,537</b>	<b>\$ 904,387</b>	<b>\$ (45,150)</b>	<b>\$ 1,107,144</b>	<b>\$ 157,607</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 334,005	\$ 275,400	\$ (58,605)	\$ 374,069	\$ 40,064
Payroll Taxes	20,040	17,906	(2,134)	22,444	2,404
Benefits	26,612	19,355	(7,257)	28,459	1,847
Retirement Costs	41,864	37,870	(3,994)	52,656	10,792
<b>Total Personnel Expenses</b>	<b>\$ 422,521</b>	<b>\$ 350,531</b>	<b>\$ (71,990)</b>	<b>\$ 477,628</b>	<b>\$ 55,107</b>
<b>Meeting Expenses</b>					
Meetings	\$ 192,975	\$ 194,317	\$ 1,342	\$ 183,360	\$ (9,615)
Travel	22,781	11,000	(11,781)	19,241	(3,540)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 215,756</b>	<b>\$ 205,317</b>	<b>\$ (10,439)</b>	<b>\$ 202,601</b>	<b>\$ (13,155)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 82,000	\$ 84,000	\$ 2,000	\$ 130,000	\$ 48,000
Office Rent	-	-	-	-	-
Office Costs	318	-	(318)	320	2
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 82,318</b>	<b>\$ 84,000</b>	<b>\$ 1,682</b>	<b>\$ 130,320</b>	<b>\$ 48,002</b>
<b>Total Direct Expenses</b>	<b>\$ 720,595</b>	<b>\$ 639,848</b>	<b>\$ (80,747)</b>	<b>\$ 810,549</b>	<b>\$ 89,954</b>
<b>Indirect Expenses</b>	<b>\$ 236,779</b>	<b>\$ 188,086</b>	<b>\$ (48,693)</b>	<b>\$ 282,805</b>	<b>\$ 46,026</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 957,374</b>	<b>\$ 827,934</b>	<b>\$ (129,440)</b>	<b>\$ 1,093,354</b>	<b>\$ 135,980</b>
<b>Change in Assets</b>	<b>\$ (7,837)</b>	<b>\$ 76,453</b>	<b>\$ 84,290</b>	<b>\$ 13,790</b>	<b>\$ 21,627</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (7,837)	\$ (977)	6,860	13,790	\$ 21,627
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ (7,837)</b>	<b>\$ (977)</b>	<b>\$ 6,860</b>	<b>\$ 13,790</b>	<b>\$ 21,627</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 949,537</b>	<b>\$ 826,957</b>	<b>\$ (122,580)</b>	<b>\$ 1,107,144</b>	<b>\$ 157,607</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 77,430</b>	<b>\$ 77,430</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>2.41</b>	<b>2.00</b>	<b>(0.41)</b>	<b>2.81</b>	<b>0.40</b>

## Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.75	4.15	0.40
Direct Expenses	\$ 694,007	\$ 708,906	\$ 14,899
Indirect Expenses	\$ 368,433	\$ 417,665	\$ 49,232
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	(12,195)	20,365	32,560
Total Funding Requirement	\$ 1,050,245	\$ 1,146,936	\$ 96,691

### Program Scope and Functional Description

Situation Awareness and Events Analysis activities are performed with the objective that conditions that impact or have the potential to impact reliable operations are recognized and understood. The SERC Situation Awareness and Infrastructure Security program accomplishes this by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. Mitigating reliability improvement initiatives are identified through the process of analyzing significant bulk electric system (BES) events and existing technical reliability guidance for risks and vulnerabilities that could recur elsewhere within the bulk power system (BPS).

### 2014 Key Assumptions

- SERC will continue to work with other Regional Situation Awareness Events Analysis groups to identify conditions or practices that may result in or contribute to reliability events within the BES.
- SERC will work to share mitigating measures and other improvements to the BES with SERC entities and the ERO.
- The number of events requiring review and analysis are expected to increase but not materially impact resource requirements.

### 2014 Goals and Key Deliverables

- Complete 2014 Events Analysis Situation assessment and process improvements plan
- Develop SAEA 2013 Lessons learned and process improvements report
- Implement cause codes team review process and improvements plan
- Provide ERO events analysis and situation awareness reports to regions and NERC in support of engagement objectives
- Complete 2014 Compiled Report on SERC Causal Analysis and Lessons Learned
- Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources and emerging issues

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- The increase in personnel expenses is due to the reclassification of 0.5 FTEs in 2013 from the Technical Committees and Members Forums program into the Situation Awareness and Infrastructure Security program, causing a net change of 0 FTEs.
- During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 1,046,920	\$ 1,046,920	\$ -	\$ 1,003,325	\$ (43,595)
Penalty Sanctions	3,325	3,325	-	143,611	140,286
<b>Total NERC Funding</b>	<b>\$ 1,050,245</b>	<b>\$ 1,050,245</b>	<b>\$ -</b>	<b>\$ 1,146,936</b>	<b>\$ 96,691</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 1,050,245</b>	<b>\$ 1,050,245</b>	<b>\$ -</b>	<b>\$ 1,146,936</b>	<b>\$ 96,691</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 500,945	\$ 354,335	\$ (146,610)	\$ 505,718	\$ 4,773
Payroll Taxes	30,057	23,039	(7,018)	30,343	286
Benefits	45,882	39,667	(6,215)	52,881	6,999
Retirement Costs	57,116	44,535	(12,581)	61,798	4,682
<b>Total Personnel Expenses</b>	<b>\$ 634,000</b>	<b>\$ 461,576</b>	<b>\$ (172,424)</b>	<b>\$ 650,740</b>	<b>\$ 16,740</b>
<b>Meeting Expenses</b>					
Meetings	\$ 16,575	\$ 5,325	\$ (11,250)	\$ 10,350	\$ (6,225)
Travel	43,172	28,000	(15,172)	47,556	4,384
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 59,747</b>	<b>\$ 33,325</b>	<b>\$ (26,422)</b>	<b>\$ 57,906</b>	<b>\$ (1,841)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	260	-	(260)	260	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 260</b>	<b>\$ -</b>	<b>\$ (260)</b>	<b>\$ 260</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 694,007</b>	<b>\$ 494,901</b>	<b>\$ (199,106)</b>	<b>\$ 708,906</b>	<b>\$ 14,899</b>
<b>Indirect Expenses</b>	<b>\$ 368,433</b>	<b>\$ 270,844</b>	<b>\$ (97,589)</b>	<b>\$ 417,665</b>	<b>\$ 49,232</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,062,440</b>	<b>\$ 765,745</b>	<b>\$ (296,695)</b>	<b>\$ 1,126,571</b>	<b>\$ 64,131</b>
<b>Change in Assets</b>	<b>\$ (12,195)</b>	<b>\$ 284,500</b>	<b>\$ 296,695</b>	<b>\$ 20,365</b>	<b>\$ 32,560</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (12,195)	\$ (1,407)	10,788	20,365	32,560
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (12,195)</b>	<b>\$ (1,407)</b>	<b>\$ 10,788</b>	<b>\$ 20,365</b>	<b>\$ 32,560</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 1,050,245</b>	<b>\$ 764,338</b>	<b>\$ (285,907)</b>	<b>\$ 1,146,936</b>	<b>\$ 96,691</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 285,907</b>	<b>\$ 285,907</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>3.75</b>	<b>2.88</b>	<b>(0.87)</b>	<b>4.15</b>	<b>0.40</b>

## Administrative Services

Administrative Services (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	19.93	19.83	(0.10)
Total Direct Expenses	\$ 5,661,266	\$ 5,960,127	\$ 298,861
Inc(Dec) in Fixed Assets	\$ (187,056)	\$ 291,347	\$ 478,403
Less: Other Funding Sources	\$ (10,000)	\$ (10,000)	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 5,464,210	\$ 6,241,474	\$ 777,264
Funding Requirement for Working Capital	\$ (306,828)	\$ (502,184)	\$ (195,356)

### Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	4.93	4.83	(0.10)
Total Direct Expenses	\$ 1,020,640	\$ 988,258	\$ (32,382)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Technical Committees and Members' Forums serve to strengthen capabilities within the region to plan and operate bulk electric systems reliably and in compliance with reliability standards. The success of SERC's reliability programs depends on the active and direct participation of its members. The forums are also a source of expertise in the industry for enhancing reliability through technical excellence.

### 2014 Key Assumptions

- SERC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2014 with each committee maintaining a three-year work plan of committee activities
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability
- The ERO goal to identify the most significant risks to reliability, prioritize them, facilitate effective solutions and interventions, and monitor results will continue to build the efficacy of an expanded toolkit used to address reliability issues.
  - The resource implications (industry and ERO staff) of appropriately deploying the most appropriate tool for the issue in order to increase the credibility of an expanded available toolkit will be mitigated by focusing the management of the three-year work plans to produce outcomes that address reliability risks.

### 2014 Goals and Key Deliverables

- The SERC Technical Committees and Members' Forums programs will manage committee work according to the *Organization and Procedures Manual for SERC Technical Committees*.
- Additionally, the SERC Technical Committees and Members' Forums programs will support increased credibility of an expanded available toolkit that fully understands reliability risks through:
  - Convening regular meetings of the standing committees each year and of the subordinate groups as necessary;
  - Providing input to the SERC Board of Directors and SERC staff on issues pertaining to operation, planning and engineering of electric systems and the advancement of the physical and cyber security of the BPS;
  - Providing a forum for representatives to share experience and provide input on operating, planning and engineering, and physical and cyber security issues;
  - Special projects at the request of the SERC Board of Directors;
  - Participation in the establishment of Reliability Standards;
  - Participation in the measurement of performance relative to Reliability Standards;
  - Promotion of compliance with Reliability Standards through review and discussion of compliance statistics;

- Development and exchange of information with respect to operating, planning and engineering, and physical and cyber security matters relating to the reliability and adequacy of the Bulk Power System;
- Reviewing as necessary activities within the SERC Region on reliability and adequacy in order to meet Reliability Standards;
- Performing technical functions through the assignment of specific tasks to subordinate groups.



---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- The decrease in personnel expenses is due to the reclassification of 0.5 FTEs in 2013 from the Technical Committees and Members Forums program into the Situation Awareness and Infrastructure Security program, causing a net change of 0 FTEs.
- During 2013, SERC changed the management structure of the Reliability Assessments and the Reliability Services program areas to realign under one Director with supervisors assisting with the management of the various program areas.

## Meeting Expenses

- An increase in travel is due to a significant increase in NERC and regional meetings.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
TECHNICAL COMMITTEES and MEMBER FORUMS					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 751,690	\$ 439,327	\$ (312,363)	\$ 700,576	\$ (51,114)
Payroll Taxes	45,101	28,565	(16,536)	42,035	(3,066)
Benefits	61,616	36,355	(25,261)	53,772	(7,844)
Retirement Costs	99,754	60,985	(38,769)	94,071	(5,683)
<b>Total Personnel Expenses</b>	<u>\$ 958,161</u>	<u>\$ 565,232</u>	<u>\$ (392,929)</u>	<u>\$ 890,454</u>	<u>\$ (67,707)</u>
<b>Meeting Expenses</b>					
Meetings	\$ 26,125	\$ 23,588	\$ (2,537)	\$ 22,300	\$ (3,825)
Travel	34,849	53,000	18,151	75,139	40,290
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ 60,974</u>	<u>\$ 76,588</u>	<u>\$ 15,614</u>	<u>\$ 97,439</u>	<u>\$ 36,465</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	1,505	-	(1,505)	365	(1,140)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 1,505</u>	<u>\$ -</u>	<u>\$ (1,505)</u>	<u>\$ 365</u>	<u>\$ (1,140)</u>
<b>Total Direct Expenses</b>	<u>\$ 1,020,640</u>	<u>\$ 641,820</u>	<u>\$ (378,820)</u>	<u>\$ 988,258</u>	<u>\$ (32,382)</u>
<b>Indirect Expenses</b>	<u>\$ (1,020,640)</u>	<u>\$ (641,820)</u>	<u>\$ 378,820</u>	<u>\$ (988,258)</u>	<u>\$ 32,382</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FTEs</b>	4.93	3.00	-1.93	4.83	-0.1

## General and Administrative

General and Administrative (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	15.00	15.00	-
Total Direct Expenses	\$ 3,781,902	\$ 4,240,339	\$ 458,437
Inc(Dec) in Fixed Assets	\$ (187,056)	\$ 291,347	\$ 478,403
Working Capital Requirement	\$ (306,828)	\$ (512,184)	\$ (205,356)

### Program Scope and Functional Description

The SERC general and administrative function provides executive management of the corporation, management of the SERC office and other administrative support programs, and provides coordinated and consistent outreach to stakeholders and members.

### 2014 Key Assumptions

- Each of the delegated functional areas will evolve with continued emphasis on effective execution, efficiency, transparency, and consistency.
- Continued focus will be placed on facilitating reliability enhancing activities.
- Consolidate SERC offices into a single location.
- Increase outreach and communication with members/stakeholders in order to ensure the effectiveness of SERC.

### 2014 Goals and Key Deliverables

- Continue high quality performance of delegated functions while levelizing resource requirements.
- Provide training and education to members/stakeholders to improve efficiency of interactions with SERC staff.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

---

**Funding Sources (Other than ERO Assessments)**

- Other Funding includes reimbursement from the other regional entities for the costs associated with the coordinator position.

**Personnel Expenses**

- The 2014 budget reflects the following: (1) an new position for a coordinator working with the regional entities; the costs associated with this FTE are evenly split among the regional entities and included in the respective regional entity's Consultant and Contractor Expense and SERC's Other Funding, as described above; and (2) a staff position was reclassified from the General & Administrative program into the Compliance Monitoring and Enforcement program.
- All personnel costs for the other administrative functions, including Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative to protect the confidentiality of individual compensation information of employees in these programs.

**Meeting Expenses**

- SERC increased the budgeted 2014 meetings expense by \$23,895, as the amount budgeted historically has been low as compared to actual expenses incurred.
- Increase in travel by \$21,016 due to additional off-site meetings, and travel related to the coordinator position.
- Decrease in conference calls expense by \$12,000. While SERC has seen an increase in remote participation, total costs have not increased because participants are using lower voice cost methods. As a result, SERC has reduced the 2014 budgeted amount.

**Operating Expenses**

- Consultants and contractors increased by \$180,000 for ongoing training and development of SERC's management team and development of a communications plan.
- Office costs increased by \$61,139. The 2014 budget includes funds to purchase furniture and equipment to outfit the new office space.
- Depreciation expense decreased \$81,736 due to an increase in the capital assets purchased in previous years now fully depreciated. Additionally, there has been a decrease in the assets capitalized over the past budget year which would now incur a full year of depreciation.

**Indirect Expenses**

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

**Other Non-Operating Expenses**

- Other Non-Operating expense increased by \$15,000 due to one-time costs related to the relocation of office space, for a moving company.

**Fixed Asset Additions**

- Increase in Computer and Software capital expenditures is due to the development of the Committees portal, SERC website redesign, and enhancements to the Compliance portal.
- Increase in Leasehold Improvements is due to tenant improvement costs associated with the new office space.

**General and Administrative**

Funding sources and related expenses for the general and administrative section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>GENERAL and ADMINISTRATIVE</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ (1,705,725)	\$ (1,705,725)	\$ -	\$ (788,684)	\$ 917,041
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ (306,828)</b>	<b>\$ (1,705,725)</b>	<b>\$ -</b>	<b>\$ (788,684)</b>	<b>\$ 917,041</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	276,500	276,500
<b>Total Funding (A)</b>	<b>\$ (306,828)</b>	<b>\$ (1,705,725)</b>	<b>\$ -</b>	<b>\$ (512,184)</b>	<b>\$ 1,193,541</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,131,386	\$ 2,209,747	\$ 78,361	\$ 2,342,145	\$ 210,759
Payroll Taxes	127,883	143,677	15,794	140,529	12,646
Benefits	164,124	162,058	(2,066)	163,447	(677)
Retirement Costs	298,875	308,174	9,299	322,636	23,761
<b>Total Personnel Expenses</b>	<b>\$ 2,722,268</b>	<b>\$ 2,823,656</b>	<b>\$ 101,388</b>	<b>\$ 2,968,757</b>	<b>\$ 246,489</b>
<b>Meeting Expenses</b>					
Meetings	\$ 23,290	\$ 33,850	\$ 10,560	\$ 47,185	\$ 23,895
Travel	61,487	65,000	3,513	82,503	21,016
Conference Calls	60,000	48,000	(12,000)	48,000	(12,000)
<b>Total Meeting Expenses</b>	<b>\$ 144,777</b>	<b>\$ 146,850</b>	<b>\$ 2,073</b>	<b>\$ 177,688</b>	<b>\$ 32,911</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ 105,100	\$ 105,100	\$ 180,000	\$ 180,000
Office Rent	405,407	406,140	733	419,861	14,454
Office Costs	189,061	215,694	26,633	250,380	61,319
Professional Services	20,000	26,000	6,000	25,000	5,000
Miscellaneous	-	10,000	10,000	-	-
Depreciation	300,389	140,000	(160,389)	218,653	(81,736)
<b>Total Operating Expenses</b>	<b>\$ 914,857</b>	<b>\$ 902,934</b>	<b>\$ (11,923)</b>	<b>\$ 1,093,894</b>	<b>\$ 179,037</b>
<b>Total Direct Expenses</b>	<b>\$ 3,781,902</b>	<b>\$ 3,873,440</b>	<b>\$ 91,538</b>	<b>\$ 4,240,339</b>	<b>\$ 458,437</b>
<b>Indirect Expenses</b>	<b>\$ (3,781,902)</b>	<b>\$ (3,873,440)</b>	<b>\$ (91,538)</b>	<b>\$ (4,255,339)</b>	<b>\$ (473,437)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ (306,828)</b>	<b>\$ (1,705,725)</b>	<b>\$ -</b>	<b>\$ (512,184)</b>	<b>\$ 1,193,541</b>
<b>Fixed Assets</b>					
Depreciation	(300,389)	(140,000)	160,389	(218,653)	81,736
Computer & Software CapEx	113,333	113,333	-	460,000	346,667
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	50,000	50,000
Allocation of Fixed Assets	\$ 187,056	\$ 26,667	(160,389)	(291,347)	(478,403)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (306,828)</b>	<b>\$ (1,705,725)</b>	<b>\$ -</b>	<b>\$ (512,184)</b>	<b>\$ 1,193,541</b>
<b>FTEs</b>	<b>15.00</b>	<b>15.00</b>	<b>-</b>	<b>15.00</b>	<b>-</b>

**Legal and Regulatory**

<b>Legal and Regulatory</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	-	-	-
Total Direct Expenses	\$ 31,768	\$ 36,900	\$ 5,132
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Program Scope and Functional Description**

SERC maintains legal counsel in house and has outside legal consultants to provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters affecting SERC; review items filed with governmental agencies for legal sufficiency; and review contracts and corporate documents as needed. The objectives are to provide legal services, such as the following:

- Ensure continuing recognition of SERC as a regional entity.
- Obtain regulatory approvals for new and revised regional reliability standards on a timely basis.
- Review legal documents, including notices of penalty, required to be filed with FERC
- Provide legal support for contested compliance actions, and other assistance as needed.
- Provide legal counsel as needed during compliance and enforcement proceedings.
- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Review all contracts and changes to personnel policies.
- Coordinate outside legal support.

**2014 Key Assumptions**

- Support enforcement action cycle time of twelve months or less
- The number of incoming violations will remain steady
- No hearings are conducted

**2014 Goals and Key Deliverables**

- Work with Enforcement to support processing violations
- Support corporate legal needs

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no significant changes requiring an explanation. There are no FTEs included in the Legal and Regulatory program. All in-house attorneys are recorded under the General and Administrative program.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>LEGAL and REGULATORY</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	1,768	-	(1,768)	1,900	132
Professional Services	30,000	45,000	15,000	35,000	5,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 31,768</b>	<b>\$ 45,000</b>	<b>\$ 13,232</b>	<b>\$ 36,900</b>	<b>\$ 5,132</b>
<b>Total Direct Expenses</b>	<b>\$ 31,768</b>	<b>\$ 45,000</b>	<b>\$ 13,232</b>	<b>\$ 36,900</b>	<b>\$ 5,132</b>
<b>Indirect Expenses</b>	<b>\$ (31,768)</b>	<b>\$ (45,000)</b>	<b>\$ (13,232)</b>	<b>\$ (36,900)</b>	<b>\$ (5,132)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	-	-	-	-	-



## Information Technology

Information Technology (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 777,696	\$ 638,870	\$ (138,826)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Information Technology (IT) department of SERC offers network services including design and maintenance for the SERC IT infrastructure, as well as project and vendor management for all current technology related contracts. The IT group at SERC supports other staff and SERC members with the portal systems and core technology infrastructure. Current SERC projects include:

- Hosting, development and maintenance for SERC Portals and Compliance Issues Tracking System (CITS).
- Maintaining equipment for the Operating Committee hot line.
- Telecommunication circuits, including SERC's internal conference bridge and the Operating Committee hotline service.
- Coordination of region wide scheduling checkout tool for Operating Committee.
- Providing and maintaining web based meeting and collaboration solution.
- Maintaining document management system.
- Maintaining data storage and back-up system through Storage Area Network (SAN).

Several years ago, NERC and the eight (8) Regional Entities formed an executive management group (known as the ERO EMG) which has, among other things, concentrated on developing enterprise-wide IT applications; thus, improving efficiency and consistency across NERC and the Regional Entities. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed through a single Project Management Office (PMO) at NERC. As an example, the ERO EMG collectively prioritized the bulk electric system (BES) exception project and developed an application that is a single interface for NERC and the Regional Entities, promoting consistency and reducing cost duplications.

The NERC IT budget does not supplant SERC's need for IT expenditures for specific regional projects, but to the extent that agreed –upon ERO Enterprise applications provide greater efficiencies, there is no unnecessary, redundant expenditures contained in SERC's business plan and budget.

### 2014 Key Assumptions

- FRCC, NPCC and SERC will continue to work together on the Compliance Portal, enabling SERC to share the total costs of maintenance and development.
- The Committees and Meetings Portal will be developed.
- The ERO Project Management Office (PMO) will deliver necessary IT tools for key business processes, for which SERC will be expected to pay a pro-rata share.

### **2014 Goals and Key Deliverables**

- Further development of the SERC intranet that will allow departmental dashboards in order to display department's Key Performance Indicators (KPIs).
- Redesign of the SERC web site and committees area of the portal.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no significant changes requiring an explanation. All personnel for Information Technology are included under the General and Administrative program.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- Consultants and contracts are decreasing by \$191,250. Of this, approximately \$80,000 is due to the reduced need of outside consultants for in-house support and approximately \$103,600 is a reduction of the expected development provided by the outside consultant to be more in line with historical usage.
- Office costs are increasing by \$52,424, mainly for upgraded Microsoft Office software and networking supplies needed for the new office.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Information Technology

Funding sources and related expenses for the information technology section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
INFORMATION TECHNOLOGY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 632,780	\$ 439,620	\$ (193,160)	\$ 441,530	\$ (191,250)
Office Rent	-	-	-	-	-
Office Costs	144,916	93,700	(51,216)	197,340	52,424
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 777,696</u>	<u>\$ 533,320</u>	<u>\$ (244,376)</u>	<u>\$ 638,870</u>	<u>\$ (138,826)</u>
<b>Total Direct Expenses</b>	<u>\$ 777,696</u>	<u>\$ 533,320</u>	<u>\$ (244,376)</u>	<u>\$ 638,870</u>	<u>\$ (138,826)</u>
<b>Indirect Expenses</b>	<u>\$ (777,696)</u>	<u>\$ (533,320)</u>	<u>\$ 244,376</u>	<u>\$ (638,870)</u>	<u>\$ 138,826</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets (C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FTEs</b>	-	-	-	-	-

## Human Resources

Human Resources (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 10,360	\$ 10,360	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The SERC human resources function is responsible for recruiting stellar employees, maintaining appropriate salaries and benefits based on industry data, providing for employee training programs and updating the employee handbook.

### 2014 Key Assumptions

- Provide competitive compensation and benefits.
- Average salary increase of 2.5%. This assumption is reflected in the salary expense budget for all program areas.
- Increased expectation for staff training.
- SERC will ensure that Staff develops and maintains the appropriate professional credentials to remain up to date with industry standards and trends.

### 2014 Goals and Key Deliverables

- Attract, develop and retain highly competent and motivated staff.
- Continuously review compensation and benefits in targeted classifications.
- Increase employee retention.

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no significant changes requiring an explanation. All personnel for Human Resources are included under the General and Administrative program.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Human Resources

Funding sources and related expenses for the human resources section of the 2014 business plan are shown in the table below

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
HUMAN RESOURCES					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	360	-	(360)	360	-
Professional Services	10,000	10,000	-	10,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 10,360</u>	<u>\$ 10,000</u>	<u>\$ (360)</u>	<u>\$ 10,360</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ 10,360</u>	<u>\$ 10,000</u>	<u>\$ (360)</u>	<u>\$ 10,360</u>	<u>\$ -</u>
<b>Indirect Expenses</b>	<u>\$ (10,360)</u>	<u>\$ (10,000)</u>	<u>\$ 360</u>	<u>\$ (10,360)</u>	<u>\$ -</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FTEs</b>	-	-	-	-	-

## Finance and Accounting

Accounting and Finance (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ 38,900	\$ 45,400	\$ 6,500
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ 10,000	\$ 10,000

### Program Scope and Functional Description

The objectives are to provide the financial and accounting services for SERC through:

- Providing payroll and expense administration.
- Preparing quarterly financial statements.
- Developing SERC's Business Plan and Budget.
- Filing federal and state tax and other forms required of non-profit corporations.
- Reviewing and improving fiscal controls and complete a year-end external audit.

### 2014 Key Assumptions

- Current accounting systems and controls are adequate.
- No major changes in accounting regulations.

### 2014 Goals and Key Deliverables

- Prepare and review monthly, quarterly and annual financial statements.
- Exercise budgetary controls.
- Process payroll and expense reports.
- Maintain necessary internal controls.
- Continue improvements in the annual business planning process within SERC and the ERO.



---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- There are no significant changes requiring an explanation.

## Personnel Expenses

- There are no significant changes requiring an explanation. All personnel for Finance and Accounting are included under the General and Administrative program.

## Meeting Expenses

- There are no significant changes requiring an explanation.

## Operating Expenses

- There are no significant changes requiring an explanation.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately to the direct programs for 2014 based on the number of FTEs in those programs.

## Other Non-Operating Expenses

- There are no significant changes requiring an explanation.

## Fixed Asset Additions

- There are no significant changes requiring an explanation.

## Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2014 business plan are shown in the table below.

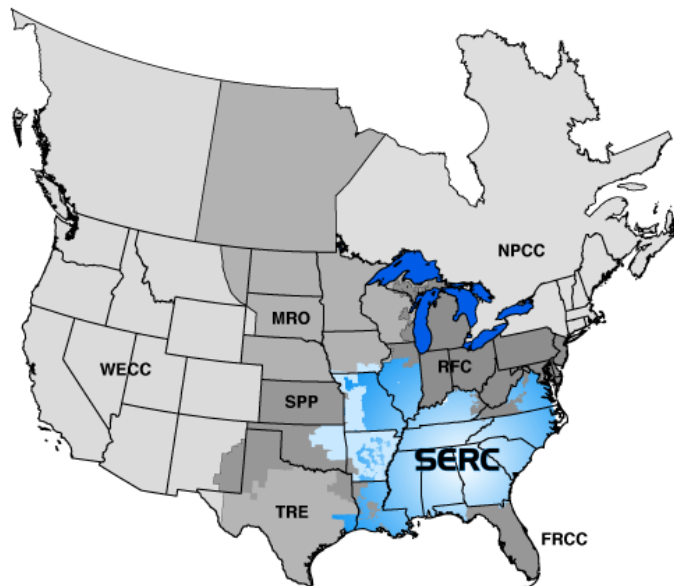
Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
FINANCE and ACCOUNTING					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total NERC Funding</b>	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	10,000	16,000	6,000	10,000	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	\$ 10,000	\$ 16,000	\$ 6,000	\$ 10,000	\$ -
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	8,000	9,000	1,000	10,000	2,000
Professional Services	30,900	36,285	5,385	35,400	4,500
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	\$ 38,900	\$ 45,285	\$ 6,385	\$ 45,400	\$ 6,500
<b>Total Direct Expenses</b>	\$ 38,900	\$ 45,285	\$ 6,385	\$ 45,400	\$ 6,500
<b>Indirect Expenses</b>	\$ (28,900)	\$ (29,285)	\$ (385)	\$ (45,400)	\$ (16,500)
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenses (B)</b>	\$ 10,000	\$ 16,000	\$ 6,000	\$ -	\$ (10,000)
<b>Change in Assets</b>	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets ( C )</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL BUDGET (=B + C)</b>	\$ 10,000	\$ 16,000	\$ 6,000	\$ -	\$ (10,000)
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
<b>FTEs</b>	-	-	-	-	-

---

## Section B – Supplemental Financial Information

### 2014 Business Plan and Budget

---



## Section B — Supplemental Financial Information

### Reserve Balance

Table B-1

<b>Working Capital Reserve Analysis 2013-2014</b>	
<b>STATUTORY</b>	
Beginning Working Capital Reserve (Deficit), December 31, 2012	\$ 4,334,853
Plus: 2013 Funding (from LSEs or designees)	13,880,878
Plus: 2013 Other funding sources	356,850
Less: 2013 Projected expenses & capital expenditures	(14,970,397)
<b>Projected Working Capital Reserve (Deficit), December 31, 2013</b>	<b>\$ 3,602,184</b>
Desired Working Capital Reserve, December 31, 2014	<sup>1</sup> \$ 3,100,000
Minus: Projected Working Capital Reserve, December 31, 2013	3,602,184
<b>Increase(decrease) in funding requirement to achieve Working Capital Reserve</b>	<b>\$ (502,184)</b>
2014 Expenses and Capital Expenditures	\$ 16,877,288
Less: Penalty Sanctions <sup>2</sup>	(2,054,500)
Less: Other Funding Sources	(586,105)
Adjustment to achieve desired Working Capital Reserve	(502,184)
<b>2014 ERO Assessment</b>	<b>\$ 13,734,499</b>

<sup>1</sup> As documented in the April 23, 2008 minutes, the SERC Board of Directors has approved the establishment of a cash reserve equal to up to 10% of its budgeted annual statutory operating costs, with the understanding that should it become necessary to spend any of the reserve funds, the President shall provide a report detailing such expenditures at the next regular meeting of the Board of Directors. The reserve was established for contingencies.

<sup>2</sup> Represents collections on or prior to June 30, 2013.

### Explanation of Changes in Reserve Policy from Prior Years

In July 2013, the SERC Board approved the establishment of a working capital policy. Any excess income greater than two months of statutory operating costs will be treated as a temporary increase in SERC's operating reserve. Any expenditures from the increased working capital are subject to SERC's applicable policies and procedures, including approval limits, signature authorities, and disclosure in SERC's quarterly variance report.

Persuant to SERC's Working Capital and Operating Reserve policies, the \$3,100,000 desired working capital reserve included in the 2014 Business Plan and Budget is comprised of \$1,600,000 as an operating reserve and \$1,500,000 as a temporary increase to the operating reserve.

## Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditures, page 11, of the 2014 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

### Penalty Sanctions

Penalty monies received prior to June 30, 2013 are to be used to offset assessments in the 2014 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

All penalties received prior to July 1, 2013 are detailed below, including the amount, and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

**Table B-2**

Penalty Sanctions Received On or Prior to June 30, 2013	Date Received	Amount Received
Penalty payment 1	7/3/2012	\$ 5,000
Penalty payment 2	7/3/2012	10,000
Penalty payment 3	7/3/2012	10,000
Penalty payment 4	7/27/2012	75,000
Penalty payment 5	7/27/2012	175,000
Penalty payment 6	7/27/2012	7,000
Penalty payment 7	7/27/2012	3,500
Penalty payment 8	10/3/2012	150,000
Penalty payment 9	10/3/2012	15,000
Penalty payment 10	11/30/2012	25,000
Penalty payment 11	12/31/2012	11,000
Penalty payment 12	12/31/2012	13,000
Penalty payment 13	12/31/2012	5,000
Penalty payment 14	12/31/2012	22,000
Penalty payment 15	12/31/2012	15,000
Penalty payment 16	1/31/2013	275,000
Penalty payment 17	1/31/2013	5,000
Penalty payment 18	1/31/2013	15,000
Penalty payment 19	1/31/2013	18,000
Penalty payment 20	1/31/2013	35,000
Penalty payment 21	1/31/2013	950,000
Penalty payment 22	1/31/2013	17,000
Penalty payment 23	3/4/2013	5,000
Penalty payment 24	3/4/2013	20,000
Penalty payment 25	3/4/2013	34,000
Penalty payment 26	4/26/2013	20,000
Penalty payment 27	4/26/2013	48,000
Penalty payment 28	5/31/2013	14,000
Penalty payment 29	5/31/2013	40,000
Penalty payment 30	6/14/2013	12,000
Penalty payment 31	6/14/2013	5,000
<b>Total Penalties Received</b>		<b>\$ 2,054,500</b>

**Table B-3 - Supplemental Funding**

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Miscellaneous - CEA function in FRCC	\$ 15,000	\$ 80,000	\$ 16,000	\$ 1,000
Miscellaneous - CEA function in SPP	50,000	60,000	16,000	(34,000)
<b>Total</b>	<b>\$ 65,000</b>	<b>\$ 140,000</b>	<b>\$ 32,000</b>	<b>\$ (33,000)</b>
<b>Reliability Assessment and Performance Analysis</b>				
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Training and Education</b>				
Workshops	246,000	200,850	267,605	21,605
<b>Total</b>	<b>\$ 246,000</b>	<b>\$ 200,850</b>	<b>\$ 267,605</b>	<b>\$ 21,605</b>
<b>Situation Awareness and Infrastructure Security</b>				
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General and Administrative</b>				
Interest Income	\$ 10,000	\$ 16,000	\$ 10,000	\$ -
Miscellaneous Income	-	-	276,500	276,500
<b>Total</b>	<b>\$ 10,000</b>	<b>\$ 16,000</b>	<b>\$ 286,500</b>	<b>\$ 276,500</b>
<b>Total Outside Funding</b>	<b>\$ 321,000</b>	<b>\$ 356,850</b>	<b>\$ 586,105</b>	<b>\$ 265,105</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Other Funding included in Compliance Monitoring, Enforcement and Organization Registration includes the costs associated with SERC performing Cross-Regional Compliance Monitoring of Registered Entity functions performed by other Regional Entity organizations. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to affiliated Registered Entity functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entities. The 2014 budgeted amount includes projected direct costs plus an appropriate allocation of SERC's General & Administrative costs, as required by the contracts with FRCC and SPP.

Workshop funding increased by \$21,605 due to an increase in costs related to the System Operator Conferences, which is a self funded conference.

Other funding included in General and Administrative includes the reimbursement from the other regional entities for the costs associated with the coordinator position.

**Table B-4 - Personnel Expenses**

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Total Salaries	\$ 9,925,148	\$ 9,269,176	\$ 10,187,444	\$ 262,296	2.6%
Total Payroll Taxes	595,509	602,678	611,246	15,737	2.6%
Total Benefits	916,100	828,958	941,806	25,706	2.8%
Total Retirement	1,353,524	1,266,992	1,394,422	40,898	3.0%
<b>Total Personnel Costs</b>	<b>\$ 12,790,281</b>	<b>\$ 11,967,804</b>	<b>\$ 13,134,918</b>	<b>\$ 344,637</b>	<b>2.7%</b>
FTEs	77.45	72.58	79.20	1.75	2.3%
Cost per FTE					
Salaries	\$ 128,149	\$ 127,710	\$ 128,629	480	0.4%
Payroll Taxes	7,689	8,304	7,718	29	0.4%
Benefits	11,828	11,421	11,891	63	0.5%
Retirement	17,476	17,456	17,606	130	0.7%
<b>Total Cost per FTE</b>	<b>\$ 165,142</b>	<b>\$ 164,891</b>	<b>\$ 165,845</b>	<b>\$ 702</b>	<b>0.4%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

Salaries, payroll taxes and retirement costs increased \$262,296, \$15,737 and \$40,898, respectively, due to the addition of 1.75 FTEs compared to the 2013 budget. During 2013, 0.5 FTE was reclassified out of the Technical Committees and Member Forums program into the Situation Awareness and Infrastructure Security program; 1.0 FTE was reclassified out of General and Administrative program into the Compliance and Enforcement program; and 1.0 FTE was reclassified as a Technical Writer, evenly split among Reliability Assessments, Reliability Standards, Training and Education, Situation Awareness and Infrastructure Security, and Technical Committees and Member Forums, to support the program areas with report writing; meeting agendas and minutes; training materials and developing corporate process documents, causing a net decrease of 0.8 FTE in Reliability Standards and a 0.2 FTE, each, increase in the programs previously listed. In addition, an increase of 0.75 FTE in the Reliability Standards, Compliance and Enforcement, and Reliability Assessment programs is due to a full year of staffing for the FTEs added at staggered points throughout the 2013 budget. The General and Administrative program added a coordinator to work with the regional entities. The budget reflects an increase in salary for existing staff of 2.5%.

Benefits increased \$25,706. Of this, approximately \$9,000 is due to a decrease in insurance premiums and \$35,000 is due to an increase in staff training and education.

**Table B-5 - Consultants and Contracts**

Consultants and Contracts	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	249,167	220,800	245,000	(4,167)	-2%
Reliability Assessment and Performance Analysis	203,000	215,200	232,500	29,500	15%
Training and Education	82,000	84,000	130,000	48,000	59%
Situation Awareness and Infrastructure Security					
Situation Awareness	-	-	-	-	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums					
General and Administrative	-	105,100	180,000	180,000	
Legal and Regulatory	-	-	-	-	
Information Technology	632,780	439,620	441,530	(191,250)	-30%
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Consultants Total</b>	<b>\$ 1,166,947</b>	<b>\$ 1,064,720</b>	<b>\$ 1,229,030</b>	<b>\$ 62,083</b>	<b>5%</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

An increase of \$29,500 in consultants in the Reliability Assessment program from the 2013 budget is due to enhancements to the modeling process for the ERAG Assessments.

An increase of \$48,000 in consultants and contracts in the Training and Education program is due to a change in the trainers and tools used for the System Operator Conference.

An increase of \$180,000 in General and Administrative program is for ongoing training and development of SERC's management team and development of a communications plan.

A decrease of \$191,250 in the Information Technology program is due to the reduced need for outside consultants for in-house support and a reduction of the expected development provided by the outside consultant to be more in line with historical usage.



**Table B-6 – Office Rent**

Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 405,407	\$ 406,140	\$ 419,861	\$ 14,454	3.57%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
<b>Total Office Rent</b>	<b>\$ 405,407</b>	<b>\$ 406,140</b>	<b>\$ 419,861</b>	<b>\$ 14,454</b>	<b>3.57%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

Office rent increased by \$14,454 due to annual rate increases on SERC's office space.

**Table B-7 – Office Costs**

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Telephone	\$ 149,328	\$ 146,120	\$ 146,628	\$ (2,700)	-1.81%
Telephone Answering Srv	-	-	-	-	
Internet	7,380	7,000	7,608	228	3.09%
Office Supplies	33,930	27,580	84,580	50,650	149.28%
Computer Supplies and Maintenance					
Computers	82,000	82,000	61,500	(20,500)	
Computer Supplies	43,800	600	41,950	(1,850)	-4.22%
Maintenance & Service Agreements	-	-	-	-	
Software	11,100	11,100	77,150	66,050	-5.91%
Network Supplies	-	-	12,000	12,000	
Publications & Subscriptions	4,000	5,000	4,980	980	24.50%
Dues	4,771	4,771	5,316	545	11.42%
Postage	1,000	1,400	1,500	500	50.00%
Express Shipping	3,500	4,500	4,500	1,000	28.57%
Copying	4,500	10,000	10,000	5,500	122.22%
Reports	-	-	-	-	
Stationary/Forms	-	-	-	-	
Equipment Repair/Service Contracts	8,243	9,323	9,688	1,445	17.53%
Bank Charges	-	-	-	-	
Taxes	-	-	-	-	
Merchant Card Fees	8,000	9,000	10,000	2,000	25.00%
<b>Total Office Costs</b>	<b>\$ 361,552</b>	<b>\$ 318,394</b>	<b>\$ 477,400</b>	<b>\$ 115,848</b>	<b>32.04%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

Office supplies increased by \$50,650 from the 2013 budget, which includes office furnishings for the new office space.

A net increase in Computer, Supplies and Maintenance is comprised of the following: a decrease of \$20,500 in computers is due to a decrease in the number of computers purchased; an increase of \$66,050 in software is for upgraded Microsoft Office software for current staff; and an increase of \$12,000 is for networking supplies needed for the new office.

**Table B-8 – Professional Services**

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Candidate Search	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.00%
Outside Legal	45,000	60,000	50,000	5,000	11.11%
Accounting & Auditing Fees	30,900	36,285	35,400	4,500	14.56%
Insurance Commercial	20,000	26,000	25,000	5,000	25.00%
<b>Total Services</b>	<b>\$ 105,900</b>	<b>\$ 132,285</b>	<b>\$ 120,400</b>	<b>\$ 14,500</b>	<b>13.69%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

There are no significant variances requiring an explanation.

**Table B-9 – Other Non-operating Expenses**

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment		-		-	
Office Relocation	-	-	15,000	15,000	
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>100.00%</b>

**Explanation of Significant Variances – 2013 Budget versus 2012 Budget**

SERC has included \$15,000 for one-time costs related to the relocation of office space, for a moving company.

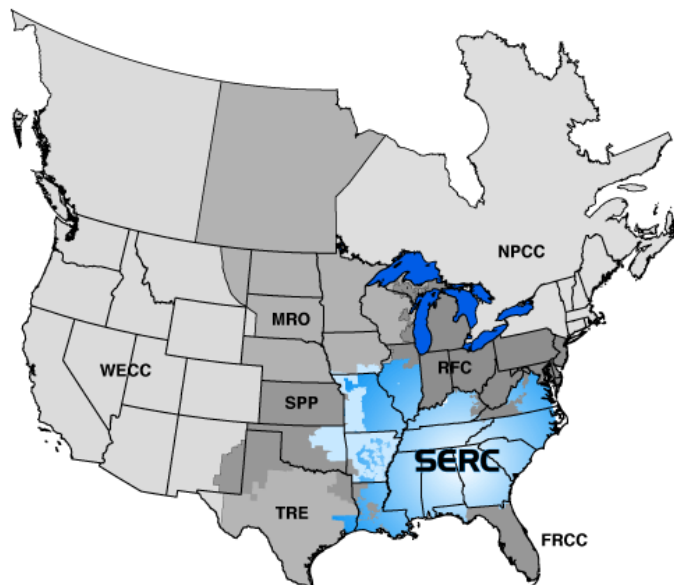
Table B-10 – 2014 Budget with 2015-2015 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital							
2014 Budget & Projected 2015 and 2016 Budgets							
	2014 Budget	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	2016 Projection	\$ Change 16 v 15	% Change 16 v 15
<b>Funding</b>							
<b>ERO Funding</b>							
NERC Assessments	\$ 13,734,499	\$ 14,730,228	\$ 995,729	7.25%	\$ 15,931,332	\$ 1,201,104	7.5%
Penalty Sanctions	2,054,500	850,000	(1,204,500)	-58.63%	650,000	(200,000)	-30.8%
<b>Total NERC Funding</b>	<b>\$ 15,788,999</b>	<b>\$ 15,580,228</b>	<b>\$ (208,771)</b>	<b>-1.3%</b>	<b>\$ 16,581,332</b>	<b>\$ 1,001,104</b>	<b>6.0%</b>
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	267,605	267,605	-	0.00%	267,605	-	0.0%
Interest	10,000	10,000	-	0.00%	10,000	-	0.0%
Miscellaneous	308,500	308,500	-	0.00%	120,000	(188,500)	-61.1%
<b>Total Funding (A)</b>	<b>\$ 16,375,104</b>	<b>\$ 16,166,333</b>	<b>\$ (208,771)</b>	<b>-1.3%</b>	<b>\$ 16,978,937</b>	<b>\$ 812,604</b>	<b>5.0%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 10,187,444	\$ 10,442,130	\$ 254,686	2.5%	\$ 10,703,183	\$ 261,053	2.5%
Payroll Taxes	611,246	626,528	15,282	2.5%	642,191	15,663	2.5%
Benefits	941,806	988,896	47,090	5.0%	1,038,341	49,445	5.0%
Retirement Costs	1,394,422	1,436,255	41,833	3.0%	1,479,342	43,088	3.0%
<b>Total Personnel Expenses</b>	<b>\$ 13,134,918</b>	<b>\$ 13,493,809</b>	<b>\$ 358,891</b>	<b>2.7%</b>	<b>\$ 13,863,058</b>	<b>\$ 369,249</b>	<b>2.7%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 317,195	\$ 326,711	\$ 9,516	3.0%	\$ 336,512	\$ 9,801	3.0%
Travel	605,484	623,649	18,165	3.0%	642,358	18,709	3.0%
Conference Calls	48,000	49,440	1,440	3.0%	50,923	1,483	3.0%
<b>Total Meeting Expenses</b>	<b>\$ 970,679</b>	<b>\$ 999,799</b>	<b>\$ 29,120</b>	<b>3.0%</b>	<b>\$ 1,029,793</b>	<b>\$ 29,994</b>	<b>3.0%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 1,229,030	\$ 862,668	(366,362)	-29.8%	\$ 911,770	49,102	5.7%
Office Rent	419,861	553,996	134,135	31.9%	569,231	15,235	2.8%
Office Costs	477,400	357,692	(119,709)	-25.1%	368,422	10,731	3.0%
Professional Services	120,400	121,604	1,204	1.0%	125,252	3,648	3.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	218,653	304,717	86,064	39.4%	267,323	(37,394)	-12.3%
<b>Total Operating Expenses</b>	<b>\$ 2,465,344</b>	<b>\$ 2,200,677</b>	<b>\$ (264,668)</b>	<b>-10.7%</b>	<b>\$ 2,241,998</b>	<b>\$ 41,321</b>	<b>1.9%</b>
<b>Total Direct Expenses</b>	<b>\$ 16,570,941</b>	<b>\$ 16,694,285</b>	<b>\$ 123,344</b>	<b>0.7%</b>	<b>\$ 17,134,849</b>	<b>\$ 440,564</b>	<b>2.6%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 15,000</b>	<b>\$ -</b>	<b>\$ (15,000)</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>\$ 16,585,941</b>	<b>\$ 16,694,285</b>	<b>\$ 108,344</b>	<b>0.7%</b>	<b>\$ 17,134,849</b>	<b>\$ 440,564</b>	<b>2.6%</b>
<b>Change in Assets</b>	<b>\$ (210,837)</b>	<b>\$ (527,952)</b>	<b>\$ (317,115)</b>	<b>150.4%</b>	<b>\$ (155,912)</b>	<b>\$ 372,040</b>	<b>-70.5%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (218,653)	\$ (304,717)	\$ (86,064)	39.4%	\$ (267,323)	\$ 37,394	-12.3%
Computer & Software CapEx	460,000	100,000	(360,000)	-78.3%	100,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	50,000	-	(50,000)	-100.0%	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ 291,347</b>	<b>\$ (204,717)</b>	<b>\$ (496,064)</b>	<b>-170.3%</b>	<b>\$ (167,323)</b>	<b>\$ 372,040</b>	<b>0.0%</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 16,877,288</b>	<b>\$ 16,489,568</b>	<b>\$ (387,720)</b>	<b>-2.3%</b>	<b>\$ 16,967,526</b>	<b>\$ 440,564</b>	<b>2.7%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (502,184)</b>	<b>\$ (323,235)</b>	<b>\$ 178,949</b>	<b>100.0%</b>	<b>\$ 11,411</b>	<b>\$ 334,646</b>	<b>-103.5%</b>
<b>FTEs</b>	79.20	79.20	-	-	79.20	-	-

---

## Section C – Non-Statutory Activities 2014 Business Plan and Budget

---



**Section C — 2014 Non-Statutory Business Plan and Budget**

Non-Statutory Activities (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses	-	-	-
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	-	-	-

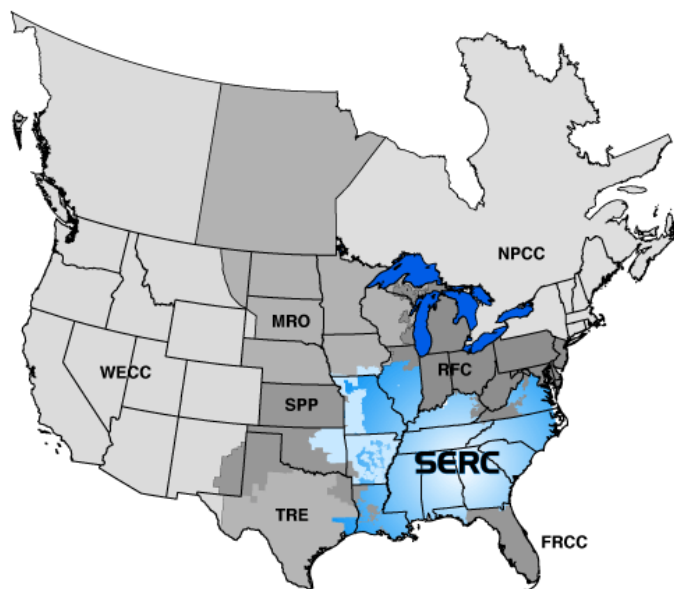
SERC does not provide any non-statutory functions at this time, although SERC may in the future consider providing non-statutory functions from time to time as appropriate and as permitted by its Board and applicable statutes and regulations.

---

# Section D – Additional Consolidated Financial Statements

## 2014 Business Plan and Budget

---



## Section D

### 2014 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Statutory Total	Non- Statutory Total	Statutory Activities											Non-Statutory Functions		
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources		Accounting and Finance	
<b>Funding</b>																	
<b>ENR Funding</b>																	
NERC Assessments	13,734,499	13,734,499	-	13,734,499	466,802	10,372,696	1,938,061	742,299	1,003,325	-	(788,684)	-	-	-	-	-	-
Penalty Sanctions	2,054,500	2,054,500	-	2,054,500	79,938	1,470,713	262,998	97,240	143,611	-	-	-	-	-	-	-	-
<b>Total NERC Funding</b>	<b>15,788,999</b>	<b>15,788,999</b>	<b>-</b>	<b>15,788,999</b>	<b>546,740</b>	<b>11,843,409</b>	<b>2,201,059</b>	<b>839,539</b>	<b>1,146,936</b>	<b>-</b>	<b>(788,684)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	267,605	267,605	-	267,605	-	-	-	267,605	-	-	-	-	-	-	-	-	-
Interest	10,000	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-	-	-	10,000
Miscellaneous	308,500	308,500	-	308,500	-	32,000	-	-	-	-	-	276,500	-	-	-	-	-
<b>Total Funding (A)</b>	<b>16,375,104</b>	<b>16,375,104</b>	<b>-</b>	<b>16,375,104</b>	<b>546,740</b>	<b>11,875,409</b>	<b>2,201,059</b>	<b>1,107,144</b>	<b>1,146,936</b>	<b>-</b>	<b>(512,184)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>Expenses</b>																	
<b>Personnel Expenses</b>																	
Salaries	10,187,444	10,187,444	-	10,187,444	221,774	5,224,607	818,555	374,069	505,718	700,576	2,342,145	-	-	-	-	-	-
Payroll Taxes	611,246	611,246	-	611,246	13,306	313,476	49,113	22,444	30,343	42,035	140,529	-	-	-	-	-	-
Benefits	941,806	941,806	-	941,806	24,786	523,055	95,406	28,459	52,881	53,772	163,447	-	-	-	-	-	-
Retirement Costs	1,394,422	1,394,422	-	1,394,422	31,259	716,689	115,313	52,656	61,798	94,071	322,636	-	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>13,134,918</b>	<b>13,134,918</b>	<b>-</b>	<b>13,134,918</b>	<b>291,125</b>	<b>6,777,827</b>	<b>1,078,387</b>	<b>477,628</b>	<b>650,740</b>	<b>890,454</b>	<b>2,968,757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Meeting Expenses</b>																	
Meetings	317,195	317,195	-	317,195	-	14,010	39,990	183,360	10,350	22,300	47,185	-	-	-	-	-	-
Travel	605,484	605,484	-	605,484	11,696	323,862	45,487	19,241	47,556	75,139	82,503	-	-	-	-	-	-
Conference Calls	48,000	48,000	-	48,000	-	-	-	-	-	-	48,000	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>970,679</b>	<b>970,679</b>	<b>-</b>	<b>970,679</b>	<b>11,696</b>	<b>337,872</b>	<b>85,477</b>	<b>202,601</b>	<b>57,906</b>	<b>97,439</b>	<b>177,688</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Expenses</b>																	
Consultants & Contracts	1,229,030	1,229,030	-	1,229,030	-	245,000	232,500	130,000	-	-	180,000	-	441,530	-	-	-	-
Office Rent	419,861	419,861	-	419,861	-	-	-	-	-	-	419,861	-	-	-	-	-	-
Office Costs	477,400	477,400	-	477,400	100	13,857	2,518	320	260	365	250,380	1,900	197,340	360	10,000	-	-
Professional Services	120,400	120,400	-	120,400	-	15,000	-	-	-	-	25,000	35,000	-	10,000	35,400	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	218,653	218,653	-	218,653	-	-	-	-	-	-	218,653	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>2,465,344</b>	<b>2,465,344</b>	<b>-</b>	<b>2,465,344</b>	<b>100</b>	<b>273,857</b>	<b>235,018</b>	<b>130,320</b>	<b>260</b>	<b>365</b>	<b>1,093,894</b>	<b>36,900</b>	<b>638,870</b>	<b>10,360</b>	<b>45,400</b>	<b>-</b>	<b>-</b>
<b>Total Direct Expenses</b>	<b>16,570,941</b>	<b>16,570,941</b>	<b>-</b>	<b>16,570,941</b>	<b>302,921</b>	<b>7,389,556</b>	<b>1,398,882</b>	<b>810,549</b>	<b>708,906</b>	<b>988,258</b>	<b>4,240,339</b>	<b>36,900</b>	<b>638,870</b>	<b>10,360</b>	<b>45,400</b>	<b>-</b>	<b>-</b>
<b>Indirect Expenses</b>																	
	-	-	-	-	232,483	4,277,293	764,881	282,805	417,665	(988,258)	(4,255,339)	(36,900)	(638,870)	(10,360)	(45,400)	-	-
<b>Other Non-Operating Expenses</b>	<b>15,000</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>16,585,941</b>	<b>16,585,941</b>	<b>-</b>	<b>16,585,941</b>	<b>535,404</b>	<b>11,666,849</b>	<b>2,163,763</b>	<b>1,093,354</b>	<b>1,126,571</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>(210,837)</b>	<b>(210,837)</b>	<b>-</b>	<b>(210,837)</b>	<b>11,336</b>	<b>208,560</b>	<b>37,296</b>	<b>13,790</b>	<b>20,365</b>	<b>-</b>	<b>(512,184)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>Fixed Assets</b>																	
Depreciation	(218,653)	(218,653)	-	(218,653)	-	-	-	-	-	-	(218,653)	-	-	-	-	-	-
Computer & Software CapEx	460,000	460,000	-	460,000	-	-	-	-	-	-	460,000	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-	-	-	-	-	-	50,000	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	11,336	208,560	37,296	13,790	20,365	(291,347)	-	-	-	-	-	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>291,347</b>	<b>291,347</b>	<b>-</b>	<b>291,347</b>	<b>11,336</b>	<b>208,560</b>	<b>37,296</b>	<b>13,790</b>	<b>20,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>16,877,288</b>	<b>16,877,288</b>	<b>-</b>	<b>16,877,288</b>	<b>546,740</b>	<b>11,875,409</b>	<b>2,201,059</b>	<b>1,107,144</b>	<b>1,146,936</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>16,666,451</b>	<b>16,666,451</b>	<b>-</b>	<b>(502,184)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(512,184)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>FTEs</b>	<b>79.20</b>	<b>79.20</b>	<b>-</b>	<b>79.20</b>	<b>2.31</b>	<b>42.50</b>	<b>7.60</b>	<b>2.81</b>	<b>4.15</b>	<b>4.83</b>	<b>15.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Statement of Financial Position

- As of December 31, 2012, per audit
- As of December 31, 2013, projected
- As of December 31, 2014, as budgeted

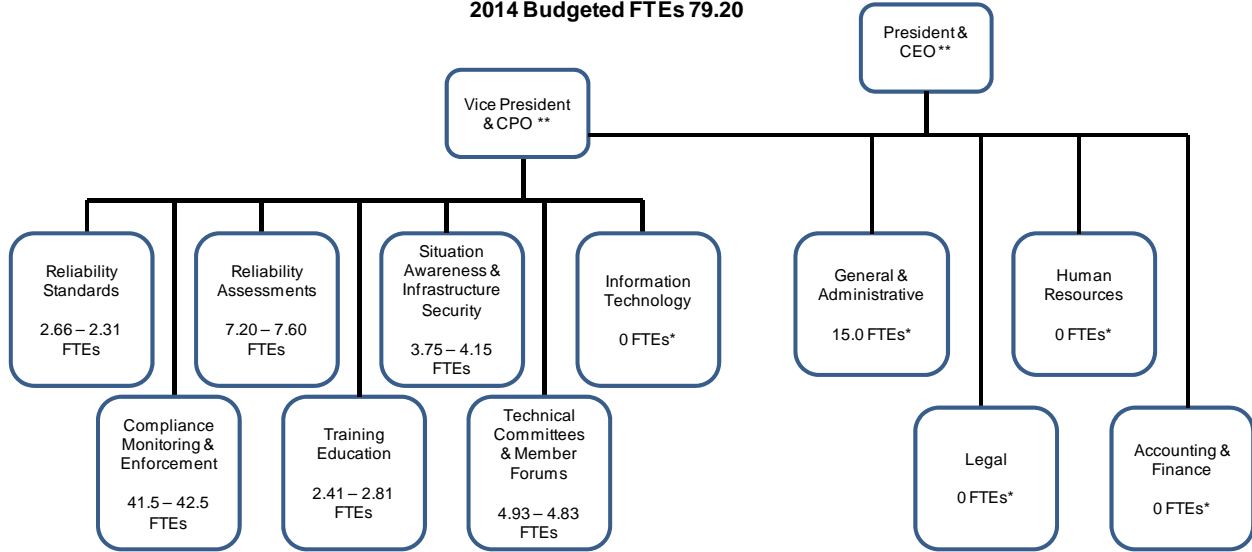
Statement of Financial Position 2012 Audited, 2013 Projection, and 2014 Budget			
STATUTORY			
	(Per Audit) 31-Dec-12	Projected 31-Dec-13	Budget 31-Dec-14
<b>ASSETS</b>			
Cash	7,192,908	6,686,905	7,146,905
Trade Accounts receivable, net of allowance for uncollectible accounts of \$0	18,487	18,487	18,487
Other Receivables	-	-	-
Prepaid expenses and other current assets	127,403	127,403	127,403
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	324,812	351,479	60,132
Total Assets	<b>7,663,610</b>	<b>7,184,274</b>	<b>7,352,927</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	942,117	942,117	942,117
Deferred income	29,845	29,845	29,845
Deferred penalty income	526,761	2,054,500	
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	342,637	376,901	496,726
Accrued incentive compensation	1,162,585	1,278,844	3,334,282
Total Liabilities	<b>3,003,945</b>	<b>4,682,206</b>	<b>4,802,970</b>
Net Assets - unrestricted	4,659,665	2,502,068	2,549,957
Total Liabilities and Net Assets	<b>7,663,610</b>	<b>7,184,274</b>	<b>7,352,927</b>



# Organizational Chart

## SERC Reliability Corporation Organization Chart

2013 Projected FTEs 72.58  
2014 Budgeted FTEs 79.20



\*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative  
\*\* Executive positions are recorded within General and Administrative

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 8**

**SOUTHWEST POWER POOL REGIONAL ENTITY**

**PROPOSED 2014 BUSINESS PLAN AND BUDGET**



**2014 Business Plan and Budget**

**Southwest Power Pool Regional Entity**

**Approved by SPP Regional Entity Trustees**

**June 18, 2013**

# Table of Contents

<b>Introduction</b> .....	3
<b>Section A - 2014 Business Plan</b> .....	9
Reliability Standards Program .....	10
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	13
Reliability Assessment and Performance Analysis Program.....	19
Training, Education, and Operator Certification Program .....	23
Situation Awareness and Infrastructure Security Program .....	26
Administrative Services .....	30
Technical Committees and Member Forums .....	31
General and Administrative .....	33
Legal and Regulatory .....	36
Information Technology .....	38
Human Resources .....	39
Finance and Accounting .....	40
<b>Section B — Supplemental Financial Information</b> .....	41
Reserve Balance.....	42
Breakdown by Statement of Activity Sections .....	43
<b>Section C — 2014 Non-Statutory Business Plan and Budget</b> .....	51
<b>Section D</b> .....	55
<b>Section E</b> .....	57
<b>Section F</b> .....	59

## Introduction

TOTAL RESOURCES (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs	33.85			
Non-statutory FTEs	-			
<b>Total FTEs</b>	33.85			
Statutory Expenses	\$ 11,823,629			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 11,823,629			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ -			
Statutory Working Capital Requirement Adjustment	\$ (2,096,173)			
Non-Statutory Working Capital Requirement	\$ -			
<b>Total Working Capital Requirement</b>	\$ (2,096,173)			
Total Statutory Funding Requirement	\$ 9,727,456			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 9,727,456			
<b>Statutory Funding Assessments</b>	\$ 9,727,456	\$ 9,727,456		
<b>Non-Statutory Fees</b>	\$ -	\$ -		
NEL	217,688,710	217,688,710		
NEL%	100%	100%		

## Organizational Overview

Southwest Power Pool, Inc. (SPP), founded in 1941 and based in Little Rock, Arkansas, is a nonprofit organization whose primary mission is maintaining electric reliability. SPP is one of nine Federal Energy Regulatory Commission (FERC) approved Independent System Operators/Regional Transmission Organizations and one of eight North American Electric Reliability Corporation (NERC) Regional Entities.

Southwest Power Pool Regional Entity (SPP RE), an independent and functionally separate division of SPP, was created to fulfill the functions and duties specified in the SPP Regional Delegation Agreement with NERC originally approved by FERC in 2007 and again in October 2010. As a NERC Regional Entity, SPP RE promotes and works to improve the reliability of the bulk power system (BPS). Specifically, SPP RE is responsible for developing regional reliability standards, monitoring and enforcing registered entity compliance with reliability standards, and assessing and evaluating BPS reliability. SPP RE provides technical expertise and assistance to BPS owners, operators and users, in particular to the approximately 140 registered entities located within the SPP RE's footprint, an eight-state area that includes Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas.

---

Sections A and B of this business plan and budget (BP&B) detail the programs and costs for the activities the SPP RE performs to fulfill the duties specified in the Regional Entity Delegation Agreement between SPP and NERC.

The SPP's RTO activities, which are listed in Section C of this BP&B, are non-statutory, and as such, are not included in the SPP RE's BP&B.

### **Membership and Governance**

Pursuant to the SPP bylaws, SPP RE is governed by three independent Regional Entity Trustees, who are not on the SPP Board and operate separately from the SPP Board. The SPP RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE budget, as well as oversight of SPP RE decisions on regional standards, compliance enforcement actions, and penalties. The SPP RE's General Manager reports directly to the SPP RE Trustees. Only the SPP RE Trustees and certain direct SPP RE Staff members have the authority to make compliance and enforcement decisions. SPP RE direct staff is independent of all BPS users, owners, and operators.

To avoid the appearance of any conflicts of interest, SPP RE has engaged SERC Reliability Corporation to serve as the compliance enforcement authority for SPP's registered functions in the SPP RE region.

SPP RE's governance, which has been approved by NERC and FERC, meets the requirements of the Energy Policy Act of 2005.

### **Statutory Functional Scope**

SPP RE performs various activities in the execution of its delegated functions and in support of NERC's responsibilities as the electric reliability organization (ERO). These activities include:

- Reliability Standard Development
- Compliance Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis
- Training and Education
- Situation Awareness and Infrastructure Security

### **2014 Key Assumptions**

The key assumptions underlying the SPP RE 2014 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2014 BP&B. The assumptions that are of particular importance to the SPP RE's 2014 BP&B include the expectation that:

1. NERC and the Regional Entities will continue to work collaboratively to promote and improve the reliability of the BPS.
2. NERC and the Regional Entities will continue to work under the regulatory framework governing the establishment and enforcement of reliability standards for the BPS established by Energy Policy Act of 2005.

3. SPP RE's delegated authorities and responsibilities will remain relatively constant.
4. NERC and the Regional Entities will work collaboratively to identify additional ways to improve efficiency and leverage overall ERO resources.
5. Cyber and critical asset security will continue to be a priority in the United States, with significant oversight by applicable government authorities.
6. Through efficiency gains and limited additional resources, NERC and Regions will strive to achieve and maintain a 12-month total average processing time for alleged violations over the planning period.
7. In May 2013, NERC filed a one year extension request with FERC to delay the effective date of a uniform BES definition from July 1, 2013 to July 1, 2014. As a result, it is assumed that a uniform BES definition will result in increased workload for the Regions as they deal with exclusion requests in 2014.
8. Cost pressures may affect stakeholder resources available to participate in NERC and Regional Entity activities. NERC and the Regional Entities business plans, budgets, and resource requirements will continue to be established based upon the assumption of continued industry participation in support of key program areas, including but not limited to event analysis, reliability assessments, and standards development.

In addition to the above assumptions, which are shared among NERC and the Regional Entities, assumptions that are unique to SPP RE include:

1. SPP RE continues to operate as an independent and functionally separate division of SPP.
2. SPP RE continues to utilize SPP Shared staff to conduct certain activities in the SPP RE's Reliability Assessment and Performance Analysis program.
3. SPP RE will continue to engage SERC to perform the compliance enforcement authority activities for the SPP registered functions that would otherwise be performed by SPP RE.

Key assumptions specific to individual programs are provided in Section A of this BP&B.

## Goals and Key Deliverables

As part of the implementation of the Electric Reliability Organization Strategic Goals through 2016 (ERO Strategic Plan)<sup>1</sup>, NERC and the Regional Entities developed a set of Common Assumptions<sup>2</sup> that are now used to guide budget resource projections for each regional entity and the ERO overall. In addition to the ERO Strategic Goals, the SPP RE Strategic Plan – 2012-2015<sup>3</sup>, which was developed in a collaborative manner, seeking input from RE staff, RTO staff,

---

<sup>1</sup> [https://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/ERO%20Enterprise%20Strategic%20Plan%202012-2015%20FINAL%20\(02%202012\)%20\(2\).pdf](https://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/ERO%20Enterprise%20Strategic%20Plan%202012-2015%20FINAL%20(02%202012)%20(2).pdf) and

[http://www.nerc.com/docs/bot/finance/2014%20NERC%20Business%20Plan%20and%20Budget/SP2013\\_2015-Complete.pdf](http://www.nerc.com/docs/bot/finance/2014%20NERC%20Business%20Plan%20and%20Budget/SP2013_2015-Complete.pdf)

<sup>2</sup> See NERC 2014 Business Plan and Budget, Exhibit A

<sup>3</sup> [http://www.spp.org/publications/RE\\_Strategy\\_2012\\_2015%20Clean.pdf](http://www.spp.org/publications/RE_Strategy_2012_2015%20Clean.pdf)

stakeholders, RE Trustees, the SPP Board, and the SPP Strategic Planning Committee, also serves as a guide for SPP RE's planning processes and ongoing actions.

SPP RE-specific goals and deliverables include:

- Effectively and efficiently perform the delegated functions of registration, compliance monitoring and enforcement, reliability assessments, performance analysis, and situational awareness with independence, without conflict of interest, with objectivity and fairness.
- Conduct outreach activities, including compliance workshops, training seminars and videos, and newsletters, that facilitate a learning environment and promote a strong culture of reliability excellence and compliance.
- Identify current “gap” areas for reliability and grid security improvement and pursue implementation through new or revised reliability standards and other SPP RE or NERC processes.
- Participate in NERC-sponsored ERO compliance auditor and enforcement staff training.

### 2014 Overview of Cost Impacts

The \$11.8 million operating budget reflects an approximate \$309 thousand increase or 2.7%. Funding assessments increased by \$1.20 million or 14.1%, from \$ 8.53 million to \$9.73 million. A summary of the funding by program area is shown in the chart below.

Program	Budget 2013	Projection 2013	Budget 2014	Change 2014 Budget v 2013 Budget	% Change
Reliability Standards	391,641	79,036	79,330	(312,311)	-79.7%
Compliance Enforcement and Regist	8,164,097	8,217,634	8,662,902	498,805	6.1%
Reliability Assess and Perf Analysis	2,606,215	2,564,534	2,756,961	150,746	5.8%
Training and Education	217,591	269,740	279,252	61,661	28.3%
Situation Awareness	135,273	43,989	45,184	(90,089)	-66.6%
	11,514,817	11,174,933	11,823,629	308,812	2.7%
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
<b>Total Funding</b>	<b>11,514,817</b>	<b>11,174,933</b>	<b>11,823,629</b>	<b>308,812</b>	<b>2.7%</b>

- As shown in the chart that follows, the net decrease in budgeted FTEs is 0.65 and reflects the reduction in the number of SPP Shared Staff FTEs used to help coordinate and facilitate the development of regional reliability standards and the elimination of a part-time law clerk. Other changes in individual program FTEs are primarily due to: 1) redirecting the resources previously focused on the coordination and development of the regional reliability standards to the Training and Education and Compliance program areas, 2) a decrease in the Situation Awareness and Infrastructure Security program to better reflect the actual time spent by RE Direct Staff performing SAIS activities, and 3)



the repurposing of the Executive Director of Compliance position to a Director of Compliance and Events position.

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs <sup>1</sup> 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	1.25	0.25	0.15	0.10	0.25	-1.00
Compliance and Organization Registration and Certification	22.25	21.85	22.10	0.00	22.10	-0.15
Training and Education	1.00	1.25	1.25	0.00	1.25	0.25
Reliability Assessment and Performance Analysis	6.50	6.38	3.38	3.75	7.13	0.63
Situation Awareness and Infrastructure Security	0.25	0.13	0.13	0.00	0.13	-0.13
<b>Total FTEs Operational Programs</b>	<b>31.25</b>	<b>29.85</b>	<b>27.00</b>	<b>3.85</b>	<b>30.85</b>	<b>-0.40</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	3.25	3.00	3.00	0.00	3.00	-0.25
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total FTEs Administrative Programs</b>	<b>3.25</b>	<b>3.00</b>	<b>3.00</b>	<b>0.00</b>	<b>3.00</b>	<b>-0.25</b>
<b>Total FTEs</b>	<b>34.50</b>	<b>32.85</b>	<b>30.00</b>	<b>3.85</b>	<b>33.85</b>	<b>-0.65</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Compared to the 2013 budget, the net decrease in direct expenses and the net increase in SPP, Inc. indirect expenses are approximately \$152 thousands and \$461 thousands, respectively. The decrease in direct expenses is principally due to a decrease in consultant costs. The increase in SPP, Inc. indirect expenses is due to an increase in the indirect expense rate compared to the rate used in preparation of the 2013 budget.<sup>4</sup> Additional information regarding the changes to the SPP RE operating budget is detailed in the Statutory Statement of Activities and Capital Expenditures table on the next page.

<sup>4</sup> A table showing the derivation of the Indirect Expense Rate is presented in Section E.

## 2013 Budget and Projection and 2014 Budget Comparisons

### Statement of Activities and Capital Expenditures 2013 Budget & Projection, and 2014 Budget

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 8,530,054	\$ 8,530,054	\$ -	\$ 9,219,123	\$ 689,069
Penalty Sanctions	995,020	995,020	-	508,333	(486,687)
<b>Total SPP RE Funding</b>	<b>\$ 9,525,074</b>	<b>\$ 9,525,074</b>	<b>\$ -</b>	<b>\$ 9,727,456</b>	<b>\$ 202,382</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 9,525,074</b>	<b>\$ 9,525,074</b>	<b>\$ -</b>	<b>\$ 9,727,456</b>	<b>\$ 202,382</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 4,072,621	\$ 3,714,463	\$ (358,158)	\$ 4,103,334	\$ 30,713
Payroll Taxes	311,555	284,156	(27,399)	313,905	2,350
Benefits	312,164	322,537	10,373	330,805	18,641
Retirement Costs	162,905	148,579	(14,326)	164,133	1,228
<b>Total Personnel Expenses</b>	<b>\$ 4,859,245</b>	<b>\$ 4,469,735</b>	<b>\$ (389,510)</b>	<b>\$ 4,912,177</b>	<b>\$ 52,932</b>
<b>Meeting Expenses</b>					
Meetings	\$ 86,500	\$ 90,000	\$ 3,500	\$ 91,500	\$ 5,000
Travel	499,000	486,000	(13,000)	486,000	(13,000)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 585,500</b>	<b>\$ 576,000</b>	<b>\$ (9,500)</b>	<b>\$ 577,500</b>	<b>\$ (8,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 1,383,150	\$ 1,125,000	\$ (258,150)	\$ 1,031,000	\$ (352,150)
Office Rent	-	-	-	-	-
Office Costs	2,500	8,000	5,500	8,000	5,500
Professional Services	316,100	310,000	(6,100)	466,100	150,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,701,750</b>	<b>\$ 1,443,000</b>	<b>\$ (258,750)</b>	<b>\$ 1,505,100</b>	<b>\$ (196,650)</b>
<b>Total Direct Expenses</b>	<b>\$ 7,146,495</b>	<b>\$ 6,488,735</b>	<b>\$ (657,760)</b>	<b>\$ 6,994,777</b>	<b>\$ (151,718)</b>
SPP Inc. Indirect Expenses	\$ 4,368,323	\$ 4,686,198	\$ 317,875	\$ 4,828,852	\$ 460,529
SPP RE Indirect Expenses <sup>(1)</sup>	-	-	-	-	-
<b>Total Indirect Expenses</b>	<b>\$ 4,368,323</b>	<b>\$ 4,686,198</b>	<b>\$ 317,875</b>	<b>\$ 4,828,852</b>	<b>\$ 460,529</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 11,514,818</b>	<b>\$ 11,174,933</b>	<b>\$ (339,885)</b>	<b>\$ 11,823,629</b>	<b>\$ 308,811</b>
<b>Change in Assets</b>	<b>\$ (1,989,744)</b>	<b>\$ (1,649,859)</b>	<b>\$ 339,885</b>	<b>\$ (2,096,173)</b>	<b>\$ (106,429)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 11,514,818</b>	<b>\$ 11,174,933</b>	<b>\$ (339,885)</b>	<b>\$ 11,823,629</b>	<b>\$ 308,811</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,989,744)</b>	<b>\$ (1,649,859)</b>	<b>\$ 339,885</b>	<b>\$ (2,096,173)</b>	<b>\$ (106,429)</b>

---

# Section A – Statutory Programs

## 2014 Business Plan and Budget

---



## Section A — 2014 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.25	0.25	(1.00)
Direct Expenses	\$ 187,263	\$ 33,744	\$ (153,519)
Indirect Expenses- SPP Inc.	\$ 158,273	\$ 35,664	\$ (122,609)
Indirect Expenses- SPP RE	\$ 46,105	\$ 9,922	\$ (36,183)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 391,641	\$ 79,330	\$ (312,311)

#### Program Scope and Functional Description

The Reliability Standards Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 300. The 1.0 FTE reduction in this program area is due to the formation of a Reliability Standards Department by SPP, Inc. residing in the RTO. This department was formed in January 2011 and consists of 2.0 FTEs. The RTO Reliability Standards Department facilitates calls to gather comments from members and Registered Entities on standards under development, CANs, standards interpretations, and related issues. In 2012 the Reliability Standards Department held 51 calls with ~900 attendees. Comments drafted during these calls were submitted to NERC on behalf of the group that participated on the call and supported the comments.

The 0.25 FTEs represent the time spent by the Compliance Group staff members (0.15), and SPP Shared Staff (0.10 FTE) on reliability standards development activities. Specifically, SPP RE Staff and SPP Shared Staff coordinate with NERC to develop and maintain technically sound, fair and balanced reliability standards that enable NERC and Regional Entities to measure the reliability performance of bulk power system owners, operators, and users. The staff members assigned to this program also participates in the development of regional standards. The regional standards are developed using the procedures outlined in the SPP RE Standards Development Process Manual, which has been approved by FERC and NERC.

#### 2014 Key Assumptions

The key assumptions concerning the SPP RE's Reliability Standards Program are consistent with the assumptions contained in ERO BP&B Assumptions.

#### 2014 Goals and Key Deliverables

- Meet directives of ERO governmental authorities regarding standards development and procedures;
- Communicate with stakeholders and regulators regarding standards development;

- Participate and represent SPP region in NERC standard development activities that may have significant influence on the planning and business practices of the entities registered with SPP RE

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources (Other than ERO Assessments)

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

#### Personnel Expenses

- The decrease in personnel expenses of \$148,519 is due to less reliance on SPP Inc. for handling the Reliability Standards and redirecting a portion of the allocated resources previously focused on the coordination and development of the regional reliability standards to the Training and Education and Compliance program area.

#### Meeting Expenses

- Meeting Expenses are expected to decrease by \$5,000 to zero to better reflect actual 2012 results, and the completion of the UFLS regional standard drafting team's work.

#### Operating Expenses

- There are no changes in operating expenses for this program, i.e. the budgeted amount remains zero.

#### Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been adjusted to reflect the 1.0 FTE reductions in this program area partially offset by the increase in the fixed rate.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

## Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2014 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Reliability Standards</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 351,841	\$ 351,841	\$ -	\$ 75,211	\$ (276,630)
Penalty Sanctions	39,801	39,801	-	4,119	(35,682)
<b>Total SPP RE Funding</b>	<b>\$ 391,641</b>	<b>\$ 391,642</b>	<b>\$ -</b>	<b>\$ 79,330</b>	<b>\$ (312,312)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 391,641</b>	<b>\$ 391,642</b>	<b>\$ -</b>	<b>\$ 79,330</b>	<b>\$ (312,312)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 154,835	\$ 29,167	\$ (125,668)	\$ 28,372	\$ (126,463)
Payroll Taxes	11,845	2,231	(9,614)	2,170	(9,675)
Benefits	9,390	2,067	(7,323)	2,067	(7,323)
Retirement Costs	6,193	1,167	(5,026)	1,135	(5,058)
<b>Total Personnel Expenses</b>	<b>\$ 182,263</b>	<b>\$ 34,632</b>	<b>\$ (147,631)</b>	<b>\$ 33,744</b>	<b>\$ (148,519)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	5,000	-	(5,000)	-	(5,000)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ (5,000)</b>	<b>\$ -</b>	<b>\$ (5,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 187,263</b>	<b>\$ 34,632</b>	<b>\$ (152,631)</b>	<b>\$ 33,744</b>	<b>\$ (153,519)</b>
SPP Inc. Indirect Expenses	\$ 158,273	\$ 35,664	\$ (122,609)	\$ 35,664	\$ (122,609)
SPP RE Indirect Expenses	46,105	8,740	(37,365)	9,922	(36,183)
<b>Total Indirect Expenses</b>	<b>\$ 204,378</b>	<b>\$ 44,404</b>	<b>\$ (159,974)</b>	<b>\$ 45,586</b>	<b>\$ (158,792)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 391,641</b>	<b>\$ 79,036</b>	<b>\$ (312,605)</b>	<b>\$ 79,330</b>	<b>\$ (312,311)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 312,606</b>	<b>\$ 312,605</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 391,641</b>	<b>\$ 79,036</b>	<b>\$ (312,605)</b>	<b>\$ 79,330</b>	<b>\$ (312,311)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 312,606</b>	<b>\$ 312,605</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	1.25	0.25	-1.00	0.25	-1.00

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b>			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	22.25	22.10	(0.15)
Direct Expenses*	\$ 4,290,513	\$ 4,258,217	\$ (32,296)
Indirect Expenses- SPP Inc.	\$ 2,817,251	\$ 3,152,662	\$ 335,411
Indirect Expenses- SPP RE	\$ 1,056,333	\$ 1,252,024	\$ 195,691
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 8,164,097	\$ 8,662,902	\$ 498,805
* Includes Personnel Expenses of 1 FTE from Training and Education Program to maintain confidentiality			

### Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 400. There are approximately 140 registered entities with a combined total of approximately 400 registered functions located within the SPP RE's footprint. The SPP RE CMEP is administered by the SPP RE Staff. Only the SPP RE Trustees and certain SPP RE Staff members have the authority to make compliance and enforcement decisions.

To avoid the appearance of any conflicts of interest, SPP RE has engaged SERC Reliability Corporation to serve as the compliance enforcement authority for SPP's registered functions in the SPP RE region. In accordance with the terms of the agreement between SERC and SPP, SPP RE has included \$16,000 in its budget to compensate SERC for performing the 2014 CMEP activities for SPP's registered functions in the SPP RE region.

SPP RE CMEP is organized into three distinct groups: Compliance Monitoring; Critical Infrastructure Protection (CIP); and Enforcement. The SPP RE Director of Compliance and Events is responsible for the oversight of the Compliance Monitoring Group, the Director of Critical Infrastructure Protection (CIP) is responsible for the oversight of the CIP Group, and the SPP RE Manager of Enforcement is responsible for the oversight of the Enforcement Group.

### Compliance Groups

The FTEs assigned to the Compliance Groups are responsible for registering owners, operators and users of the BPS and monitoring and assessing registered entities' compliance with NERC-approved reliability standards. The various activities performed by the staff members assigned to the Compliance groups include: 1) conducting compliance audits, spot checks, and self-certifications of entities registered in the SPP RE footprint, 2) reviewing CIP technical feasibility exception requests (TFEs), periodic data submittals and self-reports made by entities registered in the SPP RE footprint, 3) participating in SPP RE workshops and webinars, and 4) participating in various SPP and NERC working groups. The Compliance Groups also make the initial determination of whether a registered entity is non-compliant with a reliability standard.

A total of 11.10 FTEs are assigned to the Compliance Groups, and include: the SPP RE Director of Compliance and Events, allocated at 0.5 FTEs, five Compliance Monitoring positions, five CIP audit positions, and one Compliance Coordinator. To recognize that staff members assigned to the Compliance Groups are also responsible for participating and representing SPP RE in NERC standard development activities, 0.15 FTE assigned to the Compliance Groups has been allocated to the Reliability Standards program; and to recognize that the Compliance Coordinator is also responsible for assisting in the SPP RE's outreach activities, 0.25 FTE assigned to the Compliance Groups has been allocated to the Training and Education program.

In addition to the SPP RE Staff, SPP RE uses consultants to assist the SPP RE with operations and planning (693) and CIP audits. On average, two consultants participate on each SPP RE onsite 693 and CIP audit team and one consultant participates on SPP's offsite 693 audit team and CIP field tests audit team. SPP RE has included \$430,000 in its budget for compliance consulting costs.

#### Enforcement Group

The FTEs assigned to the Enforcement group are responsible for reviewing the Compliance Groups' findings of non-compliance, notifying registered entities and NERC of possible violations, reviewing and verifying the registered entities' mitigation plans, determining proposed monetary penalties and non-monetary sanctions, and participating in settlement negotiations. The various activities performed by the staff members assigned to the Enforcement Group include: 1) conducting discovery, 2) preparing and issuing Preliminary Notice of Possible Violations, Notice of Alleged Violations and Penalties and Sanctions, and Confirmed Notice of Violation, 3) reviewing, accepting, and verifying completion of mitigation plans, 4) participating in settlement negotiations, 5) participating in hearings of contested violations, as necessary, and 6) participating in various SPP and NERC working groups and SPP RE workshops.

A total of 11.00 FTEs are assigned to this group, and include: the Manager of Enforcement, five enforcement attorneys, one mitigation plan analyst, one mitigation plan engineer, one paralegal, and one temporary enforcement attorney, and two part-time law clerks (an equivalent of 1.0 FTEs). Because violation activity is projected to remain at about the same level as that experienced in 2012 and because of efficiencies gained through compliance enforcement reform initiatives, the Enforcement group is expected to decrease by 0.5 FTE due to the elimination of one part-time law clerk.

In addition to the SPP RE Staff, SPP RE uses consultants to assist SPP RE with reviewing, accepting, verifying completion of mitigation plans, and processing possible violations. SPP RE has included \$120,000 in its budget for compliance consulting costs.

#### **2014 Key Assumptions**

The assumptions for this program are consistent with those contained in ERO BP&B Assumptions. NERC and the Regional Entities will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the auditors, enforcement, and investigation staff. As part of the training effort, at least two compliance enforcement authority (CEA) workshops and monthly auditor calls will occur to provide auditors and enforcement staff with updates on compliance and enforcement policies, actions, and requirements in order to promote consistency of audit practices and procedures. SPP RE will continue to engage a



contractor to provide training in the application of generally accepted auditing standards. It is expected that this training and possible certification effort will have an impact on staffing needs and costs (e.g., travel, lodging, and labor) to participate and attend this training. SPP RE has provided time for staff to maintain industry certifications, such as NERC System Operator Certification and Critical Infrastructure Protection (CIP) certifications, etc.

Given these key assumptions and based on actual 2012 resource requirements, SPP RE believes the resources assigned to this program area are adequate to achieve the goals and deliverables detailed below.

### **2014 Goals and Key Deliverables**

- Ensure that bulk power system owners, operators, and users are correctly registered through a more proactive review of registration status; seek to ensure that responsibilities are clearly understood by all registered entities and there are no material gaps or adverse impacts on bulk power system reliability;
- Perform six to eight on-site FERC Order 693 compliance audits of registered RC, BA, and TOP entities (3-year cycle entities);
- Perform fifteen to eighteen off-site FERC Order 693 compliance audits of other registered entities (6-year cycle entities);
- Perform six to eight on-site CIP compliance audits of registered entities;
- Perform ten to sixteen off-site CIP compliance audits of registered entities;
- Perform spot check, self-certifications, exception reporting, and periodic data submittals of specified standards as dictated by NERC's 2014 Compliance Monitoring and Enforcement Program Annual Implementation Plan (based on past experience, it is assumed that three Quarterly self-certifications, one Annual self-certification, and five event driven spot checks will be performed);
- Perform Compliance Investigations, as necessary;
- Perform independent review of initial findings of possible violations;
- Create Notices of Alleged Violation and Penalties and Sanctions (NAVAPS) and Notices of Confirmed Violations (NOCV);
- Negotiate and develop settlements of violations;
- Verify that findings of non-compliance are and/or have been appropriately mitigated;
- Serve as SPP RE liaisons to SPP working groups and attend approximately 30 SPP working group meetings in 2014;

- Engage contractors to assist in the evaluation of whether to grant or deny a registered entity's request for a declaration that elements of its system are not part of the Bulk Electric System.
- SPP RE supports NERC's compliance enforcement efficiencies outlined in the March 15, 2013 FERC filing and changes are being made to the Compliance Data Management System (CDMS) to allow for the next steps in the Find, Fix and Track process.<sup>5</sup>
- As a result of an audit assessment performed in 2012, SPP RE and the other seven regions hired a third party firm to obtain the best practices/processes for all regions to use for compliance audits. Based on the assessment, SPP RE did a compilation of best practices obtained from this third party. This was developed into an audit program/practices that will be used across all regions for compliance audits. This is currently being used by SPP RE for their compliance audits.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources (Other than ERO Assessments)

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

#### Personnel Expenses

- Personnel expenses are expected to increase by \$111,704, which reflects increases of \$86,093 and \$3,444 in salaries and retirement costs, respectively, and increases of \$6,586 and \$15,581 in payroll taxes and benefits, respectively. The increase in salaries is primarily due to the budgeted merit pay increase in 2014 partially offset by the repurposing of the Executive Director of Compliance position to the Director of Compliance and Events. The increase in payroll taxes and retirements costs is due to changes in the rates used to estimate these costs, and the increase in benefits is due primarily to an increase in reimbursement costs incurred by employees to obtain and maintain their job-related professional certifications and licenses.
- Consistent with prior SPP RE BP&Bs, and to help maintain the confidentiality of employees' salaries, the personnel expenses for the Training and Education FTE are accounted for within the Compliance Enforcement and Organization Registration program.

#### Meeting Expenses

- There are no changes in meeting expenses for this program.

#### Operating Expenses

- The net change in Consultant and Contract Expenses is a decrease of approximately \$144,000 or 17% due to the increased productivity of the RE staff resulting from their increased experience plus process efficiencies.

---

<sup>5</sup> [http://elibrary.ferc.gov:0/idmws/file\\_list.asp?document\\_id=14098573](http://elibrary.ferc.gov:0/idmws/file_list.asp?document_id=14098573)

## Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased to reflect an increase in the fixed rate.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

## Other Non-Operating Expenses

- N/A

## Fixed Asset Additions

- N/A

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2014 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Compliance and Organization Registration and Certification</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 7,455,643	\$ 7,455,643	\$ -	\$ 8,298,748	\$ 843,105
Penalty Sanctions	708,454	708,454	-	364,154	(344,300)
<b>Total SPP RE Funding</b>	<b>\$ 8,164,097</b>	<b>\$ 8,164,097</b>	<b>\$ -</b>	<b>\$ 8,662,902</b>	<b>\$ 498,805</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 8,164,097</b>	<b>\$ 8,164,097</b>	<b>\$ -</b>	<b>\$ 8,662,902</b>	<b>\$ 498,805</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,594,600	\$ 2,505,302	\$ (89,298)	\$ 2,680,693	\$ 86,093
Payroll Taxes	198,487	191,656	(6,831)	205,073	6,586
Benefits	207,142	220,656	13,514	222,723	15,581
Retirement Costs	103,784	100,212	(3,572)	107,228	3,444
<b>Total Personnel Expenses</b>	<b>\$ 3,104,013</b>	<b>\$ 3,017,825</b>	<b>\$ (86,188)</b>	<b>\$ 3,215,717</b>	<b>\$ 111,704</b>
<b>Meeting Expenses</b>					
Meetings	\$ 6,500	\$ 5,000	\$ (1,500)	\$ 6,500	\$ -
Travel	310,000	310,000	-	310,000	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 316,500</b>	<b>\$ 315,000</b>	<b>\$ (1,500)</b>	<b>\$ 316,500</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 870,000	\$ 740,000	\$ (130,000)	\$ 726,000	\$ (144,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 870,000</b>	<b>\$ 740,000</b>	<b>\$ (130,000)</b>	<b>\$ 726,000</b>	<b>\$ (144,000)</b>
<b>Total Direct Expenses</b>	<b>\$ 4,290,513</b>	<b>\$ 4,072,825</b>	<b>\$ (217,688)</b>	<b>\$ 4,258,217</b>	<b>\$ (32,296)</b>
SPP Inc. Indirect Expenses	\$ 2,817,251	\$ 3,116,999	\$ 299,748	\$ 3,152,662	\$ 335,411
SPP RE Indirect Expenses	1,056,333	1,027,810	(28,523)	1,252,024	195,691
<b>Total Indirect Expenses</b>	<b>\$ 3,873,584</b>	<b>\$ 4,144,809</b>	<b>\$ 271,225</b>	<b>\$ 4,404,686</b>	<b>\$ 531,102</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 8,164,097</b>	<b>\$ 8,217,634</b>	<b>\$ 53,537</b>	<b>\$ 8,662,902</b>	<b>\$ 498,805</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (53,537)</b>	<b>\$ (53,537)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 8,164,097</b>	<b>\$ 8,217,634</b>	<b>\$ 53,537</b>	<b>\$ 8,662,902</b>	<b>\$ 498,805</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (53,537)</b>	<b>\$ (53,537)</b>	<b>\$ -</b>	<b>\$ (1)</b>
FTEs	22.25	21.85	(0.40)	22.10	(0.15)

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessments and Performance Analysis</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	6.50	7.13	0.63
Direct Expenses	\$ 1,430,907	\$ 1,345,065	\$ (85,842)
Indirect Expenses- SPP Inc.	\$ 823,017	\$ 1,016,413	\$ 193,396
Indirect Expenses- SPP RE	\$ 352,292	\$ 395,483	\$ 43,191
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 2,606,216	\$ 2,756,961	\$ 150,745

### Program Scope and Functional Description

The Reliability Assessment and Performance Analysis Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 800. SPP RE direct and Shared Staff members assigned to this program support NERC's efforts in preparing five reliability assessments each year: a long-term reliability assessment (LTRA) report, a summer assessment report, a winter assessment report, and two post-seasonal assessments. These reports analyze electricity demand and the Reliability and Adequacy Assessment Objectives adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system. SPP Shared staff also conducts inter-regional studies and other planning studies.

SPP RE is responsible for overseeing and conducting Event Analyses on reliability events within the SPP RE footprint. The analysis may be conducted by the entity involved in the event, an assigned SPP Working Group/Committee, a technical team comprised of industry experts or may be conducted by the RE, NERC or FERC staff. SPP RE is responsible for producing a final technical report on each reportable event. Any issues that surface which may lead to standards compliance questions will be handled through the CMEP portion of this Business Plan.

### 2014 Key Assumptions

SPP RE expects to continue to utilize SPP Shared Staff to assist SPP RE in fulfilling its non-CMEP activities in this program. Key assumptions shared by NERC and the Regional Entities affecting the SPP RE budget in this program area include:

- NERC and the Regional Entities will prioritize and budget for two special reliability assessment initiatives per year;
- SPP RE will continue to support the NERC Reliability Assessment Subcommittee;
- NERC and the Regional Entities will continue to define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents;

- NERC and the Regional Entities will continue to work together to develop joint processes and resourcing for triage, analysis, and reporting of system events to the regulators and will coordinate with regulators regarding these issues;
- NERC and the Regional Entities will provide timely publication of lessons learned and recommendations and track responses to recommendations;
- NERC and the Regional Entities will continue to refine the criteria and process to encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing; and
- The number of events requiring review and analysis are expected to increase.

### **2014 Goals and Key Deliverables**

- Maintain and host a library of solved power flow models, a system dynamics database, and dynamics simulation cases for use by regional reliability organizations and their registered entities to assist with planning and evaluating future systems and current operating conditions;
- Provide regional input to NERC's three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report;
- Perform a Probabilistic Assessment in support of the LTRA;
- Participate in NERC meetings to discuss reliability assessment and analyses of the impact of these assessments;
- Conduct inter-regional and other planning studies, including participation in the Eastern Interconnection Reliability Assessment Group (ERAG);
- Participate in NERC's model validation efforts;
- Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new or proposed regulatory procedures, and new or proposed legislation (e.g., environmental requirements) on the adequacy and operating reliability of the bulk power system;
- Maintain a working dialog on bulk power system reliability and adequacy issues with SPP members; and
- Participate actively in the following NERC working groups/committees/task forces:
  - Event Analysis Subcommittee (EAS)
  - Reliability Assessment Database Working Group (RADWG)
  - Reliability Assessment Subcommittee (RAS)
  - Performance Analysis Subcommittee (PAS)
    - Generator Availability Data System Working Group (GADSWG)

- Transmission Availability Data System Working Group (TADSWG)
- Demand Response Availability Data System Working Group (DADSWG)

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources (Other than ERO Assessments)

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

#### Personnel Expenses

- Personnel Expenses for this program increased by \$170,309 as a result of a 0.63 FTE increase coupled with the budgeted merit pay increases for existing employees. The 0.63 increase in the RAPA program's FTEs is due to the allocation of 0.50 FTE for the SPP RE Director of Compliance and Events and a reduction in the FTEs allocated from the RAPA program to the SAIS program.

#### Meeting Expenses

- Meeting expenses, specifically budgeted travel expenses, are expected to decrease by \$8,000 to reflect a proper balance between actual 2012 results and expected 2013 expenses. .

#### Operating Expenses

- Operating Expenses, specifically budgeted consultant expenses, are expected to decrease by \$248,150 to reflect a proper balance between 2012 results and actual expected 2013 expenses and for the delay in the effective date of a uniform BES definition.

#### Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased to reflect an increase in the fixed rate and an increase in the FTEs.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2014 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Reliability Assessment and Performance Analysis</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 2,399,251	\$ 2,399,251	\$ -	\$ 2,639,558	\$ 240,307
Penalty Sanctions	206,964	206,964	-	117,403	(89,561)
<b>Total SPP RE Funding</b>	<b>\$ 2,606,215</b>	<b>\$ 2,606,215</b>	<b>\$ -</b>	<b>\$ 2,756,961</b>	<b>\$ 150,746</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 2,606,215</b>	<b>\$ 2,606,215</b>	<b>\$ -</b>	<b>\$ 2,756,961</b>	<b>\$ 150,746</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 692,278	\$ 712,842	\$ 20,564	\$ 835,786	\$ 143,508
Payroll Taxes	52,959	54,532	1,573	63,938	10,979
Benefits	51,828	55,709	3,881	61,910	10,082
Retirement Costs	27,691	28,514	823	33,431	5,740
<b>Total Personnel Expenses</b>	<b>\$ 824,757</b>	<b>\$ 851,597</b>	<b>\$ 26,841</b>	<b>\$ 995,065</b>	<b>\$ 170,309</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	108,000	100,000	(8,000)	100,000	(8,000)
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 108,000</b>	<b>\$ 100,000</b>	<b>\$ (8,000)</b>	<b>\$ 100,000</b>	<b>\$ (8,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 498,150	\$ 370,000	\$ (128,150)	\$ 250,000	\$ (248,150)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 498,150</b>	<b>\$ 370,000</b>	<b>\$ (128,150)</b>	<b>\$ 250,000</b>	<b>\$ (248,150)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,430,907</b>	<b>\$ 1,321,597</b>	<b>\$ (109,309)</b>	<b>\$ 1,345,065</b>	<b>\$ (85,841)</b>
SPP Inc. Indirect Expenses	\$ 823,017	\$ 909,422	\$ 86,405	\$ 1,016,413	\$ 193,396
SPP RE Indirect Expenses	352,292	333,515	(18,777)	395,483	43,191
<b>Total Indirect Expenses</b>	<b>\$ 1,175,309</b>	<b>\$ 1,242,937</b>	<b>\$ 67,628</b>	<b>\$ 1,411,896</b>	<b>\$ 236,587</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 2,606,215</b>	<b>\$ 2,564,534</b>	<b>\$ (41,681)</b>	<b>\$ 2,756,961</b>	<b>\$ 150,746</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 41,681</b>	<b>\$ 41,681</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 2,606,215</b>	<b>\$ 2,564,534</b>	<b>\$ (41,681)</b>	<b>\$ 2,756,961</b>	<b>\$ 150,746</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 41,681</b>	<b>\$ 41,681</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	6.50	6.38	(0.13)	7.13	0.63



## Training, Education, and Operator Certification Program

<b>Training, Education and Operator Certification</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.00	1.25	0.25
Direct Expenses*	\$ 73,000	\$ 78,000	\$ 5,000
Indirect Expenses- SPP Inc.	\$ 126,618	\$ 178,318	\$ 51,700
Indirect Expenses- SPP RE	\$ 17,973	\$ 22,934	\$ 4,961
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 217,591	\$ 279,252	\$ 61,661
* To maintain confidentiality, Personnel Expenses are included in the CMEP program area.			

### Program Scope and Functional Description

The Training, Education, and Operator Certification Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 900. The 1.0 FTE in this program area represents the time spent by the RE Outreach Coordinator and the Compliance Program Coordinator (0.25 FTE). These SPP Staff design, develop, and conduct training and education via compliance workshops, CIP workshops, webinars, and videos.

Operator Certification Training is provided by SPP RTO staff, and as such, the expenses for this training continue to be excluded from the SPP RE budget and are included in the SPP, Inc. budget.

### 2014 Key Assumptions

SPP RE will continue to conduct outreach activities designed to increase the reliability of the bulk power system located in the SPP RE region. Specific training areas targeted for 2014 include: Lessons Learned, Effective Compliance Cultures, Critical Infrastructure Protection, Self Reports & Self Certifications, Currently Monitored Standards, and an Online “The Basics” Video Series.

### 2014 Goals and Key Deliverables

- Host a minimum of two compliance workshops;
- Host a minimum of one CIP workshop;
- Participate in NERC and other Regional Entities training and educational programs, as necessary;
- Publish monthly news bulletins and monthly newsletters for registered entities;
- Host a minimum of five compliance webinars; and

- Maintain an online video series designed to assist registered entity staff new to compliance program with basic information about the ERO enforceable compliance program, including standards development, compliance audits, and mitigation plans.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources (Other than ERO Assessments)

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

#### Personnel Expenses

- To help maintain the confidentiality of employee's salaries consistent with SPP RE's past BP&Bs, the personnel expenses for the Training and Education FTEs are accounted for within the Compliance Enforcement and Organization Registration program.

#### Meeting Expenses

- Meeting Expenses are expected to increase by \$5,000 due to an expected increase in meeting costs to reflect the trend in increased participation at SPP RE workshops.

#### Operating Expenses

- There are no changes in operating expenses for this program.

#### Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been increased to reflect an increase in the fixed rate.
- SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures					
2013 Budget & Projection, and 2014 Budget					
Training and Education					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 185,750	\$ 185,750	\$ -	\$ 258,655	\$ 72,905
Penalty Sanctions	31,841	31,841	-	20,597	(11,244)
<b>Total SPP RE Funding</b>	<b>\$ 217,591</b>	<b>\$ 217,591</b>	<b>\$ -</b>	<b>\$ 279,252</b>	<b>\$ 61,661</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 217,591</b>	<b>\$ 217,591</b>	<b>\$ -</b>	<b>\$ 279,252</b>	<b>\$ 61,661</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ 55,000	\$ 60,000	\$ 5,000	\$ 60,000	\$ 5,000
Travel	13,000	13,000	-	13,000	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 68,000</b>	<b>\$ 73,000</b>	<b>\$ 5,000</b>	<b>\$ 73,000</b>	<b>\$ 5,000</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	5,000	-	(5,000)	5,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ (5,000)</b>	<b>\$ 5,000</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 73,000</b>	<b>\$ 73,000</b>	<b>\$ -</b>	<b>\$ 78,000</b>	<b>\$ 5,000</b>
SPP Inc. Indirect Expenses	\$ 126,618	\$ 178,318	-	\$ 178,318	\$ 51,700
SPP RE Indirect Expenses	17,973	18,422	-	22,934	4,961
<b>Total Indirect Expenses</b>	<b>\$ 144,591</b>	<b>\$ 196,740</b>	<b>\$ 52,149</b>	<b>\$ 201,252</b>	<b>\$ 56,661</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 217,591</b>	<b>\$ 269,740</b>	<b>\$ 52,149</b>	<b>\$ 279,252</b>	<b>\$ 61,661</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ (52,149)</b>	<b>\$ (52,149)</b>	<b>\$ -</b>	<b>\$ (1)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 217,591</b>	<b>\$ 269,740</b>	<b>\$ 52,149</b>	<b>\$ 279,252</b>	<b>\$ 61,661</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (52,149)</b>	<b>\$ (52,149)</b>	<b>\$ -</b>	<b>\$ 0</b>
FTEs	1.00	1.25	0.25	1.25	0.25

## Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.25	0.13	(0.13)
Direct Expenses	\$ 83,147	\$ 21,137	\$ (62,010)
Indirect Expenses- SPP Inc.	\$ 31,655	\$ 17,832	\$ (13,823)
Indirect Expenses- SPP RE	\$ 20,471	\$ 6,215	\$ (14,256)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 135,273	\$ 45,184	\$ (90,089)

### Program Scope and Functional Description

The Situation Awareness and Infrastructure Security Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 1000.

NERC coordinates electric industry activities to promote critical infrastructure protection of the bulk power system in North America. NERC has a leadership role in the critical infrastructure protection of the electricity sector to reduce vulnerability and improve mitigation and protection of the electricity sector's critical infrastructure. NERC acts as the electricity sector's Sector Coordinator and operates its Information Sharing and Analysis Center to gather and communicate information about security-related threats within the sector, United States and Canadian governmental authorities, and other critical infrastructure sectors. NERC also performs security planning activities focused on the critical infrastructure protection of the electricity sector, including sharing sensitive or classified information with federal, state, and provincial governmental authorities.

SPP Reliability Coordinator actively participates in NERC critical infrastructure protection activities and serves as an information conduit between NERC and SPP members. These activities are non-statutory. SPP also sponsors a Critical Infrastructure Protection Working Group (CIPWG), which:

- Serves as an expert advisory panel to the SPP Board of Directors, committees, and members, provides a forum for discussion of physical and cyber security issues within the SPP Region;
- Provides general guidance to SPP members on CIP Standards and related compliance efforts; and
- Serves as the interface between the NERC Critical Information Protection Committee (CIPC) and the SPP membership, including:
  - Serving as a conduit for information flow between the CIPC and SPP members

- Developing guidance and recommendations to CIPC members representing the SPP

The CIPWG consists of SPP members who are subject to the NERC CIP Cyber Security Standards (CIP-002 through CIP-009) and is facilitated by an SPP staff member. The working group meets quarterly at a member location. Additional meetings and conference calls are scheduled as required.

SPP RE is represented on the CIPC by three SPP member company representatives who represent the physical, cyber, and operations disciplines. Per the SPP Bylaws, SPP RE reimburses the member representatives for travel expenses incurred while performing CIPC responsibilities.

CIP compliance monitoring and enforcement is included in Compliance Monitoring and Enforcement and Organization Registration and Certification Program.

### **2014 Key Assumptions**

In addition to the assumptions that are shared among NERC and the Regional Entities, SPP RE expects the continued support of the SPP CIPWG, and continued support for CIPC participation from designated SPP member representatives.

### **2014 Goals and Key Deliverables**

- Continue sponsoring the Critical Infrastructure Protection Working Group (CIPWG)
  - Continue quarterly meetings
  - Maintain and Increase CIPWG membership
  - Provide progress updates on CIP standards drafting
  - Provide a discussion forum for NERC-requested comments and ballot issues
  - Provide support to the RE-sponsored CIP “How-To” Workshop
- Provide enhanced support to SPP registered entities about CIP Standards
  - Provide general recommendations on appropriate security best practices
  - Provide opportunities for technical and compliance-related training
  - Provide registered entities-Only discussion periods regarding CIP compliance progress
  - Maintain the CIPWG electronic mail lists for group discussion of CIP-related issues
- Continue supporting CIPC attendance by CIPWG representatives
  - Reimburse expenses for Physical, Cyber, and Operations representatives (or designated alternates)

---

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources (Other than ERO Assessments)

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

## Personnel Expenses

- Budgeted FTEs for this program are expected to decrease by 0.13 FTEs. The decrease reflects the reduction in the allocation of RE Direct Staff FTEs to this program area to better reflect the actual time spent by staff performing SAIS activities.

## Meeting Expenses

- There are no changes in the budgeted Meeting Expenses for this program, i.e. the budgeted amount remains zero.

## Operating Expenses

- There are no changes in the budgeted Operating Expenses for this program, i.e. the budgeted amount remains zero.

## Indirect Expenses

- SPP, Inc. Indirect Expenses, which are assessed to SPP RE, are based on a fixed rate per hour per FTE. SPP, Inc. Indirect Expenses have been adjusted to reflect an increase in the fixed rate and a reduction in FTEs.
- The SPP RE Indirect Expenses (SPP RE Administrative Services Expenses) are allocated among the operational programs based on the program's relative share of direct expenses. The change in the SPP RE Indirect Expenses is the result of the program's relative share of direct expenses and the expected increase in the SPP RE Indirect Expenses.

## Other Non-Operating Expenses

- N/A

## Fixed Asset Additions

- N/A

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2014 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Situation Awareness and Infrastructure Security</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ 127,313	\$ 127,313	\$ -	\$ 43,124	\$ (84,189)
Penalty Sanctions	7,960	7,960	-	2,060	(5,900)
<b>Total SPP RE Funding</b>	<b>\$ 135,273</b>	<b>\$ 135,273</b>	<b>\$ -</b>	<b>\$ 45,184</b>	<b>\$ (90,089)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 135,273</b>	<b>\$ 135,273</b>	<b>\$ -</b>	<b>\$ 45,184</b>	<b>\$ (90,089)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 72,790	\$ 17,781	\$ (55,009)	\$ 18,006	\$ (54,784)
Payroll Taxes	5,568	1,360	(4,208)	1,377	(4,191)
Benefits	1,878	1,034	(845)	1,034	(845)
Retirement Costs	2,912	711	(2,201)	720	(2,192)
<b>Total Personnel Expenses</b>	<b>\$ 83,147</b>	<b>\$ 20,886</b>	<b>\$ (62,262)</b>	<b>\$ 21,137</b>	<b>\$ (62,011)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 83,147</b>	<b>\$ 20,886</b>	<b>\$ (62,262)</b>	<b>\$ 21,137</b>	<b>\$ (62,011)</b>
SPP Inc. Indirect Expenses	\$ 31,655	\$ 17,832	-	\$ 17,832	\$ (13,823)
SPP RE Indirect Expenses	20,471	5,271	-	6,215	(14,256)
<b>Total Indirect Expenses</b>	<b>\$ 52,126</b>	<b>\$ 23,103</b>	<b>\$ (29,023)</b>	<b>\$ 24,047</b>	<b>\$ (28,079)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 135,273</b>	<b>\$ 43,989</b>	<b>\$ (91,284)</b>	<b>\$ 45,184</b>	<b>\$ (90,089)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ 91,284</b>	<b>\$ 91,284</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 135,273</b>	<b>\$ 43,989</b>	<b>\$ (91,284)</b>	<b>\$ 45,184</b>	<b>\$ (90,089)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 91,284</b>	<b>\$ 91,284</b>	<b>\$ -</b>	<b>\$ 0</b>
FTEs	0.25	0.13	(0.13)	0.13	(0.13)

**Administrative Services**

<b>Administrative Services</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.25	3.00	(0.25)
Total Direct Expenses	\$ 1,493,174	\$ 1,686,578	\$ 193,404
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 1,493,174	\$ 1,686,578	\$ 193,404
Funding Requirement for Working Capital Requirement	\$ (1,989,744)	\$ (2,096,173)	\$ (106,429)

**Methodology for Allocation of Administrative Services Expenses to Programs**

The expenses for finance and accounting, information technology, and human resources administrative support services that are provided to SPP RE by SPP (SPP, Inc. Indirect Expenses), which are separate and distinct from the services provided by SPP RE direct staff and consultants and contractors, are assessed to SPP RE based on a fixed rate per hour per FTE. The SPP Indirect Expense rate is calculated by dividing the total costs for these support functions (excluding certain IT costs that are specific to SPP's RTO functions) by the total hours worked by non-support personnel in the entire SPP organization. The indirect expense rate is then multiplied by each hour directly charged to SPP RE by SPP Shared staff and for designated number of hours for SPP RE direct staff. A table showing the derivation of the SPP, Inc. Indirect Expense rate is presented in Section E of this BP&B.

SPP RE Administrative Services Expenses, which are limited to expenses incurred for SPP RE General and Administrative and Legal and Regulatory programs, are allocated among the five operational programs based on the program's pro rata share of the total direct operational program expense.



## Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

SPP RE provides forums for registered entities within its footprint to discuss and share reliability concerns. This includes SPP committees, subcommittees, working groups, and task forces that are grouped by technical areas. The expenses incurred by SPP RE for these forums are included in the direct expenses of the applicable program.

SPP RE also conducts a minimum of three public workshops per year where registered entities are able to interact with SPP RE Staff and NERC staff and discuss reliability issues. These expenses are included in the Training, Education, and Operator Certification Program.

### 2014 Key Assumptions

- SPP RE liaisons to SPP working groups are projected attend approximately 30 SPP working group meetings in 2014.

### 2014 Goals and Key Deliverables

- Provide input on ERO and RE issues, including but not limited to the NERC Members Representative Committee and other NERC standing committees
- Provide technical committee forums to act as standards-drafting teams in development of SPP regional reliability standards

### Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- N/A

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.25	3.00	(0.25)
Expenses	\$ 1,343,174	\$ 1,386,578	\$ 43,404
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (1,989,744)	\$ (2,096,173)	\$ (106,429)

### Program Scope and Functional Description

The General and Administrative function consists of the RE General Manager, the RE Manager of Regulatory Interface Process Improvement, RE Administrative Assistant, and three independent Regional Entity Trustees.

The RE Trustees, who are independent of the SPP Board of Directors, any SPP member, SPP registered entity, industry stakeholder, or organizational group, have autonomy over decisions in fund allocation and approval of the SPP RE budget, as well as decisions on regional standards, compliance enforcement actions, and penalties.

The RE General Manager provides executive level support through, among other means, participation in meetings and conference calls with other Regional Entities and Senior NERC staff. The RE General Manager reports directly to the three independent RE Trustees.

The RE Manager of Regulatory Interface and Process Improvement is responsible for coordinating and developing the SPP RE processes for SPP RE's Regulatory Interface and performing process improvement activities for the RE operational program functions. The RE Manager of Regulatory Interface and Process Improvement also coordinates and facilitates the development of compliance plans, policies, and procedures and implementation of appropriate systems/software for the SPP RE compliance monitoring and enforcement activities to enhance implementation of the NERC Compliance Monitoring and Enforcement Program (CMEP) and Rules of Procedure (RoP).

The RE Administrative Assistants provide support to all SPP RE programs and SPP RE direct staff members.

### 2014 Key Assumptions

- SPP RE continues to operate as an independent and functionally separate division of SPP

### 2014 Goals and Key Deliverables

- Ensure that SPP RE fulfills the responsibilities of the Regional Delegation Agreement between SPP and NERC;
- Ensure that SPP RE is adequately staffed and has the resources needed to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC; and

- Continue to explore opportunities to enhance the effectiveness and efficiency of SPP RE in promoting and improving the reliability of the bulk power system

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources (Other than ERO Assessments)

- The General and Administrative costs are allocated to the five operational programs resulting in zero funding requirements. The negative Funding amount shown for SPP RE Assessment in the Statement of Activities is the activity relating to the Working Capital Reserve – see Table B-1.

#### Personnel Expenses

- Personnel Expenses in this program area are expected to decrease by approximately \$18,550 to reflect reallocation of 0.25 FTE from the program area to the CMEP program area. The increase in Benefits is based on SPP, Inc.'s proposed allocation of the medical and dental benefit plans.

#### Meeting Expenses

- Meeting and Travel Expenses are expected to remain the same at \$25,000 and \$63,000, respectively between actual 2013 costs and expected 2013 costs.

#### Operating Expenses

- Operating Expenses are expected to increase by \$5,500 due primarily to the purchase of new monitors, office supplies and SPP RE logo apparel for use by staff at regional and NERC functions. In addition, the Regional Executives have made an agreement that beginning in 2014 SPP RE will include an expense of \$40,000 to compensate SERC for a consulting service for the RE Management Group (REMG). The REMG has engaged a full-time employee to perform liaison work among the regions for major project initiatives such as the Reliability Assurance Initiative (RAI), the BES Definition implementation project and other major IT initiatives.

#### Indirect Expenses

- SPP, Inc. Indirect Expenses are assessed to SPP RE based on a fixed rate per hour per FTE. The increase in the SPP, Inc. Indirect Expenses is due to the higher fixed rate and the reduction in budgeted FTEs.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

## General and Administrative

Funding sources and related expenses for the general and administrative section of the 2014 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>General and Administrative</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ (1,989,744)	\$ (1,989,744)	\$ -	\$ (2,096,173)	\$ (106,429)
Penalty Sanctions	-	-	-	-	-
<b>Total SPP RE Funding</b>	<b>\$ (1,989,744)</b>	<b>\$ (1,989,744)</b>	<b>\$ -</b>	<b>\$ (2,096,173)</b>	<b>\$ (106,429)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ (1,989,744)</b>	<b>\$ (1,989,744)</b>	<b>\$ -</b>	<b>\$ (2,096,173)</b>	<b>\$ (106,429)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 558,118	\$ 449,371	\$ (108,747)	\$ 540,477	\$ (17,641)
Payroll Taxes	42,696	34,377	(8,319)	41,346	(1,350)
Benefits	41,926	43,072	1,146	43,072	1,146
Retirement Costs	22,325	17,975	(4,350)	21,619	(706)
<b>Total Personnel Expenses</b>	<b>\$ 665,065</b>	<b>\$ 544,795</b>	<b>\$ (120,270)</b>	<b>\$ 646,515</b>	<b>\$ (18,550)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Travel	63,000	63,000	-	63,000	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 88,000</b>	<b>\$ 88,000</b>	<b>\$ -</b>	<b>\$ 88,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 15,000	\$ 15,000	\$ -	\$ 55,000	\$ 40,000
Office Rent	-	-	-	-	-
Office Costs	2,500	8,000	5,500	8,000	5,500
Professional Services	161,100	160,000	(1,100)	161,100	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 178,600</b>	<b>\$ 183,000</b>	<b>\$ 4,400</b>	<b>\$ 224,100</b>	<b>\$ 45,500</b>
<b>Total Direct Expenses</b>	<b>\$ 931,665</b>	<b>\$ 815,795</b>	<b>\$ (115,870)</b>	<b>\$ 958,615</b>	<b>\$ 26,950</b>
<b>SPP Inc. Indirect Expenses</b>	<b>\$ 411,509</b>	<b>\$ 427,963</b>	<b>\$ -</b>	<b>\$ 427,963</b>	<b>\$ 16,454</b>
<b>SPP RE Indirect Expenses</b>	<b>\$ (1,343,174)</b>	<b>\$ (1,243,758)</b>	<b>\$ -</b>	<b>\$ (1,386,578)</b>	<b>\$ (43,404)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ (1,989,744)</b>	<b>\$ (1,989,744)</b>	<b>\$ -</b>	<b>\$ (2,096,173)</b>	<b>\$ (106,429)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,989,744)</b>	<b>\$ (1,989,744)</b>	<b>\$ -</b>	<b>\$ (2,096,173)</b>	<b>\$ (106,429)</b>
FTEs	3.25	3.00	(0.25)	3.00	(0.25)

## Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ 150,000	\$ 300,000	\$ 150,000
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

SPP RE has a Manager of Enforcement and Legal who provides exclusive legal support to SPP RE. The expenses related to the Manager of Enforcement and Legal are included in the Compliance Enforcement and Organization Registration Program area. If SPP RE is required to convene hearings under the Compliance Enforcement and Organization Registration program, independent hearing officers and outside legal counsel may be utilized.

### 2014 Key Assumptions

- Estimated hearing costs are included to support one fully litigated hearing in 2014.

### 2014 Goals and Key Deliverables

- Provide hearing officer if SPP RE is required to convene hearings

### Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The Legal and Regulatory costs are allocated to the five operational programs resulting in zero funding requirements.

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

## Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2014 business plan are shown in the table below.

<b>Statement of Activities and Capital Expenditures</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>Legal and Regulatory</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>SPP RE Funding</b>					
SPP RE Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total SPP RE Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	150,000	150,000	-	300,000	150,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 150,000</u>
<b>Total Direct Expenses</b>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 150,000</u>
<b>SPP Inc. Indirect Expenses</b>	\$ -	\$ -	-	\$ -	\$ -
<b>SPP RE Indirect Expenses</b>	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>	<u>-</u>	<u>\$ (300,000)</u>	<u>\$ (150,000)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,000</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (150,000)</u>
<b>Fixed Assets</b>	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc (Dec) in Fixed Assets (C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	\$ -	\$ -	\$ -	\$ -	\$ 150,000
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (150,000)</u>
FTEs	0.00	0.00	0.00	0.00	0.00

## Information Technology

Information Technology (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The SPP Information Technology department provides resources for SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

### 2014 Key Assumptions

- The SPP Information Technology department continues to provide resources for SPP RE.
- SPP RE supports the development of NERC's ERO Enterprise IT applications, however, these IT programs are not expected to impact SPP RE's business plan and budget.

### 2014 Goals and Key Deliverables

- To provide adequate information technology support for SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The costs for IT services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses. The SPP, Inc. cost for IT services does not include funding for the development of NERC's ERO Enterprise IT applications.

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A



---

**Human Resources**

<b>Human Resources</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Program Scope and Functional Description**

The SPP Human Resource department provides resources for SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

**2014 Key Assumptions**

- The SPP Human Resource department continues to provide resources for SPP RE.

**2014 Goals and Key Deliverables**

- To provide adequate human resource support for SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

Funding Sources (Other than ERO Assessments)

- The costs for human resource services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses.

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

## Finance and Accounting

Accounting and Finance (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The SPP Accounting department provides resources for SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

### 2014 Key Assumptions

- The SPP Accounting department continues to provide resources for SPP RE.

### 2014 Goals and Key Deliverables

- To provide adequate accounting and finance support for SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- The costs for accounting and finance services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses, except for the expenses of the RE Manager of Financial and Process Improvement, which are budgeted and recorded in General and Administration.

Personnel Expenses

- N/A

Meeting Expenses

- N/A

Operating Expenses

- N/A

Indirect Expenses

- N/A

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

---

Section B – Supplemental Financial Information  
2014 Business Plan and Budget

---



## Section B — Supplemental Financial Information

### Reserve Balance

**Table B-1**

<b>Working Capital Reserve Analysis 2013-2014</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2012</b>	\$ 4,789,385
Less Penalties Received 7/1/2012- 12/31/2012	(48,333)
Plus: 2013 SPP RE Funding (from LSEs or designees)	8,530,054
Plus: 2013 Other funding sources	0
Less: 2013 Projected expenses & capital expenditures	(11,174,933)
<b>Projected Working Capital Reserve (Deficit), December 31, 2013</b>	<b>2,096,173</b>
<b>Desired Working Capital Reserve, December 31, 2014</b>	<sup>2</sup> \$ -
Less: Projected Working Capital Reserve, December 31, 2013	(2,096,173)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b>(2,096,173)</b>
2014 Expenses and Capital Expenditures	11,823,629
Less: Penalty sanctions to be used as offset to 2014 assessments <sup>1</sup>	(508,333)
Less: Other Funding Sources	0
Adjustment to achieve desired Working Capital Reserve	(2,096,173)
<b>2014 SPP RE Assessment</b>	<b>9,219,123</b>

<sup>1</sup> Represents collections on or prior to June 30, 2013. See Table B-2 for full disclosure.

<sup>2</sup> The SPP RE does not require a working capital reserve in that on a cash basis SPP, Inc. is able to fund shortfalls in its statutory (Regional Entity) funding through its operating cash balances, and also has access to liquidity through a bank credit facility.

### Explanation of Changes in Reserve Policy from Prior Years

There have not been any changes in the SPP RE Reserve Policy. SPP RE does not maintain a working capital reserve. The expenses incurred by SPP RE are paid by SPP, Inc. from its operating cash balances and then reimbursed from SPP RE statutory funding on a monthly basis. If at any time SPP RE does not have sufficient statutory funds to finance its expenses, the statutory funding will be increased by the amount of the deficiency in the following year. When the funding is received from NERC, the SPP RE General Manager will authorize a reimbursement to SPP, Inc. for the amount of the shortfall. If needed, a line of credit is also available to SPP, Inc. to fund any shortfalls. SPP, Inc. would not charge any interest or penalties to SPP RE in the case of a shortfall.

---

**Breakdown by Statement of Activity Sections**

The following detailed schedules are in support of Statement of Activities and Capital Expenditures on page 8 of the 2014 RE Business Plan and Budget. All significant variances have been disclosed by program in the preceding pages.

**Penalty Sanctions**

Penalty monies received prior to June 30, 2013 are to be used to offset assessments in the 2014 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

All penalties received prior to June 30, 2013 are detailed below, including the amount and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2

Name of Entity	Date Received	Amount Received
Entity 1	07/23/12	\$ 9,000
Entity 2	09/06/12	\$ 14,333
Entity 3	10/01/12	\$ 8,000
Entity 4	11/16/12	\$ 2,500
Entity 5	10/19/12	\$ 2,500
Entity 6	11/28/12	\$ 5,500
Entity 7	12/31/12	\$ 25,000
Entity 8	01/04/13	\$ 10,000
Entity 9	12/05/12	\$ 5,000
Entity 10	12/21/12	\$ 1,500
Entity 11	01/30/13	\$ 6,000
Entity 12	01/18/13	\$ 20,000
Entity 13	02/28/13	\$ 153,000
Entity 14	02/28/13	\$ 107,000
Entity 15	02/07/13	\$ 60,000
Entity 16	02/19/13	\$ 8,000
Entity 17	02/15/13	\$ 15,000
Entity 18	04/19/13	\$ 8,000
Entity 19	05/09/13	\$ 18,000
Entity 20	05/31/13	\$ 30,000
<b>Total Penalties Received</b>		<b>\$ 508,333</b>

## Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
Reliability Standards	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Training and Education	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

SPP RE has not projected any interest income for 2014 because at the current market interest rate any interest income would be minimal.

## Personnel Expenses

Table B-4

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 4,072,621	3,714,463	\$ 4,103,334	\$ 30,713	0.8%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
<b>Total Salaries</b>	<b>\$ 4,072,621</b>	<b>\$ 3,714,463</b>	<b>\$ 4,103,334</b>	<b>\$ 30,713</b>	<b>0.8%</b>
<b>Total Payroll Taxes</b>	<b>\$ 311,555</b>	<b>\$ 284,156</b>	<b>\$ 313,905</b>	<b>\$ 2,350</b>	<b>0.8%</b>
<b>Benefits</b>					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	230,564	267,706	274,568	44,004	19.1%
Life-LTD-LTC Insurance	14,780	19,352	19,848	5,068	34.3%
Education	30,980	35,479	36,389	5,409	17.5%
Relocation	-	-	-	-	
<b>Total Benefits</b>	<b>\$ 276,324</b>	<b>\$ 322,537</b>	<b>\$ 330,805</b>	<b>\$ 54,481</b>	<b>19.7%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 146,319	\$ 148,579	\$ 164,133	\$ 17,814	12.2%
Savings Plan	-	-	-	-	
<b>Total Retirement</b>	<b>\$ 146,319</b>	<b>\$ 148,579</b>	<b>\$ 164,133</b>	<b>\$ 17,814</b>	<b>12.2%</b>
<b>Total Personnel Costs</b>	<b>\$ 4,806,819</b>	<b>\$ 4,469,735</b>	<b>\$ 4,912,177</b>	<b>\$ 105,358</b>	<b>2.2%</b>
<b>FTEs</b>	29.67	32.85	33.85	4.18	14.1%
<b>Cost per FTE</b>					
Salaries	\$ 137,264	\$ 113,073	\$ 121,221	(16,043)	-11.7%
Payroll Taxes	10,501	8,650	9,273	(1,227)	-11.7%
Benefits	9,313	9,818	9,773	459	4.9%
Retirement	4,932	4,523	4,849	(83)	-1.7%
<b>Total Cost per FTE</b>	<b>\$ 162,009</b>	<b>\$ 136,065</b>	<b>\$ 145,116</b>	<b>(16,893)</b>	<b>-10.4%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

The increase in salaries is principally due to promotions, and a 3% budgeted merit pay increase which were partially offset by the repurposing of the Executive Director of Compliance position to the Director of Compliance and Events. The variances in benefits and retirement are due to the change in salaries and an increase in the Health Care benefit costs (from \$629 to \$689 per month per FTE).



## Consultants and Contracts

Table B-5

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	710,000	580,000	566,000	(144,000)	-20%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	498,150	370,000	250,000	(248,150)	-50%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	15,000	15,000	55,000	40,000	267%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Consultants Total</b>	<b>\$ 1,223,150</b>	<b>\$ 965,000</b>	<b>\$ 871,000</b>	<b>\$ (352,150)</b>	<b>-29%</b>
<b>Contracts</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	160,000	160,000	160,000	-	0%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Contracts Total</b>	<b>\$ 160,000</b>	<b>\$ 160,000</b>	<b>\$ 160,000</b>	<b>\$ -</b>	<b>0%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 1,383,150</b>	<b>\$ 1,125,000</b>	<b>\$ 1,031,000</b>	<b>\$ (352,150)</b>	<b>-25%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

The \$352,150 decrease in consultant and contracts costs is primarily due the reduction in budgeted consultant costs engaged to assist the SPP RE direct staff in the administration of its CMEP and RAPA programs. An increase in its direct staff's experience level coupled with process improvement efficiencies, SPP RE has reduced its reliance on consultants.

Table B-6

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ -	\$ -	\$ -	\$ -	
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
<b>Total Office Rent</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

This cost is included in the SPP, Inc. Indirect Expense rate.

Table B-7

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Telephone	\$ -	\$ -	\$ -	\$ -	
Internet	-	-	-	-	
Office Supplies	2,500	8,000	8,000	5,500	
Computer Supplies and Maintenance	-	-	-	-	
Publications & Subscriptions	-	-	-	-	
Dues	-	-	-	-	
Postage	-	-	-	-	
Express Shipping	-	-	-	-	
Copying	-	-	-	-	
Reports	-	-	-	-	
Equipment Repair/Service Contracts	-	-	-	-	
Bank Charges	-	-	-	-	
Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity	-	-	-	-	
<b>Total Office Costs</b>	<b>\$ 2,500</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 5,500</b>	

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Office Costs are included in the SPP, Inc. Indirect Expense rate. The \$8,000 reflects the costs for miscellaneous office supplies such as supplies needed for RE workshops and RE Trustee meetings.

Table B-8

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Independent Trustee Fees	\$ 145,000	\$ 145,000	\$ 116,100	\$ (28,900)	-19.93%
Outside Legal	150,000	150,000	300,000	150,000	100.00%
Accounting & Auditing Fees	-	-	-	-	
Insurance Commercial	-	-	-	-	
Other	21,100	15,000	50,000	28,900	136.97%
<b>Total Services</b>	<b>\$ 316,100</b>	<b>\$ 310,000</b>	<b>\$ 466,100</b>	<b>\$ 150,000</b>	<b>47.45%</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

The \$150,000 increase in Professional Services costs is primarily due to an increase in outside legal counsel for contested hearings.

Table B-9

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
	\$ -	\$ -		\$ -	-
	\$ -	\$ -		\$ -	-
	\$ -	\$ -		\$ -	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

N/A

## 2014 and 2015 and 2016 Projections

Table B-10

Statement of Activities and Capital Expenditures  
2014 Budget & Projected 2015 and 2016 Budgets

	2014 Budget	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	2016 Projection	\$ Change 16 v 15	% Change 16 v 15
<b>Funding</b>							
<b>ERO Funding</b>							
ERO Assessments	\$ 9,219,123	\$ 12,178,338	\$ 2,959,215	32.10%	\$ 12,543,688	\$ 365,350	2.9%
Penalty Sanctions	508,333	-	(508,333)	-100.00%	-	-	-
<b>Total ERO Funding</b>	<b>\$ 9,727,456</b>	<b>\$ 12,178,338</b>	<b>\$ 2,450,882</b>	<b>25.2%</b>	<b>\$ 12,543,688</b>	<b>\$ 365,350</b>	<b>2.9%</b>
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>\$ 9,727,456</b>	<b>\$ 12,178,338</b>	<b>\$ 2,450,882</b>	<b>25.2%</b>	<b>\$ 12,543,688</b>	<b>\$ 365,350</b>	<b>3.0%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 4,103,334	\$ 4,226,434	\$ 123,100	3.0%	\$ 4,353,227	\$ 126,793	3.0%
Payroll Taxes	313,905	323,322	9,417	3.0%	333,022	9,700	3.0%
Benefits	330,805	340,729	9,924	3.0%	350,951	10,222	3.0%
Retirement Costs	164,133	169,057	4,924	3.0%	174,129	5,072	3.0%
<b>Total Personnel Expenses</b>	<b>\$ 4,912,177</b>	<b>\$ 5,059,543</b>	<b>\$ 147,365</b>	<b>3.0%</b>	<b>\$ 5,211,329</b>	<b>\$ 151,786</b>	<b>3.0%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 91,500	\$ 94,245	\$ 2,745	3.0%	\$ 97,072	2,827	3.0%
Travel	486,000	500,580	14,580	3.0%	515,597	15,017	3.0%
Conference Calls	-	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 577,500</b>	<b>\$ 594,825</b>	<b>\$ 17,325</b>	<b>3.0%</b>	<b>\$ 612,670</b>	<b>\$ 17,845</b>	<b>3.0%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 1,031,000	\$ 1,061,930	30,930	3.0%	\$ 1,093,788	31,858	3.0%
Office Rent	-	-	-	-	-	-	-
Office Costs	8,000	8,240	240	3.0%	8,487	247	3.0%
Professional Services	466,100	480,083	13,983	3.0%	494,485	14,402	3.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,505,100</b>	<b>\$ 1,550,253</b>	<b>\$ 45,153</b>	<b>3.0%</b>	<b>\$ 1,596,761</b>	<b>\$ 46,508</b>	<b>3.0%</b>
<b>Total Direct Expenses</b>	<b>\$ 6,994,777</b>	<b>\$ 7,204,621</b>	<b>\$ 209,843</b>	<b>3.0%</b>	<b>\$ 7,420,759</b>	<b>\$ 216,139</b>	<b>3.0%</b>
<b>Indirect Expenses</b>	<b>\$ 4,828,852</b>	<b>\$ 4,973,718</b>	<b>\$ 144,866</b>	<b>3.0%</b>	<b>\$ 5,122,929</b>	<b>\$ 149,212</b>	<b>3.0%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses</b>	<b>\$ 11,823,629</b>	<b>\$ 12,178,338</b>	<b>\$ 354,709</b>	<b>3.0%</b>	<b>\$ 12,543,688</b>	<b>365,350</b>	<b>3.0%</b>
<b>Change in Assets</b>	<b>\$ (2,096,173)</b>	<b>\$ -</b>	<b>\$ 2,096,173</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Fixed Assets</b>							
Depreciation	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
<b>(Incr)Dec in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (2,096,173)</b>	<b>\$ -</b>	<b>\$ 2,096,173</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>
FTEs	33.85	33.85	0.00	0.0%	33.85	0.00	0.0%

## Explanation of 2014 and 2015 and 2016 Projections

At this time, SPP RE anticipates that material changes to its 2014 and 2015 budgets will be likely be limited to inflationary costs adjustments and budgeted merit pay increases.

---

# Section C – Non-Statutory Activities

## 2014 Business Plan and Budget

---



## Section C — 2014 Non-Statutory Business Plan and Budget

### Non-Statutory Functional Scope

As discussed in the Introduction, SPP is one of nine FERC-approved Independent System Operators/Regional Transmission Organizations (ISOs/RTOs). As an RTO, SPP helps ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. These activities are budgeted for separately from SPP RE and constitute the non-statutory activities further described below.

### Membership and Governance (for non-statutory activities)

SPP is a relationship-based organization with member-driven processes offering independence through diversity in Organizational Group membership and recognition that reliability and economic/equity issues are inseparable. SPP strives to continuously improve and implement new concepts in a deliberate evolutionary manner.

SPP membership is voluntary and open to any electric utility, federal power marketing agency, transmission service provider, any entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet the membership requirements, including execution of the Membership Agreement. Membership is also open to entities eligible to take service under the SPP Open Access Transmission Tariff (OATT). SPP offers its Members greater efficiency and service reliability through better coordination.

SPP members serve over 5 million customers across nine states: Arkansas, Kansas, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, Oklahoma, and Texas.

SPP is governed in accordance with its Bylaws by an independent Board of Directors consisting of seven directors independent of any SPP Member. The Board of Directors works to ensure equity to all Members and acts in the best interest of SPP through its management, control and direction of the general business of SPP.

### Non-Statutory Functional Scope

SPP is mandated by the Federal Energy Regulatory Commission (Commission) to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity.

SPP provides the following primary services to our members and customers:

Tariff Administration: SPP provides independent administration of the Open Access Transmission Tariff that offers one-stop shopping for regional transmission service with consistent rates and terms.

Reliability Coordination: SPP monitors power flow throughout our footprint. We anticipate problems and take preemptive action to mitigate operating limit violations. SPP coordinates regional response in emergency situations or blackouts.

Regional Scheduling: SPP ensures that the amount of power sent is coordinated and matched with power received. SPP's regional scheduling service reduces the number of entities with which SPP members and customers have to coordinate.

Market Operations: SPP administers an Energy Imbalance Marketplace, monitors resource/load balance and ensures that less expensive power is used to serve load before expensive power, all while ensuring system reliability is met.

Expansion Planning: SPP's planning process seeks to identify system limitations and develop transmission upgrades for increased capacity.

Contract Services: SPP provides reliability, tariff administration, and scheduling for non-members on a contract basis.

Finally, as a Public Utility under the Federal Power Act, SPP is required to submit its budget to the Commission. The Commission already has approved SPP's activities and has ordered that SPP's budgets be filed with the Commission.<sup>6</sup>

### **Schedule for Preparation and Approval of SPP Inc.'s Overall Annual Budget**

SPP's overall annual budget is prepared on a budget cycle to be approved by its independent Board of Directors annually at its October meeting. Because of this timing difference with the NERC budget process SPP is unable to provide an accurate 2014 SPP budget for non-statutory activities at this time. The process begins during the second quarter when the SPP staff develops preliminary non-statutory budgets. During the third quarter the Finance Committee of SPP initially reviews and evaluates the budget prepared by SPP staff. Once the budget is approved by the Finance Committee, it is presented to the Board of Directors for their review and approval at its quarterly meeting held in October. The SPP overall annual budget is then submitted to FERC for approval. Because the 2014 SPP budget is not yet available, SPP is providing its Commission-approved 2013 budget and its 2012 actual results on the following table:

---

<sup>6</sup> See Sw. Power Pool, Inc., 109 FERC ¶ 61,010, at P 98 (2004) (requiring SPP to file its operating budget on an annual basis). See also Sw. Power Pool, Inc., 109 FERC ¶ 61,009, at PP 3-5 (2004), order on reh'g, 110 FERC ¶ 61,137 (2005) (describing history of SPP RTO application, including approval and revision of SPP Bylaws); see also, generally, Sw. Power Pool, Inc., 108 FERC ¶ 61,003 (2004), order on reh'g, 110 FERC ¶ 61,138 (2005); Sw. Power Pool, Inc., 106 FERC ¶ 61,110 (2004).



**SOUTHWEST POWER POOL  
NET REVENUE REQUIREMENT GROWTH**

(000's)	2013 Budget	2012 Actual
<b>Income</b>		
Tariff Administration Service	\$113,799	\$92,230
Fees & Assessments	28,211	26,578
Contract Services Revenue	721	22,687
Miscellaneous Income	4,284	6,424
<b>Total Income</b>	<b>147,015</b>	<b>147,919</b>
<b>Expense</b>		
Salary & Benefits	77,363	72,262
Employee Travel	2,614	2,245
Administrative	5,015	3,720
Assessments & Fees	16,340	14,977
Meetings	1,586	983
Communications	4,427	4,020
Leases	386	1,690
Maintenance	10,476	8,288
Services	16,003	14,705
Regional State Committee	344	455
Depreciation & Amortization	20,295	16,590
Other Expense	7,777	9,290
<b>Total Expense</b>	<b>162,626</b>	<b>149,225</b>
<b>Net Income (Loss)</b>	<b><u>(\$15,611)</u></b>	<b><u>(\$1,306)</u></b>
Debt Repayment	\$12,700	\$11,206
MW/h Forecast	360,915	353,453
Net Revenue Requirement	\$121,814	\$88,152
Calculated Admin Fee / MWh	\$0.338	\$0.249
Recommended Admin Fee / MWh	\$0.315	\$0.255
Capital Expense	\$35,818	\$82,034
Headcount	603	590

2012 actual data corresponds to SPP's annual Accountants' Report. For footnote information and other statements and schedules please refer to [spp.org](http://spp.org) > Newsroom for the Southwest Power Pool, Inc. Accounts Report and Financial Statements December 31, 2012 and 2011.



---

Section D – Additional Consolidated Financial  
Statements  
2014 Business Plan and Budget

---



## Section D 2014 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2014 Budget	Functions in Delegation Agreement														Non-Statutory Functions		
	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 309)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources		Accounting and Finance	Non-Statutory Total
<b>Funding</b>																	
<b>SPP RE Funding</b>																	
SPP RE Assessments	9,219,123	9,219,123	-	9,219,123	75,211	8,298,748	2,639,558	258,655	43,124	-	(2,096,173)	-	-	-	-	-	-
Penalty Sanctions	508,333	508,333	-	508,333	4,119	364,154	117,403	20,597	2,060	-	-	-	-	-	-	-	-
<b>Total SPP RE Funding</b>	<b>9,727,456</b>	<b>9,727,456</b>	<b>-</b>	<b>9,727,456</b>	<b>79,330</b>	<b>8,662,902</b>	<b>2,756,961</b>	<b>279,252</b>	<b>45,184</b>	<b>-</b>	<b>(2,096,173)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-statutory Funding</b>																	
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>9,727,456</b>	<b>9,727,456</b>	<b>-</b>	<b>9,727,456</b>	<b>79,330</b>	<b>8,662,902</b>	<b>2,756,961</b>	<b>279,252</b>	<b>45,184</b>	<b>-</b>	<b>(2,096,173)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>																	
<b>Personnel Expenses</b>																	
Salaries	4,103,334	4,103,334	-	4,103,334	28,372	2,680,693	835,786	-	18,006	-	540,477	-	-	-	-	-	-
Payroll Taxes	313,905	313,905	-	313,905	2,170	205,073	63,938	-	1,377	-	41,346	-	-	-	-	-	-
Benefits	330,805	330,805	-	330,805	2,067	222,723	61,910	-	1,034	-	43,072	-	-	-	-	-	-
Retirement Costs	164,133	164,133	-	164,133	1,135	107,228	33,431	-	720	-	21,619	-	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>4,912,177</b>	<b>4,912,177</b>	<b>-</b>	<b>4,912,177</b>	<b>33,744</b>	<b>3,215,717</b>	<b>995,065</b>	<b>-</b>	<b>21,137</b>	<b>-</b>	<b>646,515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Meeting Expenses</b>																	
Meetings	91,500	91,500	-	91,500	-	6,500	-	60,000	-	-	25,000	-	-	-	-	-	-
Travel	486,000	486,000	-	486,000	-	310,000	100,000	-	-	-	63,000	-	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>577,500</b>	<b>577,500</b>	<b>-</b>	<b>577,500</b>	<b>-</b>	<b>316,500</b>	<b>100,000</b>	<b>73,000</b>	<b>-</b>	<b>-</b>	<b>88,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Expenses</b>																	
Consultants & Contracts	1,031,000	1,031,000	-	1,031,000	-	726,000	250,000	-	-	-	55,000	-	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	8,000	8,000	-	8,000	-	-	-	-	-	-	8,000	-	-	-	-	-	-
Professional Services	466,100	466,100	-	466,100	-	-	-	5,000	-	-	161,100	300,000	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>1,505,100</b>	<b>1,505,100</b>	<b>-</b>	<b>1,505,100</b>	<b>-</b>	<b>726,000</b>	<b>250,000</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>224,100</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Direct Expenses</b>	<b>6,994,777</b>	<b>6,994,777</b>	<b>-</b>	<b>6,994,777</b>	<b>33,744</b>	<b>4,258,217</b>	<b>1,345,065</b>	<b>78,000</b>	<b>21,137</b>	<b>-</b>	<b>958,615</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SPP Inc. Indirect Expenses</b>	4,828,852	4,828,852	-	4,828,852	35,664	3,152,662	1,016,413	178,318	17,832	-	427,963	-	-	-	-	-	-
<b>SPP RE Indirect Expenses</b>	(0)	(0)	-	(0)	9,922	1,252,024	395,483	22,934	6,215	-	(1,386,578)	(300,000)	-	-	-	-	-
<b>Total Indirect Expenses</b>	<b>4,828,852</b>	<b>4,828,852</b>	<b>-</b>	<b>4,828,852</b>	<b>45,586</b>	<b>4,404,686</b>	<b>1,411,896</b>	<b>201,252</b>	<b>24,047</b>	<b>-</b>	<b>(958,615)</b>	<b>(300,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Non-Operating Expenses</b>																	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>11,823,629</b>	<b>11,823,629</b>	<b>-</b>	<b>11,823,629</b>	<b>79,330</b>	<b>8,662,902</b>	<b>2,756,961</b>	<b>279,252</b>	<b>45,184</b>	<b>-</b>	<b>(2,096,173)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Assets</b>	<b>(2,096,173)</b>	<b>(2,096,173)</b>	<b>-</b>	<b>(2,096,173)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,096,173)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>																	
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>(Inc)/Dec in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>(2,096,173)</b>	<b>(2,096,173)</b>	<b>-</b>	<b>(2,096,173)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,096,173)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>33.9</b>	<b>33.9</b>	<b>-</b>	<b>33.85</b>	<b>0.25</b>	<b>22.10</b>	<b>7.13</b>	<b>1.25</b>	<b>0.13</b>	<b>-</b>	<b>3.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Percentage of FTEs	100%	100%	-	100%	0.7%	65.3%	21.0%	3.7%	0.4%	0.0%	8.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program FTEs	-	-	-	-	0.8%	71.6%	23.1%	4.1%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program Direct Expenses	-	-	-	-	0.6%	74.2%	23.4%	1.4%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Indirect Cost Allocation</b>																	
SPP Inc. Indirect Costs	4,828,852	4,828,852	-	4,828,852	35,664	3,152,662	1,016,413	178,318	17,832	-	427,963	-	-	-	-	-	-
SPP RE Indirect Costs	1,686,578	1,686,578	-	1,686,578	9,922	1,252,024	395,483	22,934	6,215	-	-	(300,000)	-	-	-	-	-
<b>Total Indirect Costs</b>	<b>6,515,430</b>	<b>6,515,430</b>	<b>-</b>	<b>6,515,430</b>	<b>45,586</b>	<b>4,404,686</b>	<b>1,411,896</b>	<b>201,252</b>	<b>24,047</b>	<b>-</b>	<b>427,963</b>	<b>(300,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets Allocation</b>																	
Penalty Sactions Allocation	508,333	508,333	-	508,333	4,119	364,154	117,403	20,597	2,060	-	-	-	-	-	-	-	-

---

Section E – Calculation of SPP, Inc. Indirect Expense  
Rate  
2014 Business Plan and Budget

---



## Section E

### CALCULATION OF THE SPP INC. INDIRECT EXPENSE RATE<sup>1</sup>

<u>Support Groups<sup>2</sup></u>	<u>Overhead Costs to Allocate</u>
Administration	\$ 15,747,334 *
Officers	6,027,900 **
Accounting	1,202,155
	343,273
Human Resources	2,666,116
Customer Services	578,985
Legal	1,310,727
Communications	397,133
Information Technology	17,235,217
<b>Total Costs</b>	<b>\$ 45,508,840 A</b>
<b><u>Non-Support Resource Groups</u></b>	
Ending 2012 Headcounts	319
Assumed Average Work Hours/FTE in 2012	1880
<b># of Work Hours in 2012</b>	<b>599,720 B</b>
<b>2012 Indirect Overhead Expense Rate Rate (A/B)</b>	<b>\$ 75.88 C</b>
<b>Budgeted SPP RE FTEs</b>	<b>32.85</b>
<b>Assumed Average Work Hours/FTE in 2014</b>	<b>1,880</b>
<b>Total Budgeted Hrs Adjustment</b>	<b>61,758 D</b>
<b>Budgeted SPP Inc. Indirect Costs (C*D)</b>	<b>\$ 4,686,197</b>

\* Does not include FERC Pass-Thru Fees and depreciation of market and transmission assets.

\*\* Does not include costs for executives performing delegated functions.

<sup>1</sup>Due to the timing of the budget process/schedule, the estimated overhead rate for 2014 is based on actual 2012 costs. Any variance between the estimated overhead rate and the actual 2014 overhead rate will be included in the annual 2014 Business Plan and Budget true-up filing.

<sup>2</sup> The services provided by these support groups are separate and distinct from the services provided by SPP RE direct staff and consultants and contractors.

--	--	--	--	--	--	--

---

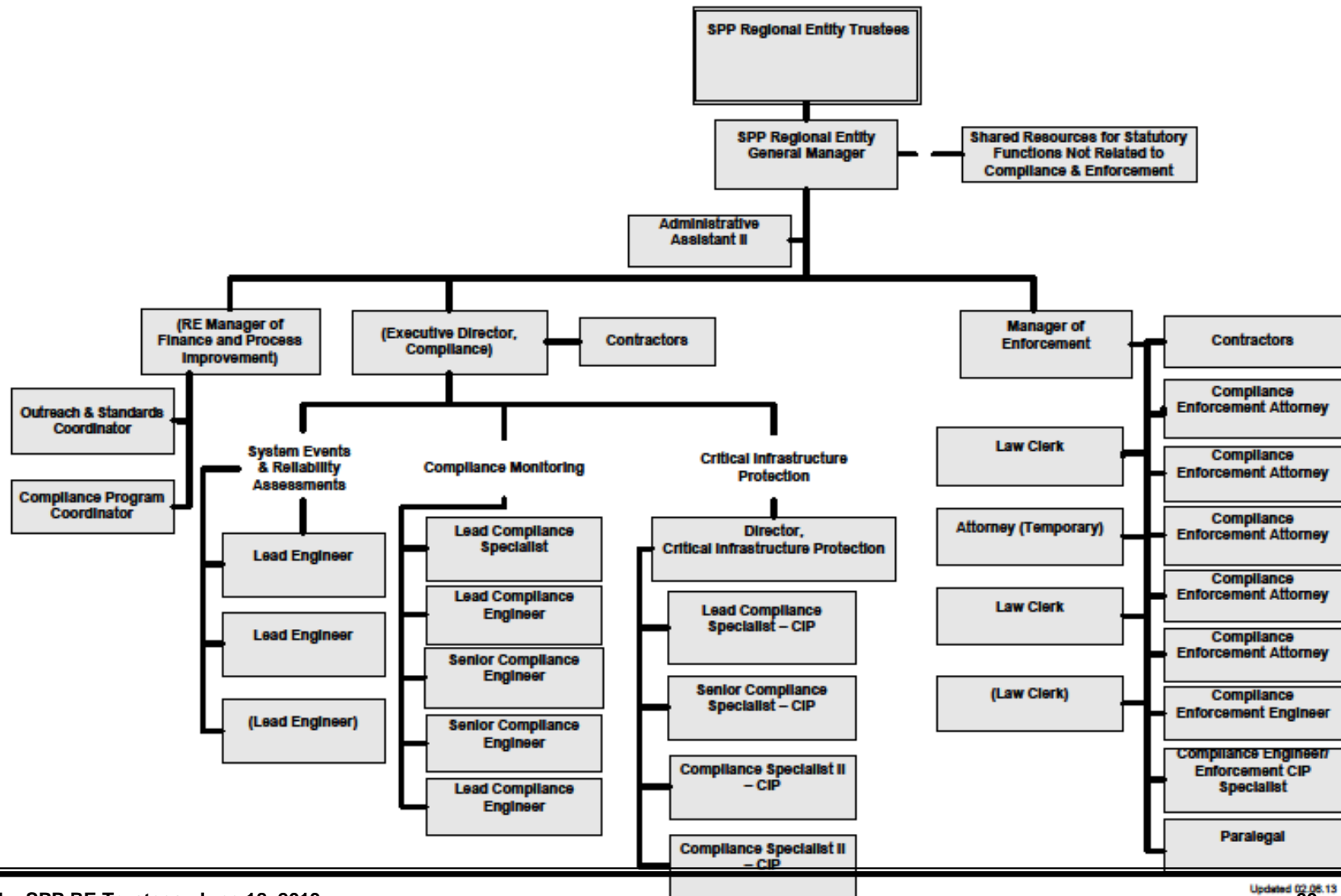
## Section F– Organizational Chart 2014 Business Plan and Budget

---



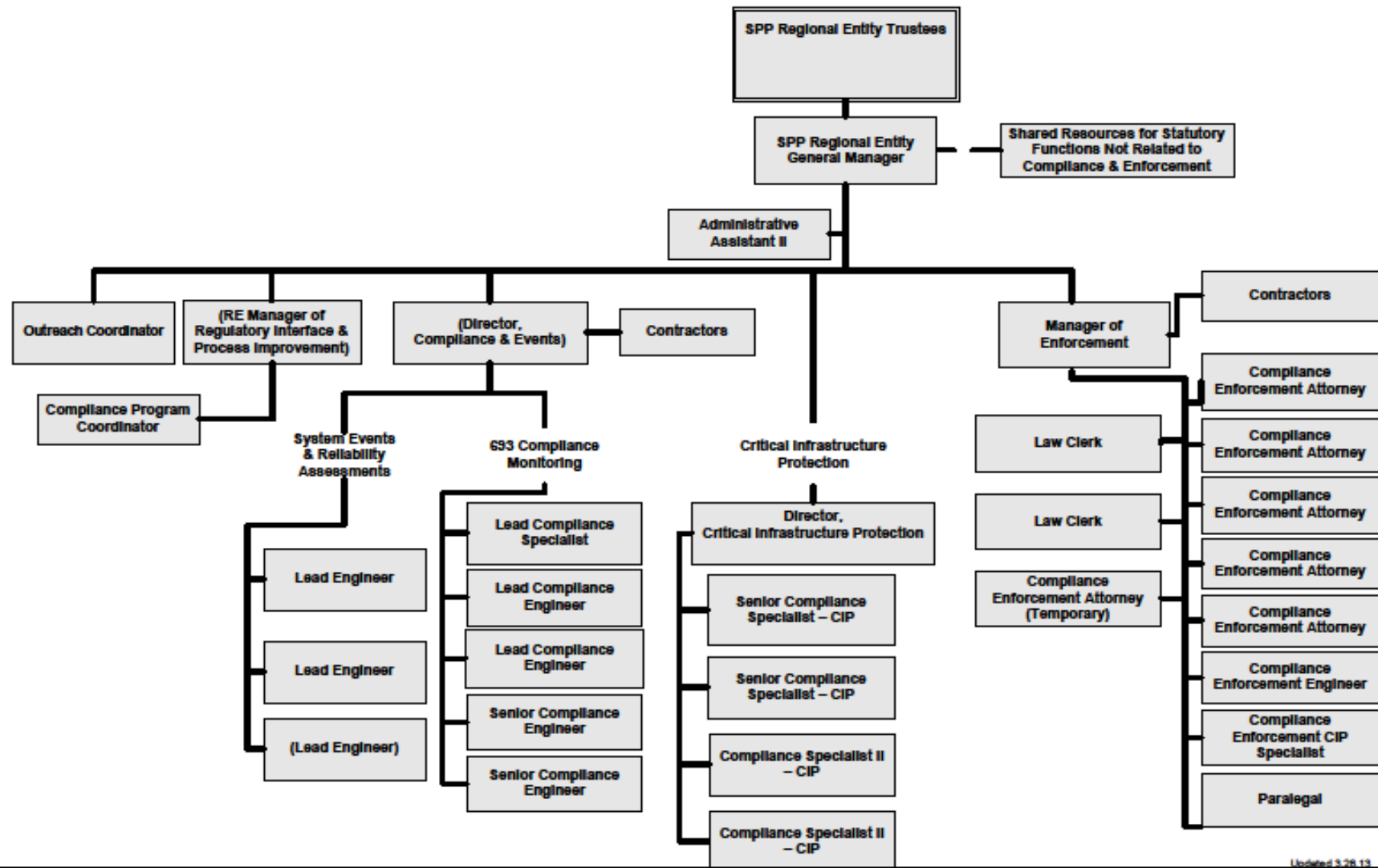


## Organizational Chart - 2013





## Organizational Chart – 2014 Proposed



Updated 3/28/13

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 9**

**TEXAS RELIABILITY ENTITY**

**PROPOSED 2014 BUSINESS PLAN AND BUDGET**





## **2014 Business Plan and Budget**

**Texas Reliability Entity, Inc.**

**Approved by Texas RE Board of Directors**

**Date: June 14, 2013**

## Table of Contents

Introduction .....	3
Section A — 2014 Business Plan.....	12
Reliability Standards Program .....	12
Compliance Monitoring and Enforcement and Organization Registration and Certification Program .....	16
Reliability Assessment and Performance Analysis Program.....	21
Training, Education, and Operator Certification Program .....	26
Situation Awareness and Infrastructure Security Program.....	30
Administrative Services .....	33
Technical Committees and Member Forums .....	34
General and Administrative .....	37
Legal and Regulatory .....	40
Information Technology .....	43
Human Resources.....	47
Finance and Accounting .....	50
Section B — Supplemental Financial Information.....	54
Reserve Balance.....	54
Breakdown by Statement of Activity Sections.....	55
Section C — 2014 Non-Statutory Business Plan and Budget.....	67
Personnel Analysis.....	70
Reserve Analysis — 2013–2014 .....	71
Section D – Supplemental Information .....	73
2014 Consolidated Statement of Activities by Program, Statutory and Non-Statutory.....	73
Statement of Financial Position .....	74
2014 Texas RE Combined Statutory and Non-statutory Organization Chart.....	75

## Introduction

<b>TOTAL RESOURCES</b> (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs	60.00			
Non-statutory FTEs	5.0			
<b>Total FTEs</b>	65.00			
Statutory Expenses	\$ 11,992,461			
Non-Statutory Expenses	\$ 970,000			
<b>Total Expenses</b>	\$ 12,962,461			
Statutory Inc(Dec) in Fixed Assets	\$ (221,213)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (221,213)			
Statutory Working Capital Requirement	\$ (826,390)			
Non-Statutory Working Capital Requirement				
<b>Total Working Capital Requirement</b>	\$ (826,390)			
Total Statutory Funding Requirement	\$ 10,944,857			
Total Non-Statutory Funding Requirement	\$ 970,000			
<b>Total Funding Requirement</b>	\$ 11,914,858			
<b>Statutory Funding Assessments</b>	\$ 10,509,308			
<b>Non-Statutory Fees</b>	\$ 970,000			
NEL	324,859,701	324,859,701		
NEL%	100.00%	100.00%		

\*Refer to Table B-1 on page 76 in Section B.

\*\*Refer to the Reserve Analysis on page 92 in Section C.

## Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity and Reliability Monitor for the Electric Reliability Council of Texas, Inc. (ERCOT) region, pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric Reliability Corporation (NERC). Texas RE's current Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC) in October 2010 for a five-year period beginning January 1, 2011. Texas RE's purpose is to strive to ensure reliability of the ERCOT region bulk-power system (BPS).

---

Texas RE also performs non-statutory activities as the Reliability Monitor for the ERCOT region, pursuant to its Agreement with the Public Utility Commission of Texas (PUCT) and ERCOT (the independent system operator for the ERCOT region), dated July 1, 2010. As the Reliability Monitor, Texas RE monitors and reports to the PUCT regarding market participants' compliance with reliability-related ERCOT Protocols, Operating Guides, and Texas rules (ERCOT Regional Rules).

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the PUCT and is not synchronously interconnected with any electric utilities operating outside of Texas. The ERCOT region includes approximately 85% of Texas load and 75% of the Texas land area.

## **Membership and Governance**

### **Members**

Texas RE has the following six membership sectors under its Bylaws:

- System Coordination and Planning
- Transmission and Distribution
- Cooperative Utility
- Municipal Utility
- Generation
- Load-Serving and Marketing

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS, who registers with Texas RE and complies with the Texas RE Bylaws requirements. Texas RE charges a nominal fee for membership, but the membership fee can be waived upon good cause shown. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

Texas RE has two stakeholder committees, the Member Representatives Committee (MRC) and the Reliability Standards Committee (RSC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Board on administrative, financial, reliability-related, or any other matters, except for standards development issues, through its elected Chair and Vice Chair, who serve as directors. The RSC includes representatives from the six sectors described above, whether or not members of Texas RE, which may include any entity with a direct and material interest in the ERCOT region BPS. The RSC facilitates the Regional Standards Development Process, and coordinates the development of regional standards and variances with the development of national standards. A subcommittee of the RSC, the NERC Standards Review Subcommittee (NSRS), monitors, reviews, and discusses NERC (continent-wide) standards under development and standards interpretation requests.

---

---

## Board of Directors

Texas RE is governed by a hybrid board of directors (Board), comprised of the following nine (9) directors:

- The Texas RE President & Chief Executive Officer
- Four (4) Independent Directors (elected by membership)
- Two (2) Member Directors (the Chair and Vice-Chair of the Member Representatives Committee)
- Chairman of the PUCT or another PUCT Commissioner designated by the Chairman, as an ex officio non-voting member
- Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an ex officio non-voting member

The Board's primary role is to oversee the management of Texas RE, including assuring that Texas RE meets its requirements under the Bylaws and Delegation Agreement, and electing a chief executive officer to manage and be responsible for the day-to-day on-going activities of Texas RE.

## Statutory Functional Scope

In accordance with its Delegation Agreement with NERC and in compliance with the NERC Rules of Procedure (NERC ROP), Texas RE performs the following statutory (or delegated) functions:

- Participation in the development of NERC Reliability Standards (Standards), or modifications thereof, and facilitation of developing needed regional standards or variances through Texas RE's Standards Development Process.
- Identification and registration of responsible entities with NERC and, as needed, certification of such entities within the ERCOT region.
- Monitoring and enforcement of compliance with approved Standards and regional standards, in accordance with the NERC ROP, in the ERCOT region.
- Analysis and assessment of system events and disturbances.
- Assessment of the present and future reliability, adequacy, and security of the BPS.
- Promotion of effective training and education of personnel, and assistance in the certification of operating personnel.
- Promotion of situation awareness and the protection of critical infrastructure.

---

## 2014 Overview of Cost Impacts

In developing the Texas RE 2014 Business Plan and Budget, Texas RE, NERC, and the other Regional Entities collaborated and agreed upon common foundational and program assumptions which are contained in the [Shared Business Plan and Budget Assumptions for the 2014-2016 Planning Period](#), which is available on the NERC website. Texas RE used these shared assumptions as well as the Electric Reliability Organization Enterprise Strategic Goals in developing this 2014 Business Plan and Budget.

Overall, the Texas RE 2014 statutory expenses (\$11,992,461) increased by 5.8% over the 2013 statutory expenses (\$11,334,791). The increase is primarily due to increases in rent, salary and benefits, leased equipment, and professional services. Rent escalates in accordance with an escalation clause in the lease agreement. Salaries and benefits are increasing due to market adjustments that are the result of the compensation study and annual merit increases. Texas RE is planning to lease laptops and servers when the equipment is fully depreciated instead of buying new equipment. This will cause an increase in Office Costs and a more substantial corresponding reduction in depreciation expense. The increase in Professional Services is primarily due to contingency for the anticipated cost of outside legal counsel for one contested enforcement case, based upon actual experience. The 2014 non-statutory budget (\$970,000) is reduced from the 2013 non-statutory budget (\$1,029,000), based on the renewal of the Reliability Monitor agreement for 2014-2015.

The 2014 statutory assessment (\$10,509,308) represents an increase from the 2013 assessment (\$8,152,520). The increase in assessment is due to the reduction in the 2013 assessment that was attributable to substantial underspent funds for prior years, which offset the 2013 budget. Because Texas RE ended 2012 close to budget, and in order to continue Texas RE's 60-day cash reserve amount, in accordance with corporate policy, the statutory assessment for 2014 will increase.

Significant statutory expense changes (including capital expenditures) include:

- Personnel expenses are increasing overall by 5.5%. Salaries are increasing 4% due to market adjustments and promotions. Health insurance is expected to increase benefits by approximately 11.9%. Reallocation of personnel among departments caused variances from 2013 in most programs. Personnel costs include a two percent (2%) vacancy assumption.
- Meeting and Travel expenses are increasing by 22% (\$91,448).

Meeting expense is increasing \$56,897 primarily due to anticipation of offsite meetings relating to contested matters and other meetings required to conduct Texas RE outreach. Travel is increasing \$49,591 or 14%. The prior budget did not properly reflect necessary travel costs in 2013. Travel to attend meetings is more correctly reflected in the 2014 budget (details for each department in the department explanations). Conference call cost is decreasing \$15,040 or 81% because of IT initiatives to reduce hosting fees by bringing services on premise and being maintained by Texas RE IT staff.

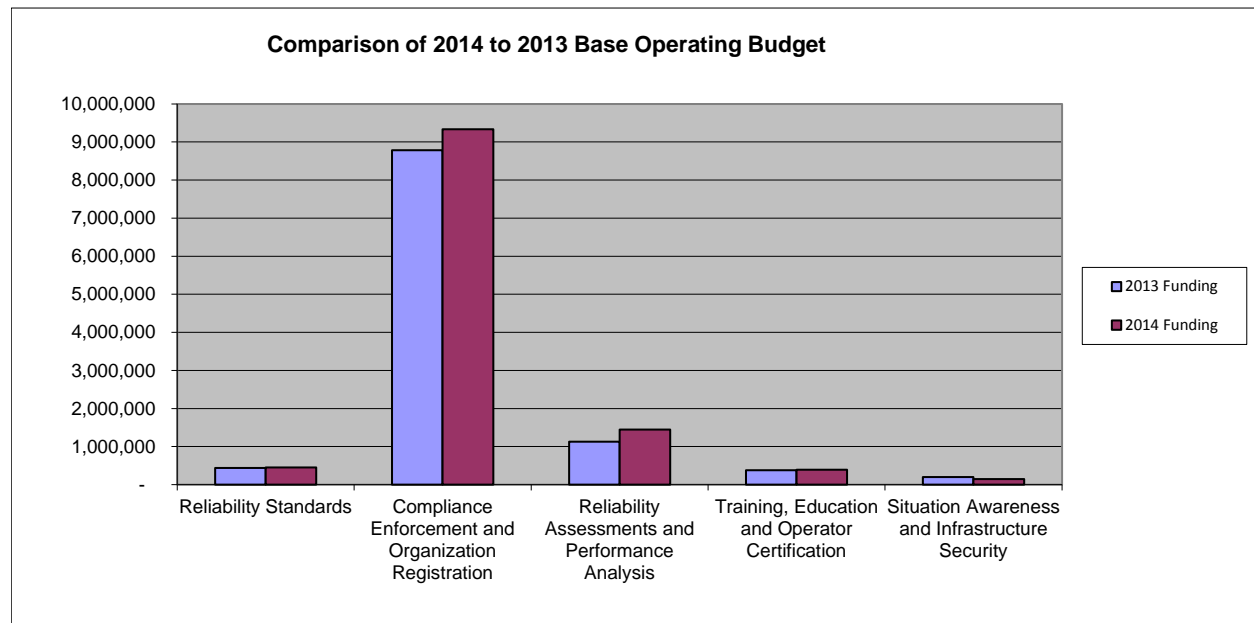
- Total Operating Costs are decreasing in 2014 by 3.3% or \$102,104. Depreciation will decrease by \$624,787, primarily due to the shift to leased

equipment. Correspondingly, Office Costs will increase by \$279,814 or 77.8%, due to leasing of IT equipment instead of purchasing equipment to replace fully depreciated equipment. Consultants and Contracts are increasing 19.5% to include the consultant for REMG and a contract for the PI software. Office rent is increasing 4%, pursuant to the lease agreement 4% annual escalation. Professional services will increase 20.8% or \$202,175 as contingency for outside counsel for one contested case.

All statutory activity in the 2014 Business Plan and Budget aligns with the NERC Enterprise Strategic Plan.

## Summary of Costs

Base Operating Budget	Budget	Projection	Budget	Change	
	2013	2013	2014	2014 Budget v 2013 Budget	% Change
Reliability Standards	441,628	441,628	450,487	8,859	2.0%
Compliance Enforcement and Organization Registration	8,785,957	8,785,957	9,336,233	550,276	6.3%
Reliability Assessments and Performance Analysis	1,131,000	1,131,000	1,448,152	317,152	28.0%
Training, Education and Operator Certification	378,499	378,499	392,456	13,957	3.7%
Total Situation Awareness and Infrastructure Security	198,695	198,695	143,920	(54,775)	-27.6%
	10,935,779	10,935,779	11,771,248	835,469	7.6%
Working Capital Reserve	(1,867,000)	(1,884,000)	(826,390)	1,040,610	
<b>Total Funding</b>	<b>9,068,779</b>	<b>9,051,779</b>	<b>10,944,857</b>	<b>1,876,078</b>	<b>20.7%</b>





## FTEs by Program Area

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2013	2013	2014 Budget	FTEs 2014 Budget	2014 Budget	from 2013 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	2.00	2.00	2.00	-	2.00	-
Compliance and Organization Registration and Certific	40.00	40.00	40.00	-	40.00	-
Training and Education	1.75	1.75	1.75	-	1.75	-
Reliability Assessment and Performance Analysis	4.75	4.75	4.75	-	4.75	-
Situation Awareness and Infrastructure Security	0.75	0.75	0.75	-	0.75	-
<b>Total FTEs Operational Programs</b>	<b>49.25</b>	<b>49.25</b>	<b>49.25</b>	<b>-</b>	<b>49.25</b>	<b>-</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	0.50	0.50		0.50	0.50	-
General & Administrative	1.75	1.75		1.75	1.75	-
Legal and Regulatory	3.00	3.00		3.00	3.00	-
Information Technology	2.50	2.50		2.50	2.50	-
Human Resources	1.00	1.00		1.00	1.00	-
Finance and Accounting	2.00	2.00		2.00	2.00	-
<b>Total FTEs Administrative Programs</b>	<b>10.75</b>	<b>10.75</b>	<b>-</b>	<b>10.75</b>	<b>10.75</b>	<b>-</b>
<b>Total FTEs</b>	<b>60.00</b>	<b>60.00</b>	<b>49.25</b>	<b>10.75</b>	<b>60.00</b>	<b>-</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

## 2013 Budget and Projection and 2014 Budget Comparisons

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
STATUTORY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 8,152,520	\$ 8,152,520	\$ -	\$ 10,509,308	\$ 2,356,788
Penalty Sanctions	849,000	832,000	(17,000)	402,833	(446,167)
<b>Total NERC Funding</b>	<b>\$ 9,001,520</b>	<b>\$ 8,984,520</b>	<b>\$ (17,000)</b>	<b>\$ 10,912,141</b>	<b>\$ 1,910,621</b>
Membership Dues	21,250	21,250	-	18,250	(3,000)
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	32,100	32,100	-	-	(32,100)
Interest	13,910	13,910	-	14,466	556
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 9,068,780</b>	<b>\$ 9,051,780</b>	<b>\$ (17,000)</b>	<b>\$ 10,944,857</b>	<b>\$ 1,876,077</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 5,858,856	\$ 5,858,856	\$ -	\$ 6,087,779	\$ 228,923
Payroll Taxes	523,256	523,256	-	571,040	47,785
Benefits	868,322	868,322	-	971,875	103,553
Retirement Costs	818,519	818,519	-	882,728	64,209
<b>Total Personnel Expenses</b>	<b>\$ 8,068,952</b>	<b>\$ 8,068,953</b>	<b>\$ -</b>	<b>\$ 8,513,423</b>	<b>\$ 444,470</b>
<b>Meeting Expenses</b>					
Meetings	\$ 38,316	\$ 38,316	\$ -	\$ 95,213	\$ 56,897
Travel	348,000	348,000	-	397,591	49,591
Conference Calls	18,540	18,540	-	3,500	(15,040)
<b>Total Meeting Expenses</b>	<b>\$ 404,856</b>	<b>\$ 404,856</b>	<b>\$ -</b>	<b>\$ 496,304</b>	<b>\$ 91,448</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 415,000	\$ 415,000	\$ -	\$ 496,072	\$ 81,072
Office Rent	533,930	533,930	-	510,864	(23,066)
Office Costs	359,684	359,684	-	639,498	279,814
Professional Services	888,225	888,225	-	1,073,088	184,863
Depreciation	888,000	888,000	-	263,213	(624,787)
<b>Total Operating Expenses</b>	<b>\$ 3,084,839</b>	<b>\$ 3,084,839</b>	<b>\$ -</b>	<b>\$ 2,982,735</b>	<b>\$ (102,104)</b>
<b>Total Direct Expenses</b>	<b>\$ 11,558,647</b>	<b>\$ 11,558,648</b>	<b>\$ -</b>	<b>\$ 11,992,461</b>	<b>\$ 433,814</b>
<b>Indirect Expenses</b>	<b>\$ (223,856)</b>	<b>\$ (223,856)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 223,856</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 11,334,791</b>	<b>\$ 11,334,792</b>	<b>\$ -</b>	<b>\$ 11,992,461</b>	<b>\$ 657,670</b>
<b>Change in Assets</b>	<b>\$ (2,266,011)</b>	<b>\$ (2,283,012)</b>	<b>\$ (17,000)</b>	<b>\$ (1,047,604)</b>	<b>\$ 1,218,408</b>
<b>Fixed Assets</b>					
Depreciation	\$ (888,000)	\$ (888,000)	\$ -	\$ (263,213)	\$ 624,787
Computer & Software CapEx	410,750	410,750	-	42,000	(368,750)
Equipment CapEx	78,238	78,238	-	-	(78,238)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>(399,012)</b>	<b>(399,012)</b>	<b>-</b>	<b>(221,213)</b>	<b>177,799</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>10,935,779</b>	<b>\$ 10,935,780</b>	<b>\$ -</b>	<b>\$ 11,771,248</b>	<b>\$ 835,469</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,867,000)</b>	<b>\$ (1,884,000)</b>	<b>\$ (17,000)</b>	<b>\$ (826,390)</b>	<b>\$ 1,040,609</b>

---

## Section A – Statutory Programs 2014 Business Plan and Budget

---



---

## Section A — 2014 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	-
Direct Expenses	\$ 319,030	\$ 283,258	\$ (35,772)
Indirect Expenses	\$ 131,461	\$ 176,009	\$ 44,548
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,863)	\$ (8,780)	\$ 83
Total Funding Requirement	\$ 441,628	\$ 450,487	\$ 8,859

#### Program Scope and Functional Description

The Texas RE Reliability Standards program supports the NERC Reliability Standards program and facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process, which was approved as Exhibit C to the Delegation Agreement. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE Reliability Standards Committee (RSC), NERC Standards Review Subcommittee (NSRS) and all regional standard drafting teams (SDTs).

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. Texas RE's Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. In addition, all proposed regional standards are posted on the Texas RE Reliability Standards Tracking Site for public comments. The Tracking Site allows all interested parties to access materials related to regional standards and to submit comments on Standard Authorization Requests (SARs) and draft standards during designated commenting periods. The Tracking Site allows members of the Registered Ballot Body to join any open Registered Ballot Pool and to vote online. The Standards Development Process includes an appeals process and an interpretation process.

Texas RE Standards staff supports and participates in the NERC Standards Committee and other NERC activities relating to standards development. Texas RE regularly comments and votes on proposed NERC standards and revisions from its perspective as the Compliance Enforcement Authority, based on recommendations and input from subject matter experts employed by Texas RE.

---

In addition, Texas RE reviews proposed reliability standards from NERC and other regions, and staff from NERC and other Regional Entities have the opportunity to review proposed Texas RE regional standards. This Program area supports and facilitates meetings of the Texas RE RSC and the NSRS. The RSC is a stakeholder committee that oversees the execution of the Texas RE Standard Development Process. The NSRS provides a regional stakeholder forum for education and discussion of NERC standards activities, both regional and continent-wide.

Texas RE Standards staff provides education and advice to other Texas RE departments regarding issues relating to standards, including applicability and interpretation of requirements in accordance with NERC processes.

### **2014 Key Assumptions**

The Reliability Standards Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### **2014 Goals and Key Deliverables**

- Participate in and provide outreach to regional stakeholders regarding nation-wide Standard development (including through announcements, meetings and webinars, enhancement to the Texas RE website, and expansion of the NSRS), to help ensure that ERCOT region perspective is represented in continent-wide Standards.
- Facilitate Texas RE participation in NERC standards development activities, including preparation of recommendations for voting and comments on NERC ballots, and provide standards-related expertise to other Program areas.
- Meet all FERC and NERC directives with regard to regional standards development and procedures and maintain effective relationships and communications with the standards staff at NERC and the other Regional Entities.
- Work closely with other Texas RE departments to ensure that staff is appropriately educated and informed regarding proper application and interpretation of standards and requirements while performing functions under the CMEP.
- Develop regional standards program communications that educate and inform stakeholders and support the Texas RE Standards Development program objectives.
- Work closely with NERC and registered entities within the ERCOT region to, when required, develop regional standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain regional variances; and otherwise address issues that are not adequately addressed in NERC Reliability Standards (such as improving fill-in-the-blank requirements).
- Streamline and improve Texas RE's Standards Development Process and associated tools, including consideration of NERC's results-based standards development methodology.
- Continue to enhance communication to and education of the registered entities in the ERCOT region to increase awareness of regional standards development activities and to ensure adequate representation on the Registered Ballot Body.

**Funding Sources and Requirements — Explanation of Increase (Decrease)**

## Funding Sources

- Funding received for this activity is through statutory assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

## Personnel Expenses

- The required FTEs remain 2.0 and personnel expenses for this Program are 12% less than 2013 due to change in personnel allocation.

## Meeting Expenses and Travel Expenses

- Meeting and travel expenses and travel increased 4% for 2014 due to the increase cost of travel.

## Operating Expenses

- Operating Expenses decrease by approximately 6% due to decrease in Consultants and Contracts.

## Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2014.

## Other Non-Operating Expenses

- N/A

## Fixed Asset Additions

- N/A

## Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
RELIABILITY STANDARDS					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 406,288	\$ 406,288	\$ -	\$ 433,387	\$ 27,099
Penalty Sanctions	\$ 34,477	34,477	-	16,359	(18,118)
<b>Total NERC Funding</b>	<b>\$ 440,765</b>	<b>\$ 440,765</b>	<b>\$ -</b>	<b>\$ 449,745</b>	<b>\$ 8,981</b>
Membership Dues	\$ 863	863	-	741	(122)
<b>Total Funding</b>	<b>\$ 441,628</b>	<b>\$ 441,628</b>	<b>\$ -</b>	<b>\$ 450,487</b>	<b>\$ 8,859</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 217,122	\$ 217,122	\$ -	\$ 184,058	\$ (33,064)
Payroll Taxes	19,923	19,923	-	20,720	797
Benefits	26,197	26,197	-	28,527	2,330
Retirement Costs	32,191	32,191	-	26,688	(5,503)
<b>Total Personnel Expenses</b>	<b>\$ 295,433</b>	<b>\$ 295,433</b>	<b>\$ -</b>	<b>\$ 259,993</b>	<b>\$ (35,440)</b>
<b>Meeting &amp; Travel Expenses</b>					
Travel	10,835	10,835	-	11,268	433
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 10,835</b>	<b>\$ 10,835</b>	<b>\$ -</b>	<b>\$ 11,268</b>	<b>\$ 433</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 12,276	\$ 12,276	\$ -	\$ 10,992	\$ (1,284)
Office Costs	485	485	-	1,004	519
<b>Total Operating Expenses</b>	<b>\$ 12,761</b>	<b>\$ 12,761</b>	<b>\$ -</b>	<b>\$ 11,996</b>	<b>\$ (765)</b>
<b>Total Direct Expenses</b>	<b>\$ 319,030</b>	<b>\$ 319,030</b>	<b>\$ -</b>	<b>\$ 283,258</b>	<b>\$ (35,772)</b>
Indirect Expenses	\$ 131,461	\$ 131,461	\$ -	\$ 176,009	\$ 44,548
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenses</b>	<b>\$ 450,491</b>	<b>\$ 450,491</b>	<b>\$ -</b>	<b>\$ 459,267</b>	<b>\$ 8,776</b>
<b>Change in Assets</b>	<b>\$ (8,863)</b>	<b>\$ (8,863)</b>	<b>\$ -</b>	<b>\$ (8,780)</b>	<b>\$ 83</b>
<b>Fixed Assets</b>					
Allocation of Fixed Assets	(8,863)	(8,863)	-	(8,780)	83
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (8,863)</b>	<b>\$ (8,863)</b>	<b>\$ -</b>	<b>\$ (8,780)</b>	<b>\$ 83</b>
<b>TOTAL BUDGET</b>	<b>\$ 441,628</b>	<b>\$ 441,628</b>	<b>\$ -</b>	<b>\$ 450,487</b>	<b>\$ 8,859</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	40.00	40.00	-
Direct Expenses	\$ 6,514,751	\$ 5,991,654	\$ (523,098)
Indirect Expenses	\$ 2,629,226	\$ 3,520,184	\$ 890,958
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (358,020)	\$ (175,605)	\$ 182,415
Total Funding Requirement	\$ 8,785,957	\$ 9,336,233	\$ 550,276

### Program Scope and Functional Description

Texas RE's Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) includes the key activities of registering (and where required, certifying) responsible entities, monitoring and assessing compliance with the NERC Reliability Standards and regional standards, and enforcing and ensuring mitigation of violations of Standards in accordance with the NERC ROP. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance investigations, exception reporting, and data submittals.

### 2014 Key Assumptions

The Compliance Monitoring and Enforcement and Organization Registration and Certification (CMEP) Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2014 Goals and Key Deliverables

#### COMPLIANCE MONITORING

- Perform formal, in depth, compliance audits on a three-year cycle for the Reliability Coordinator, Transmission Operator, and Balancing Authority functions and for any other registered entity identifying Critical Cyber Assets (CCA), and on a six-year cycle for all other registered functions.
- For 2014, perform:
  - 39 non-CIP (693) audits per the updated 2014 schedule
  - 18 CIP audits of entities that have identified CCA (on-site)



- 21 CIP audits of entities required to be CIP-compliant that have identified no CCA (off-site)
- Perform spot checks where warranted due to system events, complaints, or other reliability concerns.
- Perform no more than one compliance investigation triggered by a significant system event, if warranted, and no more than 15 compliance reviews regarding lesser events or disturbances.
- Continue to work with NERC and other Regional Entities to improve consistency of audits and spot checks of registered entities.
- Conduct annual self-certifications of all registered entities.
- Increase coordination with Enforcement regarding all compliance monitoring engagements indicating possible violations.
- Enhance registered entities' understanding of standard requirements by capturing lessons learned from compliance monitoring engagements and distributing to registered entities via training programs, newsletters, and announcements.
- Incorporate appropriate aspects of the Reliability Assurance Initiative (RAI).

#### ENFORCEMENT

- Assure timely mitigation of all violations, assessing all mitigating activities and mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.
- Review, validate, and process or dismiss all possible violations in a more timely fashion, to enhance visibility of violations and penalties.
- Manage all settlements and contested cases to completion, as efficiently as possible. This budget anticipates one contested enforcement matter will occur during the year.
- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to BPS reliability.
- Support the FFT process and any other streamlined mechanisms implemented to expedite possible violations which pose a lesser reliability risk to the BPS.

- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Texas RE Board, NERC, and stakeholders.

#### REGISTRATION AND CERTIFICATION

- Continue to monitor activity in the region and to register and certify entities in accordance with Texas RE procedures and the NERC ROP, including revisions to registrations and annual maintenance to reflect new and revised NERC standards. The level of activity is expected to be consistent with 2013.
- Continue to work with NERC and other Regional Entities to improve efficiency and consistency in performing registration and certification functions.
- Register new entities associated with generation and transmission facilities that may be planned and constructed during the applicable period, and conduct any required certifications.
- Continue to implement the revised Bulk Electric System definition, including execution of the exception process, handling exclusion notices, tracking the status of exclusions and exceptions, and dealing with related issues.
- Continue to review and investigate facilities and entities in the region to ensure that all applicable entities are properly registered and to ensure that there are no gaps in registration and responsibility for registered functions.

#### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

##### Funding Sources

- Funding received for this activity is through statutory assessments, penalties, and Texas RE membership dues which fully fund total expenses and fixed asset requirements.

##### Personnel Expenses

- The FTEs are consistent with 2013 for this program. Personnel expenses for the Program are decreasing 6% due to modifications of personnel in this program area.

##### Meeting and Travel Expenses

- Meetings and travel for this Program will increase 6% over 2013, primarily due to increases in the cost of travel to certain locations.

Operating Expenses

- Operating expenses for this Program will decrease by \$206,987 or 22% primarily due to a decrease in depreciation for fully depreciated assets. Professional services will increase for outside counsel for one contested enforcement case.

Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- The decrease in fixed assets for this program is due to the shift to leasing IT equipment in place of purchasing new equipment.

**Compliance Enforcement and Organization Registration and Certification Program**  
Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 8,079,155	\$ 8,079,155	\$ -	\$ 8,994,237	\$ 915,081
Penalty Sanctions	689,543	\$ 689,543		327,174	(362,369)
<b>Total NERC Funding</b>	<u>\$ 8,768,699</u>	<u>\$ 8,768,699</u>	<u>\$ -</u>	<u>\$ 9,321,411</u>	<u>\$ 552,712</u>
Membership Dues	17,259	17,259	-	14,822	(2,437)
<b>Total Funding</b>	<u>\$ 8,785,957</u>	<u>\$ 8,785,957</u>	<u>\$ -</u>	<u>\$ 9,336,233</u>	<u>\$ 550,276</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,854,415	\$ 3,854,415	\$ -	\$ 3,520,283	\$ (334,132)
Payroll Taxes	343,884	343,884	-	357,639	13,755
Benefits	589,125	589,125	-	640,999	51,875
Retirement Costs	571,470	571,470	-	510,441	(61,028)
<b>Total Personnel Expenses</b>	<u>\$ 5,358,893</u>	<u>\$ 5,358,893</u>	<u>\$ -</u>	<u>\$ 5,029,363</u>	<u>\$ (329,530)</u>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	222,964	222,964	-	236,385	13,420
Conference Calls	-	-	-	-	-
<b>Total Meeting &amp; Travel Expenses</b>	<u>\$ 222,964</u>	<u>\$ 222,964</u>	<u>\$ -</u>	<u>\$ 236,385</u>	<u>\$ 13,420</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 274,815	\$ 274,815	\$ -	\$ 287,280	\$ 12,465
Office Rent	-	-	-	-	-
Office Costs	15,562	15,562	-	13,626	(1,936)
Professional Services	311,224	311,224	-	425,000	113,776
Miscellaneous	-	-	-	-	-
Depreciation	331,292	331,292	-	-	(331,292)
<b>Total Operating Expenses</b>	<u>\$ 932,893</u>	<u>\$ 932,893</u>	<u>\$ -</u>	<u>\$ 725,906</u>	<u>\$ (206,987)</u>
<b>Total Direct Expenses</b>	<u>\$ 6,514,751</u>	<u>\$ 6,514,751</u>	<u>\$ -</u>	<u>\$ 5,991,654</u>	<u>\$ (523,098)</u>
<b>Indirect Expenses</b>	<u>\$ 2,629,226</u>	<u>\$ 2,629,226</u>	<u>\$ -</u>	<u>\$ 3,520,184</u>	<u>\$ 890,958</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ 9,143,977</u>	<u>\$ 9,143,977</u>	<u>\$ -</u>	<u>\$ 9,511,838</u>	<u>\$ 367,861</u>
<b>Change in Assets</b>	<u>\$ (358,020)</u>	<u>\$ (358,020)</u>	<u>\$ -</u>	<u>\$ (175,605)</u>	<u>\$ 182,415</u>
<b>Fixed Assets</b>					
Depreciation	(331,292)	(331,292)	-	-	331,292
Computer & Software CapEx	150,537	150,537	-	-	(150,537)
Allocation of Fixed Assets	(177,265)	(177,265)	-	(175,605)	1,660
<b>Inc(Dec) in Fixed Assets</b>	<u>\$ (358,020)</u>	<u>\$ (358,020)</u>	<u>\$ -</u>	<u>\$ (175,605)</u>	<u>\$ 182,415</u>
<b>TOTAL BUDGET</b>	<u>\$ 8,785,957</u>	<u>\$ 8,785,957</u>	<u>\$ -</u>	<u>\$ 9,336,233</u>	<u>\$ 550,276</u>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessments and Performance Analysis</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	4.75	4.75	-
Direct Expenses	\$ 839,829	\$ 1,055,983	\$ 216,154
Indirect Expenses	\$ 312,221	\$ 418,022	\$ 105,801
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (21,050)	\$ (25,853)	\$ (4,803)
Total Funding Requirement	\$ 1,130,999	\$ 1,448,152	\$ 317,152

### Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) program provides input to seasonal and long-term reliability assessments for the adequacy of resources and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system events and disturbances that impact the ERCOT region BPS. In addition to support for these assessments and analyses, Texas RE will continue to participate with NERC in ongoing work to evaluate risk and severity from reliability performance, measure progress in improving current reliability and track leading indicators of future reliability. This program requires validation and analysis of data collected from registered entities, which is used in measurement of ongoing reliability performance of generation, transmission, and demand response. RAPA also identifies and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (HILF) events, industry trends, or proposed public policy measures. Event analyses will determine causative factors for system disturbances as well as best practices used in preparing or recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

### 2014 Key Assumptions

The RAPA Program incorporates the regional assumptions from the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities. Current staffing levels are expected to meet known and predicted program needs; however, as many RAPA tasks are presently in early stages of definition, program staffing demands are not known. A limited amount of contractor support funding is available to meet new programs or initiatives in the event that supplemental staffing is required once the true scope and schedule of tasks are established. Continued ERCOT stakeholder support is expected in Regional planning activities that meet ERO schedules for seasonal, long-term and probabilistic risk assessments as well as events analysis and performance metrics.

---

---

## 2014 Goals and Key Deliverables

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the long-term, winter and summer assessments, along with the post-seasonal reviews.
- Provide independent review of the two anticipated special reliability assessments in 2014, involving topics such as the impact of new technologies and environmental regulations, changes in resource mix, gas dependency, or delays in transmission development.
- Oversee collection of reliability data for the ERCOT Region, provide analysis and validation, and support stakeholders as enhancements for databases and portals are added. Systems include:
  - i. Transmission Availability Data System (TADS),
  - ii. Generation Availability Data System (GADS),
  - iii. Demand Response Availability Data System (DADS)
  - iv. Spare Equipment Database (SED)
  - v. Event Information Data System (EIDS)
  - vi. Reliability Assessment Data System (RADS)
- Participate in ERO development of an outcome-based approach to achieve measurable improvements in reliability, utilizing the data above and NERC's adequate level of reliability (ALR) metrics. Collect data and perform analysis as needed to evaluate the ALR metrics. The number of metrics and level of analysis is expected to continue to increase in 2014.
- Provide regional data collection and analysis to meet NERC or FERC initiatives, orders or directives. These may include continuing review of high impact/low frequency events (such as geomagnetic disturbances), protection system mis-operations, system frequency response, human performance, drought, environmental regulations, single point of failure in protection systems, characterization of contingent load loss and new technology integration. Additional topics are likely to develop based on emerging reliability concerns.
- Review NERC Standards and process developments, such as the second phase of the Bulk Electric System Definition project. Review proposed Regional criteria and processes for reliability.
- Continue to implement the NERC event analysis process within the ERCOT Region, expecting a similar volume of events as 2013, estimated at 12 Category 1 (minor), three Category 2 or 3 (moderate impact) and 1 Category 4 or 5 event (significant impact). Conduct follow-up on recommendations from past major events within ERCOT and other Regions and event trends associated with events across the ERO.
- Review approximately 80 lesser system events, such as special protection system mis-operations, communications issues, and frequency disturbances,

---

---

which do not meet the threshold for NERC events analysis, in order to monitor trends and system impacts in these areas.

- Contribute to the implementation of the BES Definition exception process by providing technical review of exception requests and coordination internally and with other Regions for consistent application. At this time, the number of such requests is uncertain but is expected to be handled by existing staff and modest contractor support.
- Engage ERCOT stakeholders to identify system issues that lead to reliability concerns, including those identified and prioritized by the NERC Reliability Issues Steering Committee.
- Provide workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate lessons learned, best practices, trends and observations.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

#### Personnel Expenses

- The FTEs and personnel expenses will increase by 16%. The increase is due to reallocation of individual employees working in the RAPA and Situation Awareness programs.

#### Meeting and Travel Expenses

- Meeting and travel expenses will increase by \$18,630 due to required travel increases for NERC and stakeholder meetings.

#### Operating Expenses

- Operating Expenses for the RAPA Program will increase by \$65,840. This includes fees for association fees and license for engineers that was not included in the 2013 budget. Office costs include \$55,000 for the maintenance agreement for PI software.

#### Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A



## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS</b>					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 1,047,067	\$ 1,047,067	\$ -	\$ 1,407,540	\$ 360,473
Penalty Sanctions	81,883	81,883		38,852	(43,031)
<b>Total NERC Funding</b>	<b>\$ 1,128,950</b>	<b>\$ 1,128,950</b>	<b>\$ -</b>	<b>\$ 1,446,392</b>	<b>\$ 317,442</b>
Membership Dues	\$ 2,049	2,049	-	\$ 1,760	(289)
<b>Total Funding</b>	<b>\$ 1,131,000</b>	<b>\$ 1,131,000</b>	<b>\$ -</b>	<b>\$ 1,448,152</b>	<b>\$ 317,152</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 590,909	\$ 590,909	\$ -	\$ 689,636	\$ 98,727
Payroll Taxes	50,393	50,393	-	52,409	2,016
Benefits	77,259	77,259	-	95,813	18,554
Retirement Costs	87,610	87,610	-	99,997	12,387
<b>Total Personnel Expenses</b>	<b>\$ 806,172</b>	<b>\$ 806,172</b>	<b>\$ -</b>	<b>\$ 937,855</b>	<b>\$ 131,683</b>
<b>Meeting &amp; Travel Expenses</b>					
Travel	33,658	33,658	-	52,288	18,630
Conference Calls	-	-	-	-	-
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 33,658</b>	<b>\$ 33,658</b>	<b>\$ -</b>	<b>\$ 52,288</b>	<b>\$ 18,630</b>
<b>Operating Expenses</b>					
Office Costs	-	-	-	60,840	60,840
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	5,000	5,000
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 65,840</b>	<b>\$ 65,840</b>
<b>Total Direct Expenses</b>	<b>\$ 839,829</b>	<b>\$ 839,829</b>	<b>\$ -</b>	<b>\$ 1,055,983</b>	<b>\$ 216,154</b>
<b>Indirect Expenses</b>	<b>\$ 312,221</b>	<b>\$ 312,221</b>	<b>\$ -</b>	<b>\$ 418,022</b>	<b>\$ 105,801</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 1,152,050</b>	<b>\$ 1,152,050</b>	<b>\$ -</b>	<b>\$ 1,474,005</b>	<b>\$ 321,955</b>
<b>Change in Assets</b>	<b>\$ (21,050)</b>	<b>\$ (21,050)</b>	<b>\$ -</b>	<b>\$ (25,853)</b>	<b>\$ (4,803)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(5,000)	(5,000)
Allocation of Fixed Assets	(21,050)	(21,050)	-	(20,853)	197
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (21,050)</b>	<b>\$ (21,050)</b>	<b>\$ -</b>	<b>\$ (25,853)</b>	<b>\$ (4,803)</b>
<b>TOTAL BUDGET</b>	<b>\$ 1,131,000</b>	<b>\$ 1,131,000</b>	<b>\$ -</b>	<b>\$ 1,448,152</b>	<b>\$ 317,152</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.75	1.75	-
Direct Expenses	\$ 271,226	\$ 246,130	\$ (25,095)
Indirect Expenses	\$ 115,029	\$ 154,008	\$ 38,979
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (7,755)	\$ (7,683)	\$ 73
Total Funding Requirement	\$ 378,498	\$ 392,456	\$ 13,957

### Program Scope and Functional Description

The Texas RE Training, Education, and Operator Certification program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of Standards, lessons learned from event analysis, and other related information pertinent to system reliability and compliance. Texas RE subject matter experts from other Programs provide expertise for educational materials, meetings, and workshops. In addition, Texas RE oversees the ERCOT region operator certification testing program and provides two subject matter experts for the annual ERCOT Operations Training Seminar. The Training, Education, and Operator Certification Program coordinates with NERC and the other Regional Entities to identify training needs of the industry and Regional Entity staff and to ensure consistency in training and education through its participation on the NERC Training and Education Group.

Texas RE will continue to coordinate at least two one-day annual Standards and Compliance workshops and monthly other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2014. The purpose of these workshops, meetings, and webinars is to provide standards, compliance, and procedural information and expectations, share lessons learned and best practices, obtain feedback from stakeholders, and provide sharing opportunities for registered entities and other stakeholders. Texas RE will use cost effective additional education mechanisms such as webinars, newsletters, and conference calls, and will coordinate presentations by Texas RE subject matter experts at other industry meetings.

### 2014 Key Assumptions

The Training, Education, and Operator Certification Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2014 Goals and Key Deliverables

- Develop technical materials for and present at least two (2) full-day Standards and Compliance workshops for registered entities.

- 
- Present at least twelve (12) additional workshops, webinars, meetings or other industry outreach, including *Talk with Texas RE* meetings supporting CMEP implementation and any new or modified NERC standards, procedures, or programs.
  - Create and publish at least six (6) newsletters that disseminate lessons learned for registered entities and include useful updates regarding standard revisions and interpretations, lessons-learned, other reliability or compliance-related information, and Texas RE and NERC activities.
  - Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance working groups.
  - Oversee and facilitate the ERCOT System Operator testing program.
  - Participate in the NERC-Regional Entity Training and Education Group conference calls and meetings.
  - Provide a mechanism for workshop, webinar, and meeting participants and other stakeholders to provide feedback and suggestions to be used to enhance future workshops, webinars, and meetings.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues, which fully funds total expenses and fixed asset requirements.

#### Personnel Expenses

- The FTEs required for this Program will remain 1.75. Personnel expenses will decrease due to reallocation of personnel among the departments.

#### Meeting and Travel Expenses

- Meeting and travel expenses will increase by \$31,236. The 2013 budget did not properly reflect the amount of costs needed for meetings and travel.

#### Operating Expenses

- N/A

#### Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2014.

Other Non-Operating Expenses

- N/A

Fixed Asset Additions

- N/A

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>TRAINING, EDUCATION and OPERATOR CERTIFICATION</b>					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 315,477	\$ 315,477	\$ -	\$ 377,493	\$ 62,017
Penalty Sanctions	30,168	30,168		14,314	(15,854)
<b>Total NERC Funding</b>	<b>\$ 345,644</b>	<b>\$ 345,644</b>	<b>\$ -</b>	<b>\$ 391,807</b>	<b>\$ 46,163</b>
Membership Dues	755	755	-	648	(107)
Workshops	32,100	32,100	-	-	(32,100)
<b>Total Funding</b>	<b>\$ 378,499</b>	<b>\$ 378,499</b>	<b>\$ -</b>	<b>\$ 392,456</b>	<b>\$ 13,957</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 172,183	\$ 172,183	\$ -	\$ 121,945	\$ (50,238)
Payroll Taxes	15,167	15,167	-	14,985	(182)
Benefits	27,147	27,147	-	28,111	964
Retirement Costs	25,529	25,529	-	17,682	(7,847)
<b>Total Personnel Expenses</b>	<b>\$ 240,026</b>	<b>\$ 240,026</b>	<b>\$ -</b>	<b>\$ 182,722</b>	<b>\$ (57,304)</b>
<b>Meeting &amp; Travel Expenses</b>					
Meetings	\$ 30,900	\$ 30,900	\$ -	\$ 62,136	\$ 31,236
Travel	300	300	-	312	12
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 31,200</b>	<b>\$ 31,200</b>	<b>\$ -</b>	<b>\$ 62,448</b>	<b>\$ 31,248</b>
<b>Operating Expenses</b>					
Office Costs	-	-	-	960	960
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 960</b>	<b>\$ 960</b>
<b>Total Direct Expenses</b>	<b>\$ 271,226</b>	<b>\$ 271,226</b>	<b>\$ -</b>	<b>\$ 246,130</b>	<b>\$ (25,095)</b>
<b>Indirect Expenses</b>	<b>\$ 115,029</b>	<b>\$ 115,029</b>	<b>\$ -</b>	<b>\$ 154,008</b>	<b>\$ 38,979</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 386,254</b>	<b>\$ 386,254</b>	<b>\$ -</b>	<b>\$ 400,138</b>	<b>\$ 13,884</b>
<b>Change in Assets</b>	<b>\$ (7,755)</b>	<b>\$ (7,755)</b>	<b>\$ -</b>	<b>\$ (7,683)</b>	<b>\$ 73</b>
<b>Fixed Assets</b>					
Allocation of Fixed Assets	(7,755)	(7,755)	-	(7,683)	73
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (7,755)</b>	<b>\$ (7,755)</b>	<b>\$ -</b>	<b>\$ (7,683)</b>	<b>\$ 73</b>
<b>TOTAL BUDGET</b>	<b>\$ 378,499</b>	<b>\$ 378,499</b>	<b>\$ -</b>	<b>\$ 392,456</b>	<b>\$ 13,957</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>

## Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.75	0.75	-
Direct Expenses	\$ 152,721	\$ 81,210	\$ (71,511)
Indirect Expenses	\$ 49,298	\$ 66,003	\$ 16,705
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	(3,324)	(3,293)	31
Total Funding Requirement	\$ 198,695	\$ 143,920	\$ (54,775)

### Program Scope and Functional Description

This program includes two distinctly unique parts: Situation Awareness and Infrastructure Security. Situation Awareness covers the assessment of the current condition of and threats to the BPS and development and application of situation awareness tools for monitoring the BPS. Infrastructure Security resources participate in the on-going development of CIP standards, improving regional coordination and cooperation of the CIP program, and to support the NERC-led efforts to develop industry alerts and guidance and to support NERC's role as the Electricity Sector – Information Sharing and Analysis Center. Most of the Texas RE CIP resources functionally reside in the Compliance, Enforcement and Organizational Registration and Certification Program, and much of situation awareness involves initial event review, which is primarily performed as part of the Event Analysis Process, in the RAPA Program.

### 2014 Key Assumptions

The Situation Awareness and Infrastructure Security Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2014 Goals and Key Deliverables

- Texas RE staff will continue ongoing monitoring of system data, weather, technological developments, industry news, and media to understand trends that affect reliability both in the near and long term horizon.
- Texas RE's regional implementation of the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, Phase 2 will be maintained in coordination with ERCOT (the RC) and NERC.
- Texas RE will support utilization of data for Situation Awareness, including regular weekly reporting to NERC along with providing current information on on-going events in the ERCOT Region.
- Texas RE will continue to monitor and follow up on NERC alerts and anticipates that the volume of alerts will be similar to 2013, or approximately 8, with one the alert expected to require responses and analysis.

- Texas RE's cyber security staff will continue to support initiatives in the Situation Awareness area that concern infrastructure security, working closely with the Electricity Sector – Information Sharing and Analysis Center (ES-ISAC). An example is participation in the NERC Grid-X Security exercise.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources

- Funding received for this activity is through assessments, penalties, and Texas RE membership dues, which fully fund total expenses and the fixed asset requirements.

#### Personnel Expenses

- The FTEs and personnel expenses for the Situation Awareness and Infrastructure Security Program will decrease by \$71,562 from the 2013 Budget; the personnel expenses were incorrectly budgeted and allocated in 2013.

#### Meeting and Travel Expenses

- Meeting and travel are consistent with 2013.

#### Operating Expenses

- No operating expenses are allocated to this program.

#### Indirect Expenses

- Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs for 2014.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection v 2013 Budget Over(Under)	Budget	2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 185,443	\$ 185,443	\$ -	\$ 137,508	\$ (47,935)
Penalty Sanctions	12,929	12,929	-	6,135	(6,794)
<b>Total NERC Funding</b>	<b>\$ 198,372</b>	<b>\$ 198,372</b>	<b>\$ -</b>	<b>\$ 143,642</b>	<b>\$ (54,729)</b>
Membership Dues	324	324	-	278	(46)
<b>Total Funding</b>	<b>\$ 198,695</b>	<b>\$ 198,695</b>	<b>\$ -</b>	<b>\$ 143,920</b>	<b>\$ (54,775)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 111,829	\$ 111,829	\$ -	\$ 48,270	\$ (63,560)
Payroll Taxes	9,921	9,921	-	10,318	397
Benefits	13,128	13,128	-	14,310	1,182
Retirement Costs	16,580	16,580	-	6,999	(9,581)
<b>Total Personnel Expenses</b>	<b>\$ 151,458</b>	<b>\$ 151,458</b>	<b>\$ -</b>	<b>\$ 79,896</b>	<b>\$ (71,562)</b>
<b>Meeting &amp; Travel Expenses</b>					
Travel	1,263	1,263	-	1,314	50
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 1,263</b>	<b>\$ 1,263</b>	<b>\$ -</b>	<b>\$ 1,314</b>	<b>\$ 50</b>
<b>Operating Expenses</b>					
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 152,721</b>	<b>\$ 152,721</b>	<b>\$ -</b>	<b>\$ 81,210</b>	<b>\$ (71,511)</b>
<b>Indirect Expenses</b>	<b>\$ 49,298</b>	<b>\$ 49,298</b>	<b>\$ -</b>	<b>\$ 66,003</b>	<b>\$ 16,705</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ 202,019</b>	<b>\$ 202,019</b>	<b>\$ -</b>	<b>\$ 147,213</b>	<b>\$ (54,806)</b>
<b>Change in Assets</b>	<b>\$ (3,324)</b>	<b>\$ (3,324)</b>	<b>\$ -</b>	<b>\$ (3,293)</b>	<b>\$ 31</b>
<b>Fixed Assets</b>					
Allocation of Fixed Assets	(3,324)	(3,324)	-	(3,293)	31
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ (3,324)</b>	<b>\$ (3,324)</b>	<b>\$ -</b>	<b>\$ (3,293)</b>	<b>\$ 31</b>
<b>TOTAL BUDGET</b>	<b>\$ 198,695</b>	<b>\$ 198,695</b>	<b>\$ -</b>	<b>\$ 143,920</b>	<b>\$ (54,775)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



---

**Administrative Services**

<b>Administrative Services</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	10.75	10.75	-
Total Direct Expenses	\$ 3,461,090	\$ 4,334,227	\$ 873,136
Inc(Dec) in Fixed Assets	\$ (218,257)	\$ (216,213)	\$ 2,044
Less: Other Funding Sources	\$ (67,260)	\$ (67,260)	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 3,175,573	\$ 4,050,754	\$ 875,180
Funding Requirement for Working Capital	\$ (1,866,999)	\$ (826,390)	\$ 1,040,609

**Assumptions**

The Administrative Services Program is comprised of the following programs: Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting.

This program incorporates the Shared NERC and the Regional Entities' Methodology for Allocation of Administrative Services Expenses to Programs.

- Texas RE allocates its indirect expenses to the functional/direct areas proportionately based on FTE count. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total FTEs.
- Texas RE maintains the Fines and Penalty money collected and it is used to reduce the amount of the assessments to the region.
- Fixed assets that benefit the entire corporation that are not specific to any one activity/function will be allocated based on FTEs to all of the direct activities.

---



---

## Technical Committees and Member Forums

<b>Technical Committes and Member Forums</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	-
Total Direct Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

This Texas RE Program supports all membership activities, including membership registration and voting, and will continue to facilitate and provide limited administrative support for the eleven (11) member Texas RE Member Representatives Committee (MRC) and its subcommittees, including the scheduling and coordinating of MRC and MRC subcommittee meetings, distributing and posting of meeting materials and minutes, maintaining applicable information on the Texas RE website, and facilitating MRC and MRC subcommittee announcements and communications.

The MRC meets approximately eight times per year to discuss Texas RE business plans, budgets, funding, metrics, and other matters relevant to Texas RE's operations and purpose, including compliance and the reliability of the BPS. The MRC also discusses proposed new or modified NERC processes, procedures, and initiatives. The MRC normally meets prior to the Texas RE Board meetings and provides feedback and input to Texas RE staff and the Board of Directors. The chair and vice chair of MRC are also on the Texas RE Board.

### 2014 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities. In addition, regionally specific assumptions include:

- Texas RE will hold approximately eight MRC meetings per year.
- The MRC will not have a significant number of subcommittees.
- Support of the RSC is included in the Reliability Standards Program.
- Meetings will be held at the Texas RE office or, in the case of regional stakeholder meetings, at stakeholder offices, so no outside meeting space will normally be required.

---

---

## 2014 Goals and Key Deliverables

The goal of the Technical Committee and Member Forums Program is to coordinate MRC and MRC subcommittee meetings, voting, and communications, and to provide and facilitate efficient mechanisms for owners, users, and operators of the BPS to communicate, coordinate and share procedural, reliability and compliance best practices, and to provide input to Texas RE staff and the Texas RE Board of Directors.

Texas RE employees will continue to work with MRC and its subcommittees in 2014 to help define ways to improve reliability in the region. Texas RE will also continue to provide requested support, including coordination of subject matter experts and materials, to other regional stakeholder groups that are focused on reliability, events, or compliance with Standards.

## Funding Sources and Requirements — Explanation of Increase (Decrease)

### Funding Sources

- N/A.

### Personnel Expenses

- Personnel expenses are accounted for under G & A.

### Meeting Expenses

- The meeting expenses associated with MRC and committees are reflected under the G&A activity.

### Operating Expenses

- There are no significant operating expenses for this area.

### Indirect Expenses

- Indirect program costs are allocated to the direct programs. This activity fully allocates through the G&A activity allocation.

### Other Non-Operating Expenses

- N/A

### Fixed Asset Additions

- N/A

## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2014 business plan are included in General & Administrative.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
TECHNICAL COMMITTEES and MEMBER FORUMS					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

---

**General and Administrative**

<b>General and Administrative</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.75	1.75	-
Total Direct Expenses	\$ 1,399,089	\$ 1,960,223	\$ 561,133
Inc(Dec) in Fixed Assets	\$ (115,138)	\$ (258,213)	\$ (143,075)
Working Capital Requirement	\$ (1,866,999)	\$ (826,390)	\$ 1,040,609

**Program Scope and Functional Description**

This Program includes the President and CEO who carries out the general affairs of Texas RE, including administrative and corporate facilities support, and includes the time and expenses of the Texas RE Board. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. A significant amount of the CEO's time is expended for and charged to other operational Program activities. A portion of the time expended by the G&A staff is expended for and allocated to core activities including standards, compliance monitoring, enforcement, registration, training, situation awareness, reliability assessment, and performance analysis, training, and other indirect activities.

**2014 Key Assumptions**

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

**Funding Sources and Requirements — Explanation of Increase (Decrease)**
**Funding Sources**

- N/A

**Personnel Expenses**

- The amount of time personnel are performing direct activities related to standards, compliance monitoring, enforcement, registration, training, situation awareness, and reliability assessment and performance analysis, as well as other indirect activities, is being appropriately budgeted in those respective Program areas. Salaries are increasing due reallocation of personnel among the departments, adjustments recommended by the compensation study and a Vice-President position being included in the G & A budget. The position was not included in the G & A budget for 2013.

#### Meeting and Travel Expenses

- Meeting and travel expenses for this program are increasing by \$17,441 due to the use of outside meeting facilities for legal and board meetings. Increased travel is due to the attendance of employees at more committee meetings and NERC meetings.

#### Operating Expenses

- Total Operating expenses increased 13%. Consultants and contracts include the REMG consultant fee for 2014, which Texas RE did not have in 2013. Office rent shows a decrease due to 8% being directly charged to Non-Statutory in 2014. Rent was previously charged through indirect charges to Non-Statutory. Professional services include potential fees for board of directors search fees. Depreciation was previously allocated among CMEP, IT and G & A. In 2014, all depreciation will be charged to G & A, which accounts for the 34% increase. Non-statutory deprecation will be charged directly to Non-Statutory in place of flowing through indirect charges in 2014.

#### Indirect Expenses

- Indirect program costs are allocated to the direct programs.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A.

## General and Administrative

Funding sources and related expenses for the general and administrative section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>GENERAL and ADMINISTRATIVE</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ (1,880,909)	\$ (1,880,909)	\$ -	\$ (840,856)	\$ 1,040,053
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ (1,880,909)</b>	<b>\$ (1,880,909)</b>	<b>\$ -</b>	<b>\$ (840,856)</b>	<b>\$ 1,040,053</b>
Membership Dues	\$ -	\$ -	-	-	-
Interest	13,910	13,910	-	14,466	556
<b>Total Funding (A)</b>	<b>\$ (1,866,999)</b>	<b>\$ (1,866,999)</b>	<b>\$ -</b>	<b>\$ (826,390)</b>	<b>\$ 1,040,609</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 189,676	\$ 189,676	\$ -	\$ 539,315	\$ 349,639
Payroll Taxes	17,678	17,678	-	33,225	15,546
Benefits	26,158	26,158	-	7,906	(18,252)
Retirement Costs	17,890	17,890	-	78,201	60,310
<b>Total Personnel Expenses</b>	<b>\$ 251,402</b>	<b>\$ 251,402</b>	<b>\$ -</b>	<b>\$ 658,645</b>	<b>\$ 407,243</b>
<b>Meeting and Travel Expenses</b>					
Meetings	\$ 6,180	\$ 6,180	\$ -	\$ 21,427	\$ 15,247
Travel	54,851	54,851	-	57,045	2,194
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 61,031</b>	<b>\$ 61,031</b>	<b>\$ -</b>	<b>\$ 78,472</b>	<b>\$ 17,441</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 2,981	\$ 2,981	\$ -	\$ 42,600	\$ 39,619
Office Rent	533,930	533,930	-	510,864	(23,066)
Office Costs	31,369	31,369	-	27,427	(3,942)
Professional Services	325,000	325,000	-	384,000	59,000
Depreciation	193,376	193,376	-	258,213	64,837
<b>Total Operating Expenses</b>	<b>\$ 1,086,656</b>	<b>\$ 1,086,656</b>	<b>\$ -</b>	<b>\$ 1,223,105</b>	<b>\$ 136,449</b>
<b>Total Direct Expenses</b>	<b>\$ 1,399,089</b>	<b>\$ 1,399,089</b>	<b>\$ -</b>	<b>\$ 1,960,223</b>	<b>\$ 561,133</b>
<b>Indirect Expenses</b>	<b>\$ (1,399,089)</b>	<b>\$ (1,399,089)</b>	<b>\$ -</b>	<b>\$ (1,960,223)</b>	<b>\$ (561,133)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Change in Assets</b>	<b>\$ (1,866,999)</b>	<b>\$ (1,866,999)</b>	<b>\$ -</b>	<b>\$ (826,390)</b>	<b>\$ 1,040,609</b>
<b>Fixed Assets</b>					
Depreciation	(193,376)	(193,376)	-	(258,213)	(64,837)
Equipment CapEx	78,238	78,238	-	-	(78,238)
Allocation of Fixed Assets	115,138	115,138	-	258,213	143,075
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (1,866,999)</b>	<b>\$ (1,866,999)</b>	<b>\$ -</b>	<b>\$ (826,390)</b>	<b>\$ 1,040,609</b>

## Legal and Regulatory

<b>Legal and Regulatory</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.00	3.00	-
Total Direct Expenses	\$ 442,180	\$ 455,706	\$ 13,526
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Legal and Regulatory area provides legal advice, counsel, and governmental and external relations support to Texas RE management, Board, and employees, on all legal and regulatory matters affecting the organization. The Legal and Regulatory group also oversees (1) corporate membership enrollment, meetings and voting; (2) Board meetings, minutes, support, training and other activities; (3) corporate documents and transactions; (4) governmental, regulatory relations and communications; (5) the work of any outside legal counsel; and (6) the prosecution of any contested enforcement matters.

Although the Legal and Regulatory employees report to the General Counsel (including two corporate counsel, an external relations manager, an external relations and training coordinator, a records analyst, a legal support manager, two case managers, and one legal assistant), a significant portion of the time of Legal and Regulatory employees is expended for and allocated to core activities including primarily enforcement, but also compliance monitoring, registration, standards, event analysis, training, and technical committees.

### 2014 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2014 Goals and Key Deliverables

- Assist with the prosecution and any appeal of contested enforcement or disputed registration matters.
- Provide timely, useful legal advice to the CEO, the Board, and all Program areas, and provide annual employee and Board ethics and antitrust compliance training.
- Effectively communicate information to the Board, Texas RE members, and registered entities.
- Oversee membership registration, membership voting and meetings, and maintain an accurate roster of members.



- 
- 
- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives, and timely file all documents required by NERC or FERC.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources

- N/A

#### Personnel Expenses

- The budgeted number of FTEs for this Program is 3.0, consistent with 2013. Personnel expenses are decreasing by \$7,889 or 2%. The time Legal and Regulatory personnel perform direct activities related to compliance, enforcement, training, and registration are budgeted in those respective program areas.

#### Meeting and Travel Expenses

- Meetings and travel expenses are increasing by \$5,927 due to increased travel for NERC, regional entity, and Trades meetings attended by Legal and Regulatory personnel for legal and executive activities.

#### Operating Expenses

- Operating expenses for Legal and Regulatory are increased by \$15,489 or 70%. The bulk of the increase is contingency for outside counsel for contested cases.
- Indirect program costs are allocated to the direct programs.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A

## Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>LEGAL and REGULATORY</b>					
	<b>2013</b>	<b>2013</b>	<b>Variance</b>	<b>2014</b>	<b>Variance</b>
<b>Funding</b>	<b>Budget</b>	<b>Projection</b>	<b>v 2013 Budget</b>	<b>Budget</b>	<b>v 2013 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 307,265	\$ 307,265	\$ -	\$ 278,656	\$ (28,609)
Payroll Taxes	28,524	28,524	-	29,665	1,141
Benefits	47,924	47,924	-	52,190	4,266
Retirement Costs	25,093	25,093	-	40,405	15,312
<b>Total Personnel Expenses</b>	<b>\$ 408,805</b>	<b>\$ 408,805</b>	<b>\$ -</b>	<b>\$ 400,916</b>	<b>\$ (7,889)</b>
<b>Meeting Expenses</b>					
Travel	11,172	11,172	-	17,099	5,927
<b>Total Meeting Expenses</b>	<b>\$ 11,172</b>	<b>\$ 11,172</b>	<b>\$ -</b>	<b>\$ 17,099</b>	<b>\$ 5,927</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 2,211	\$ 2,211	\$ -	\$ 2,299	\$ 89
Office Costs	2,415	2,415	-	5,392	2,976
Professional Services	17,577	17,577	-	30,000	12,423
<b>Total Operating Expenses</b>	<b>\$ 22,202</b>	<b>\$ 22,202</b>	<b>\$ -</b>	<b>\$ 37,691</b>	<b>\$ 15,489</b>
<b>Total Direct Expenses</b>	<b>\$ 442,180</b>	<b>\$ 442,180</b>	<b>\$ -</b>	<b>\$ 455,706</b>	<b>\$ 13,526</b>
<b>Indirect Expenses</b>	<b>\$ (442,180)</b>	<b>\$ (442,180)</b>	<b>\$ -</b>	<b>\$ (455,706)</b>	<b>\$ (13,526)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Fixed Assets</b>					
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>

## Information Technology

Information Technology (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.50	2.50	-
Total Direct Expenses	\$ 1,091,026	\$ 1,071,277	\$ (19,750)
Inc(Dec) in Fixed Assets	\$ (103,119)	\$ 42,000	\$ 145,119
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

Texas RE's Information Technology (IT) program provides information technology and security support to Texas RE, including the following: hardware (servers, security devices, computers and peripherals), systems (email, storage, backups, networks, electronic security, secure communications, and databases), software, and applications; physical security, electronic security, data center operations, IT & security-related vendor management, strategy, planning, development, and deployment of enterprise systems, application, and training, research, and planning for improvement and efficiency of business process and operations.

Texas RE's approach is to keep its in-house IT staff small and efficiently outsource maintenance, services, and major development to ensure that applications and hardware are well maintained, service levels remain high, costs are controlled, and systems are consistent with business, federal, and regional requirements.

This budget includes operating costs for refreshing all depreciated corporate equipment including: servers, networking equipment and laptops.

### 2014 Key Assumptions

- Texas RE's IT staff will continue to focus on better leverage of current technology to support business functions and workflow as well as increasing knowledge of industry best practices for security, data management and system administration.
- This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2014 Goals and Key Deliverables

- Provide IT and security support to all Texas RE's operations, including; IT and security budget; infrastructure; service support; service design and delivery; service transition; and hardware and network security in a secure and efficient manner, with the following strategy:

- 
- Continue to maintain the appropriate number of employees to oversee the strategy, policies and procedures, service and performance, budget, and vendor management. Cross-train employees to serve as backups and mentors to each other.
  - Continue to outsource IT and security services that are not within the core competencies or IT's cost containment plan, and augment employees with temporary contractors as needed to meet business requirements while developing knowledge of systems through training and experience to reduce the reliance on external vendors.
- Assist business staff with development of webCDMS enhancement requests and other IT-related project requirements, and prioritize and oversee all IT or security-related projects.
  - Coordinate and share best practices with other Regional Entities and NERC.
  - Participate in the design, planning and implementation of ERO Centralized Applications.
  - Implement a Security Awareness Program that addresses, through education and training, for social vulnerabilities that pose threats to Texas RE systems.
  - Train and support Texas RE staff on software and applications.
  - Continue to develop and test failover and disaster recovery methods for all Texas RE systems.
  - Improve the usability and functionality of Texas RE's website and Extranet site.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### Funding Sources

- N/A.

#### Personnel Expenses

- The number of FTEs are consistent with 2013. Personnel expenses are increasing due to promotions and salary adjustments.
- Training expenses are included in benefits which are increasing to maintain and increase personnel competencies and reduce the reliance on external consultants and vendors.

#### Meeting and Travel Expenses

- Meeting and travel expenses for this Program are increasing by \$7,556 to allow for increased travel to the offsite data center for maintenance, travel for training(s), NERC Meetings, and consultant travel costs. Increased meeting costs are associated with the implementation of a Security Awareness Program for internal staff and Texas RE Contractors. Approximately \$5,000 of the increase represents inclusion of consultant costs incurred during penetration testing. The decrease in conferences calls is the result of IT initiatives to reduce fees.

### Operating Expenses

- Overall Operating Expenses are decreasing due to a shift to leased IT equipment instead of Fixed Asset additions. The office cost category is increasing while depreciation is decreasing.

IT Hosting Fees and Managed Services will be reduced \$57,000 by bringing hosted services on-premise and maintained by Texas RE's IT Staff. Expenses were reduced by properly sizing the remote data center hosting environment through virtualization using VMWare. IT hosting is included in the office cost line item.

Professional Services are increasing \$26,576 to better accommodate actual costs of Penetration Testing.

Texas RE will participate in the EROEMG and ERO ITS development of the NERC ERO Enterprise IT applications but no costs are included in this budget for development of the applications.

### Indirect Expenses

- Indirect program costs are allocated to the direct programs.

### Other Non-Operating Expenses

- N/A

### Fixed Asset Additions

- N/A

## Information Technology

Funding sources and related expenses for the information technology section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>INFORMATION TECHNOLOGY</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 215,903	\$ 215,903	\$ -	\$ 336,221	\$ 120,318
Payroll Taxes	19,525	19,525	-	20,306	781
Benefits	34,005	34,005	-	37,002	2,997
Retirement Costs	21,779	21,779	-	48,752	26,973
<b>Total Personnel Expenses</b>	<u>\$ 291,211</u>	<u>\$ 291,211</u>	<u>\$ -</u>	<u>\$ 442,281</u>	<u>\$ 151,070</u>
<b>Meeting Expenses</b>					
Meetings	\$ 1,236	\$ 1,236	\$ -	\$ 2,900	\$ 1,664
Travel	10,000	10,000	-	17,556	7,556
Conference Calls	18,540	18,540	-	3,500	(15,040)
<b>Total Meeting Expenses</b>	<u>\$ 29,776</u>	<u>\$ 29,776</u>	<u>\$ -</u>	<u>\$ 23,956</u>	<u>\$ (5,820)</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 84,562	\$ 84,562	\$ -	\$ 37,500	\$ (47,062)
Office Costs	267,721	267,721	-	486,540	218,819
Professional Services	54,424	54,424	-	81,000	26,576
Depreciation	363,332	363,332	-	-	(363,332)
<b>Total Operating Expenses</b>	<u>\$ 770,039</u>	<u>\$ 770,039</u>	<u>\$ -</u>	<u>\$ 605,040</u>	<u>\$ (164,999)</u>
<b>Total Direct Expenses</b>	<u>\$ 1,091,026</u>	<u>\$ 1,091,026</u>	<u>\$ -</u>	<u>\$ 1,071,277</u>	<u>\$ (19,750)</u>
<b>Indirect Expenses</b>	<u>\$ (1,091,026)</u>	<u>\$ (1,091,026)</u>	<u>\$ -</u>	<u>\$ (1,071,277)</u>	<u>\$ 19,750</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>
<b>Fixed Assets</b>					
Depreciation	(363,332)	(363,332)	-	-	363,332
Computer & Software CapEx	260,213	260,213	-	42,000	(218,213)
Allocation of Fixed Assets	\$ 103,119	\$ 103,119	-	\$ (42,000)	\$ (145,119)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>

---



---

## Human Resources

<b>Human Resources</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.00	1.00	-
Total Direct Expenses	\$ 50,255	\$ 248,306	\$ 198,052
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Texas RE Human Resource (HR) program area is responsible for the delivery of all HR functions including: recruitment, staffing, compensation, benefits, health and safety, employee relations, performance management, and employee training and development. HR maintains the Human Resources Information System (HRIS) and the Payroll Master File and ensures Department of Labor compliance with all federal and state requirements.

### 2014 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2014 Goals and Key Deliverables

- Recruit highly skilled employees.
- Review and update employee handbook and policies and procedures, as needed.
- Review and manage employee benefit plans.
- Review Texas RE compensation strategy in concert with executive management team to ensure Texas RE remains a competitive employer in its industry.
- Provide harassment training to managers and employees.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments) N/A

#### Personnel Expenses

- The total number of FTEs and personnel expenses are remaining consistent with 2013. In prior years, personnel costs have been charged under G & A. The 2014 HR budget includes \$10,000 for employee education reimbursement and \$10,000 for employee relocation.

#### Meeting and Travel Expenses

- Meeting and travel expenses will increase by \$9,097. A Human Resources conference with related travel and two (2) webinars are budgeted for 2014.

#### Operating Expenses

- Operating expenses are increasing in 2014 for compensation studies budgeted under consultants and contracts.
- \$8,750 to support team building events and activities has been budgeted in 2014.

#### Indirect Expenses

- Indirect program costs are allocated to the direct programs.

#### Other Non-Operating Expenses

- N/A

#### Fixed Asset Additions

- N/A



## Human Resources

Funding sources and related expenses for the human resources section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>HUMAN RESOURCES</b>					
	<b>2013</b>	<b>2013</b>	<b>Variance</b>	<b>2014</b>	<b>Variance</b>
<b>Funding</b>	<b>Budget</b>	<b>Projection</b>	<b>2012 Projection v 2012 Budget Over(Under)</b>	<b>Budget</b>	<b>2013 Budget v 2012 Budget Over(Under)</b>
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 91,052	\$ 91,052
Payroll Taxes	-	-	-	12,804	12,804
Benefits	-	-	-	36,740	36,740
Retirement Costs	-	-	-	13,203	13,203
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 153,799</b>	<b>\$ 153,799</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 8,750	\$ 8,750
Travel	1,358	1,358	-	1,705	347
<b>Total Meeting Expenses</b>	<b>\$ 1,358</b>	<b>\$ 1,358</b>	<b>\$ -</b>	<b>\$ 10,455</b>	<b>\$ 9,097</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 28,617	\$ 28,617	\$ -	\$ 80,400	\$ 51,783
Office Costs	280	280	-	3,652	3,372
Professional Services	20,000	20,000	-	-	(20,000)
<b>Total Operating Expenses</b>	<b>\$ 48,896</b>	<b>\$ 48,896</b>	<b>\$ -</b>	<b>\$ 84,052</b>	<b>\$ 35,156</b>
<b>Total Direct Expenses</b>	<b>\$ 50,255</b>	<b>\$ 50,255</b>	<b>\$ -</b>	<b>\$ 248,306</b>	<b>\$ 198,052</b>
<b>Indirect Expenses</b>	<b>\$ (50,255)</b>	<b>\$ (50,255)</b>	<b>\$ -</b>	<b>\$ (248,306)</b>	<b>\$ (198,052)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Fixed Assets</b>					
Allocation of Fixed Assets	-	-	\$ -	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>

---



---

## Finance and Accounting

<b>Accounting and Finance</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.00	2.00	-
Total Direct Expenses	\$ 478,541	\$ 598,716	\$ 120,175
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Finance and Accounting function provides accounting and financial analysis for Texas RE. Texas RE Finance and Accounting personnel are responsible for general accounting and close activities, accounts payable, payroll, fixed asset management, budget preparation and reporting, cash management, and tax reporting. Monthly financial reports and analysis are provided to the CEO, Texas RE managers and the Board.

### 2014 Key Assumptions

This Program incorporates the Shared Business Plan and Budget Assumptions of NERC and the Regional Entities.

### 2014 Goals and Key Deliverables

- Work with all Regional Entities to provide consistency in budget submittals to NERC and FERC.
- Provide improved reporting and financial analysis to the Texas RE CEO, Managers and the Texas RE Board.
- Report budget variances to NERC on a quarterly basis.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources

- N/A

#### Personnel Expenses

- The FTEs and personnel expenses for this Program are consistent with 2013.

#### Meeting Expenses

- Travel expenses are higher in 2014 due to travel for two finance and budget meetings included in 2014.

### Operating Expenses

- Operating expenses are slightly higher for 2014. A consultant has been budgeted four (4) months for 2014 resulting in an increase of \$25,000. Professional fees decreased 4.3% for commercial insurance and accounting and audit fees. Office costs include fees for CPA license renewal and continuing education.

### Indirect Expenses

- Indirect program costs are allocated to the direct programs.

### Other Non-Operating Expenses

- N/A

### Fixed Asset Additions

- N/A

## Finance and Accounting

Funding sources and related expenses for the finance and accounting section of the 2014 business plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>FINANCE and ACCOUNTING</b>					
	<b>2013</b>	<b>2013</b>	<b>Variance</b>	<b>2014</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2013 Projection</b>	<b>Budget</b>	<b>2014 Budget</b>
			<b>v 2013 Budget</b>		<b>v 2013 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 199,554	199,554	\$ -	\$ 278,344	\$ 78,790
Payroll Taxes	18,240	18,240	-	18,970	729
Benefits	27,380	27,380	-	30,277	2,897
Retirement Costs	20,378	20,378	-	40,360	19,982
<b>Total Personnel Expenses</b>	<b>\$ 265,552</b>	<b>\$ 265,552</b>	<b>\$ -</b>	<b>\$ 367,951</b>	<b>\$ 102,399</b>
<b>Meeting Expenses</b>					
Travel	1,598	1,598	-	2,620	1,022
<b>Total Meeting Expenses</b>	<b>\$ 1,598</b>	<b>\$ 1,598</b>	<b>\$ -</b>	<b>\$ 2,620</b>	<b>\$ 1,022</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 9,539	9,539	\$ -	\$ 35,000	\$ 25,461
Office Costs	41,852	41,852	-	40,057	(1,795)
Professional Services	160,000	160,000	-	153,088	(6,912)
<b>Total Operating Expenses</b>	<b>\$ 211,390</b>	<b>\$ 211,390</b>	<b>\$ -</b>	<b>\$ 228,145</b>	<b>\$ 16,754</b>
<b>Total Direct Expenses</b>	<b>\$ 478,541</b>	<b>\$ 478,541</b>	<b>\$ -</b>	<b>\$ 598,716</b>	<b>\$ 120,175</b>
<b>Indirect Expenses</b>	<b>\$ (478,541)</b>	<b>\$ (478,541)</b>	<b>\$ -</b>	<b>\$ (598,716)</b>	<b>\$ (120,175)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Fixed Assets</b>					
Allocation of Fixed Assets	-	\$ -	\$ -	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>

---

## Section B – Supplemental Financial Information 2014 Business Plan and Budget

---



## Section B — Supplemental Financial Information

### Reserve Balance

Table B-1

Working Capital Reserve Analysis 2013-2014	
STATUTORY	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2012</b>	4,681,391
Plus: 2013 Funding (from LSEs or designees)	8,984,520
Plus: 2013 Other funding sources	67,260
Less: 2013 Projected expenses & capital expenditures	(10,935,780)
<b>Projected Working Capital Reserve (Deficit), December 31, 2013</b>	<b>2,797,390</b>
<b>Desired Working Capital Reserve, December 31, 2014</b>	1,971,000 <sup>1</sup>
Minus: Projected Working Capital Reserve, December 31, 2013	(2,797,390)
<b>Increase(decrease) in funding requirement to achieve Working Capital Reserve</b>	<b>(826,390)</b>
2014 Expenses and Capital Expenditures	11,771,248
Less: Penalty Sanctions <sup>2</sup>	(402,833)
Less: Other Funding Sources	(32,716)
Adjustment to achieve desired Working Capital Reserve	(826,390)
<b>2014 NERC Assessment</b>	<b>10,509,308</b>

### Explanation of Changes in Reserve Policy from Prior Years

- There are no changes in the Reserve Policy from 2013. Texas RE is retaining its 60-day cash reserve requirement and has obtained a \$500,000 line of credit to ensure it has appropriate liquidity for contingencies.

---

---

### Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 10 of the 2014 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Texas RE anticipates no variance between budgeted and actual/forecasted results for 2013. The basis for the 2014 budget was based on this information.

### Penalty Sanctions

Penalty monies received by June 30, 2013 are to be used to offset assessments in the 2014 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

All penalties received by June 30, 2013 are detailed in exhibit B-2.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Table B-2 – Penalty Sanctions

Penalty Sanctions Received On or Prior to June 30, 2014		Date Received	Amount Received
		7/5/2012	\$ 9,000
		7/19/2012	1,000
		8/7/2012	14,333
		8/15/2012	25,000
		8/15/2012	8,000
		8/20/2012	50,000
		8/20/2012	50,000
		9/14/2012	14,000
		10/15/2012	7,000
		11/26/2012	7,000
		11/29/2012	13,500
		12/18/2012	17,000
		12/18/2012	13,250
		12/18/2012	13,250
		12/21/2012	6,500
		1/22/2013	6,000
		2/13/2013	10,000
		2/25/2013	51,000
		3/8/2013	32,000
		5/23/2013	25,000.00
		5/31/2013	30,000.00
<b>Total Penalties Received</b>			<u>\$ 402,833</u>



Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Miscellaneous - CEA function in WECC	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reliability Assessment and Performance Analysis</b>				
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Training and Education</b>				
Testing Fees and Certificate Renewals				-
CEH Fees				-
Workshops	\$ 32,100	\$ 32,100	\$ -	(32,100)
<b>Total</b>	<b>\$ 32,100</b>	<b>\$ 32,100</b>	<b>\$ -</b>	<b>\$ (32,100)</b>
<b>Situation Awareness and Infrastructure Security</b>				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees				
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General and Administrative</b>				
Interest Income	\$ 13,910	\$ 13,910	\$ 14,466	\$ 556
Membership Dues	\$ 21,250	\$ 21,250	\$ 18,250	\$ (3,000)
<b>Total</b>	<b>\$ 35,160</b>	<b>\$ 35,160</b>	<b>\$ 32,716</b>	<b>\$ (2,444)</b>
<b>Total Outside Funding</b>	<b>\$ 67,260</b>	<b>\$ 67,260</b>	<b>\$ 32,716</b>	<b>\$ (34,544)</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- No workshop fees have been budgeted for 2014. Registered entities have been volunteering meeting and workshop location space so there isn't any anticipated expense for Texas RE.
- Membership dues have decreased by \$3,000 due to entities not renewing memberships for all affiliates.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Total Salaries	\$ 5,858,856	\$ 5,858,856	\$ 6,087,779	\$ 228,923	3.9%
Total Payroll Taxes	523,256	523,256	571,040	47,785	9.1%
Total Benefits	868,322	868,322	971,875	103,553	11.9%
Total Retirement	818,519	818,519	882,728	64,209	7.8%
<b>Total Personnel Costs</b>	<b>\$ 8,068,952</b>	<b>\$ 8,068,952</b>	<b>\$ 8,513,423</b>	<b>\$ 444,470</b>	<b>5.5%</b>
FTEs	60.00	60.00	60.00	-	0.0%
Cost per FTE					
Salaries	\$ 97,648	\$ 97,648	\$ 101,463	3,815	3.9%
Payroll Taxes	8,721	8,721	9,517	796	9.1%
Benefits	14,472	14,472	16,198	1,726	11.9%
Retirement	13,642	13,642	14,712	1,070	7.8%
<b>Total Cost per FTE</b>	<b>\$ 134,483</b>	<b>\$ 134,483</b>	<b>\$ 141,890</b>	<b>\$ 7,408</b>	<b>5.5%</b>

#### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Texas RE personnel expenses are increasing by 5.5%. Salaries are increasing 4% due to promotions in 2013 and market adjustments as a result of a compensation study. Benefits are increasing 11.9% based on broker estimate for increased health insurance at 9%. Total benefits include training, relocation and employee education reimbursement.
- Personnel costs for 2014 include a two percent (2%) vacancy assumption.

Table B-5 – Consultants and Contracts

Consultants and Contracts	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Reliability Standards	\$ 12,276	\$ 12,276	\$ 10,992	\$ (1,284)	-10%
Compliance and Organization Registration and Certification	274,815	274,815	287,280	12,465	5%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security					
General and Administrative	2,981	2,981	42,600	39,619	1329%
Legal and Regulatory	2,211	2,211	2,299	89	4%
Information Technology	84,562	84,562	37,500	(47,062)	-56%
Human Resources	28,617	28,617	80,400	51,783	181%
Accounting and Finance	9,539	9,539	35,000	25,461	267%
<b>Consultants Total</b>	<b>\$ 415,000</b>	<b>\$ 415,000</b>	<b>\$ 496,072</b>	<b>\$ 81,072</b>	<b>20%</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Total consultants and contracts is increasing \$81,072 for statutory activities. G & A increased due to \$39,500 for a consultant to support the REMG. IT reduced \$47,062 which is the result of initiatives to reduce hosting fees by bringing services on premise and being maintained by the IT staff. Accounting and Finance budgeted \$35,000 in 2014 to cover four (4) months for accounting work. Human Resources budget includes a compensation study.

Table B-6 – Office Rent

Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 533,930	\$ 533,930	\$ 510,864	\$ (23,066)	-4.32%
Utilities			-	-	
Maintenance			-	-	
<b>Total Office Rent</b>	<b>\$ 533,930</b>	<b>\$ 533,930</b>	<b>\$ 510,864</b>	<b>\$ (23,066)</b>	<b>-4.32%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

- 2014 rent expense is \$510,864, which is a 4% increase over 2013, pursuant to Texas RE's lease agreement.

Table B-7 – Office Costs

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Telephone/Cell Phone	\$ 18,816	\$ 18,816	\$ 23,280	\$ 4,464	23.72%
Internet Expense	120,000	\$ 120,000	\$ 142,600	22,600	18.83%
Office Supplies	12,984	\$ 12,984	\$ 13,232	248	1.91%
Computer Supplies & Maintenance	95,000	\$ 95,000	\$ 133,728	38,728	40.77%
Software	35,046	\$ 35,046	\$ 6,000	(29,046)	-82.88%
Subscriptions & Publications	5,743	\$ 5,743	\$ 6,510	766	13.34%
Dues	5,252	\$ 5,252	\$ 8,904	3,653	69.55%
Postage	1,644	\$ 1,644	\$ 1,660	16	0.97%
Express Shipping	4,244	\$ 4,244	\$ 4,685	441	10.40%
Copying	1,061	\$ 1,061	\$ 1,071	10	0.97%
Stationary & Office Forms	2,572	\$ 2,572	\$ 2,673	101	3.92%
Equipment Repair/Srv. Contracts	12,360	\$ 12,360	\$ 2,000	(10,360)	-83.82%
Bank Charges	637	\$ 637	\$ 643	6	0.97%
Business Personal Property Taxes	20,000	\$ 20,000	\$ 25,944	5,944	29.72%
Merchant Credit Card Fee	4,326	\$ 4,326	\$ 4,368	42	0.97%
IT-Leased Equipment	20,000	\$ 20,000	\$ 262,200	242,200	1211.00%
<b>Total Office Costs</b>	<b>\$ 359,684</b>	<b>\$ 359,684</b>	<b>\$ 639,498</b>	<b>\$ 279,813</b>	<b>77.79%</b>

#### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Office costs are increasing by 78% primarily due to increase in IT-Leased Equipment. Texas RE will lease laptops and computer equipment instead of purchasing new equipment.
- Internet expense was underbudgeted in 2013. The increase in 2014 reflects more accurate costs.

Table B-8 – Professional Services

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Board of Director Fees	\$ 300,000	\$ 300,000	\$ 338,000	\$ 38,000	12.67%
Accounting & Auditing Fees	85,000	85,000	\$ 81,328	(3,672)	-4.32%
Legal Fees	330,000	330,000	\$ 455,000	125,000	37.88%
Insurance	75,000	75,000	\$ 71,760	(3,240)	-4.32%
Professional Services-Miscellaneous	65,000	65,000	\$ 81,000	16,000	24.62%
Security Services	50,000	50,000	\$ 46,000	(4,000)	-8.00%
<b>Total Professional Services</b>	<b>\$ 905,000</b>	<b>\$ 905,000</b>	<b>\$ 1,073,088</b>	<b>\$ 168,088</b>	<b>18.57%</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Total Professional services are increasing by 18.5%. The bulk of the increase is in Legal Fees for outside counsel for a potential contested enforcement case.

Professional Services-Miscellaneous includes IT managed services which supports the Security Awareness Program and Cyber Vulnerability Assessments.

Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2012	Projection 2012	Budget 2013	Variance 2013 Budget v 2012 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment					-
Office Relocation	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>100.00%</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- NA

Table B-10 – 2015 and 2016 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection 2015 and 2016 Budgets							
	2014 Budget	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	2016 Projection	\$ Change 16 v 15	% Change 16 v 15
<b>Funding</b>							
<b>ERO Funding</b>							
NERC Assessments	\$ 10,509,308	\$ 10,929,681	\$ 420,372	4.00%	\$ 11,366,868	\$ 437,187	3.8%
Penalty Sanctions	402,833	418,946	16,113	4.00%	435,704	16,758	3.8%
<b>Total NERC Funding</b>	<b>\$ 10,912,141</b>	<b>\$ 11,348,627</b>	<b>\$ 436,486</b>	<b>4.0%</b>	<b>\$ 11,802,572</b>	<b>\$ 453,945</b>	<b>3.8%</b>
Membership Dues	18,250	\$ 18,250.00	-	0.00%	18,250	-	0.0%
Interest	14,466	15,045	579	4.00%	15,045	-	0.0%
<b>Total Funding (A)</b>	<b>\$ 10,944,857</b>	<b>\$ 11,381,922</b>	<b>\$ 437,064</b>	<b>4.0%</b>	<b>\$ 11,835,867</b>	<b>\$ 453,945</b>	<b>4.0%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 6,087,779	\$ 6,331,290	\$ 243,511	4.0%	\$ 6,584,542	\$ 253,252	4.0%
Payroll Taxes	571,040	593,882	22,842	4.0%	617,637	23,755	4.0%
Benefits	971,875	1,010,750	38,875	4.0%	1,051,180	40,430	4.0%
Retirement Costs	882,728	918,037	35,309	4.0%	954,759	36,721	4.0%
<b>Total Personnel Expenses</b>	<b>\$ 8,513,423</b>	<b>\$ 8,853,959</b>	<b>\$ 340,537</b>	<b>4.0%</b>	<b>\$ 9,208,118</b>	<b>\$ 354,158</b>	<b>4.0%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 95,213	\$ 99,022	\$ 3,809	4.0%	\$ 102,982.60	3,961	4.0%
Travel	397,591	413,494	15,904	4.0%	430,034	16,540	4.0%
Conference Calls	3,500	3,640	140	4.0%	3,786	146	4.0%
<b>Total Meeting Expenses</b>	<b>\$ 496,304</b>	<b>\$ 516,156</b>	<b>\$ 19,852</b>	<b>4.0%</b>	<b>\$ 536,802</b>	<b>\$ 20,646</b>	<b>4.0%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 496,072	\$ 515,915	19,843	4.0%	\$ 536,551	20,637	4.0%
Office Rent	510,864	531,299	20,435	4.0%	552,551	21,252	4.0%
Office Costs	639,498	665,077	25,580	4.0%	691,681	26,603	4.0%
Professional Services	1,073,088	1,116,012	42,924	4.0%	1,160,652	44,640	4.0%
Depreciation	263,213	273,742	10,529	4.0%	284,691	10,950	4.0%
<b>Total Operating Expenses</b>	<b>\$ 2,982,735</b>	<b>\$ 3,102,044</b>	<b>\$ 119,309</b>	<b>4.0%</b>	<b>\$ 3,226,126</b>	<b>\$ 124,082</b>	<b>4.0%</b>
<b>Total Direct Expenses</b>	<b>\$ 11,992,461</b>	<b>\$ 12,472,159</b>	<b>\$ 479,698</b>	<b>4.0%</b>	<b>\$ 12,971,046</b>	<b>\$ 498,886</b>	<b>4.0%</b>
<b>Indirect Expenses</b>	<b>\$ (223,856)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses (B)</b>	<b>\$ 11,768,605</b>	<b>\$ 12,472,159</b>	<b>\$ 703,554</b>	<b>6.0%</b>	<b>\$ 12,971,046</b>	<b>498,886</b>	<b>4.0%</b>
<b>Change in Assets</b>	<b>\$ (823,748)</b>	<b>\$ (1,090,238)</b>	<b>\$ (266,490)</b>	<b>32.4%</b>	<b>\$ (1,135,179)</b>	<b>\$ (44,941)</b>	<b>4.1%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (263,213)	\$ (273,742)	\$ (10,529)	4.0%	\$ (284,691)	\$ (10,950)	4.0%
Computer & Software CapEx	42,000	400,000	358,000	852.4%	400,000	-	0.0%
Allocation of Fixed Assets							
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (221,213)</b>	<b>\$ 126,258</b>	<b>\$ 347,471</b>	<b>-157.1%</b>	<b>\$ 115,309</b>	<b>\$ (44,941)</b>	<b>0.0%</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 11,547,392</b>	<b>\$ 12,598,418</b>	<b>\$ 1,051,026</b>	<b>9.1%</b>	<b>\$ 13,086,354</b>	<b>\$ 498,886</b>	<b>4.0%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (602,534)</b>	<b>\$ (1,216,496)</b>	<b>\$ (613,962)</b>	<b>101.9%</b>	<b>\$ (1,250,488)</b>	<b>(33,992)</b>	<b>2.8%</b>



### 2015 and 2016 Projection Analysis

- Assumes overall workload will remain consistent, even if though the program areas might change, and reflects no additional FTEs and an expense increase of approximately 4% per year.

---

Section C – 2014 Non-Statutory Activities  
2014 Business Plan and Budget

---



---



---

## Section C — 2014 Non-Statutory Business Plan and Budget

<b>Non-Statutory Activities</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	5.0	5.0	
Direct Expenses	805,244	970,000	164,756
Indirect Expenses	223,856	-	(223,856)
Inc(Dec) in Fixed Assets	-	(37,973)	
Total Funding Requirement	1,029,100	970,000	(59,100)

### Non-Statutory Functional Scope

As the ERCOT region Reliability Monitor, Texas RE performs audits, investigations, monthly metrics review, and other monitoring and reporting of market participants' compliance with the reliability-related ERCOT Protocols, Operating Guides, and Texas rules (Regional Rules), under the direction of the Public Utility Commission of Texas (PUCT). Texas RE also monitors the stakeholder Regional Rules creation and modification process and assists the PUCT with comments on proposed changes to rules that impact reliability. Texas RE does not perform any enforcement activities, but, when needed, provides testimony and technical support to the PUCT for its enforcement cases.

### Major 2014 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform Regional Rules compliance monitoring and reporting for the PUCT in 2014.

### 2014 Non-Statutory Goals and Objectives

- Appropriately monitor and report to the PUCT regarding stakeholder compliance with the Regional Rules.
- Implement the 2014 Regional Rules audit plan per the posted schedule.
- Review and assess system disturbances for potential violations of Regional Rules and report all findings to the PUCT.
- Provide technical expertise to the PUCT for the review and modification of Regional Rules that impact reliability of the BPS.
- Provide technical or testimony support as needed to the PUCT for its enforcement of Regional Rules violations.

### Funding Sources

- Funding will be obtained through a contract between Texas RE, the PUCT, and ERCOT, which requires ERCOT to make quarterly fixed fee payments to Texas RE from its PUCT-approved system administration fee. Texas RE's total 2014 non-statutory budget and funding is reduced in 2014 to \$970,000.

### **Personnel Expenses**

- Non-statutory personnel are remaining constant at 5 FTEs, and personnel expenses are consistent to 2013 increasing only 4%. One “FTE” will continue to represent the composite of time spent by employees who report to statutory and G&A program areas.

### **Meeting Expenses**

- Meeting and travel is consistent with 2013.

### **Operating Expenses**

- Operating expenses are consistent with 2013.

### **Indirect Expenses**

- Costs are being charged directly to the expense line item instead of running through indirect expenses in 2014.

Section C — 2014 Non-Statutory Business Plan and Budget

- 2014 Budget and Projection and 2013 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
NON-STATUTORY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -		\$ -	\$ -
Penalty Sanctions	\$ -	\$ -		\$ -	\$ -
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues				-	-
PUCT	1,029,100	1,029,100		970,000	(59,100)
Services & Software	-	-		-	-
Workshops	-	-		-	-
Interest	-	-		-	-
Miscellaneous	-	-		-	-
<b>Total Funding (A)</b>	<b>\$ 1,029,100</b>	<b>\$ 1,029,100</b>	<b>\$ -</b>	<b>\$ 970,000</b>	<b>\$ (59,100)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 541,553	\$ 541,553		\$ 560,604	\$ 19,051
Payroll Taxes	\$ 46,376	46,376		\$ 48,231	1,855
Benefits	\$ 75,164	75,164		\$ 81,929	6,765
Retirement Costs	\$ 80,292	80,292		\$ 77,001	(3,292)
<b>Total Personnel Expenses</b>	<b>\$ 743,385</b>	<b>\$ 743,385</b>	<b>\$ -</b>	<b>\$ 767,765</b>	<b>\$ 24,379</b>
<b>Meeting Expenses</b>					
Travel	\$ 12,000	12,000		\$ 12,480	480
<b>Total Meeting Expenses</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ -</b>	<b>\$ 12,480</b>	<b>\$ 480</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 18,130	18,130		\$ 18,855	725
Office Rent	\$ -	-		\$ 44,423	44,423
Office Costs	\$ 14,954	14,954		\$ 53,747	38,793
Professional Services	\$ 16,775	16,775		\$ 34,758	17,983
Depreciation	\$ -	-		\$ 37,973	37,973
<b>Total Operating Expenses</b>	<b>\$ 49,859</b>	<b>\$ 49,859</b>	<b>\$ -</b>	<b>\$ 189,756</b>	<b>\$ 139,897</b>
<b>Total Direct Expenses</b>	<b>\$ 805,244</b>	<b>\$ 805,244</b>	<b>\$ -</b>	<b>\$ 970,000</b>	<b>\$ 164,756</b>
<b>Indirect Expenses</b>	<b>\$ 223,856</b>	<b>\$ 223,856</b>			<b>\$ (223,856)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,029,100</b>	<b>\$ 1,029,100</b>	<b>\$ -</b>	<b>\$ 970,000</b>	<b>\$ (59,099)</b>
<b>Change in Assets</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ (0)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(37,973)	(37,973)
Computer & Software CapEx					
Furniture & Fixtures CapEx					
Equipment CapEx					
Leasehold Improvements					
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (37,973)</b>	<b>\$ (37,973)</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 1,029,100</b>	<b>\$ 1,029,100</b>	<b>\$ -</b>	<b>\$ 932,028</b>	<b>(97,072)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ 37,972</b>	<b>\$ 37,972</b>

## Personnel Analysis

Fractional FTEs reflect part-time, shared employees, or employees who worked in fewer than all four quarters of the year.

Total FTE's by Program Area	Approved Direct FTEs 2013 Budget	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs <sup>1</sup> 2014 Budget	Total FTEs 2014 Budget	Variance from Approved 2013 Budget
<b>NON-STATUTORY</b>						
<b>Operational Programs</b>						
Protocol	4.40	4.40	5.00	0.40	4.40	0.00
<b>Total FTEs Operational Programs</b>	<b>4.40</b>	<b>4.40</b>	<b>5.00</b>	<b>0.40</b>	<b>4.40</b>	<b>0.00</b>
<b>Administrative Programs</b>						
G&A	0.60	0.60	0.00	0.60	0.60	0.00
<b>Total FTEs Administrative Programs</b>	<b>0.60</b>	<b>0.60</b>	<b>0.00</b>	<b>0.60</b>	<b>0.60</b>	<b>0.00</b>
<b>Total FTEs</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>1.00</b>	<b>5.00</b>	<b>0.00</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Total FTE's by Program Area	Approved Direct FTEs 2012 Budget	Projection 2012	Direct FTEs 2013 Budget	Shared FTEs <sup>1</sup> 2013 Budget	Total FTEs 2013 Budget	Variance from Approved 2012 Budget
<b>NON-STATUTORY</b>						
<b>Operational Programs</b>						
Protocol	4.40	4.40	5.00	0.40	4.40	0.00
<b>Total FTEs Operational Programs</b>	<b>4.40</b>	<b>4.40</b>	<b>5.00</b>	<b>0.40</b>	<b>4.40</b>	<b>0.00</b>
<b>Administrative Programs</b>						
G&A	0.60	0.60	0.00	0.60	0.60	0.00
<b>Total FTEs Administrative Programs</b>	<b>0.60</b>	<b>0.60</b>	<b>0.00</b>	<b>0.60</b>	<b>0.60</b>	<b>0.00</b>
<b>Total FTEs</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>1.00</b>	<b>5.00</b>	<b>0.00</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

### **Reserve Analysis — 2013–2014**

Texas RE does not have reserves for non-statutory activities, due to contractual provisions ensuring minimal risk for this funding.

---

## Section D – Supplemental Information

### 2014 Business Plan and Budget

---





# Section D – Supplemental Information

## 2014 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

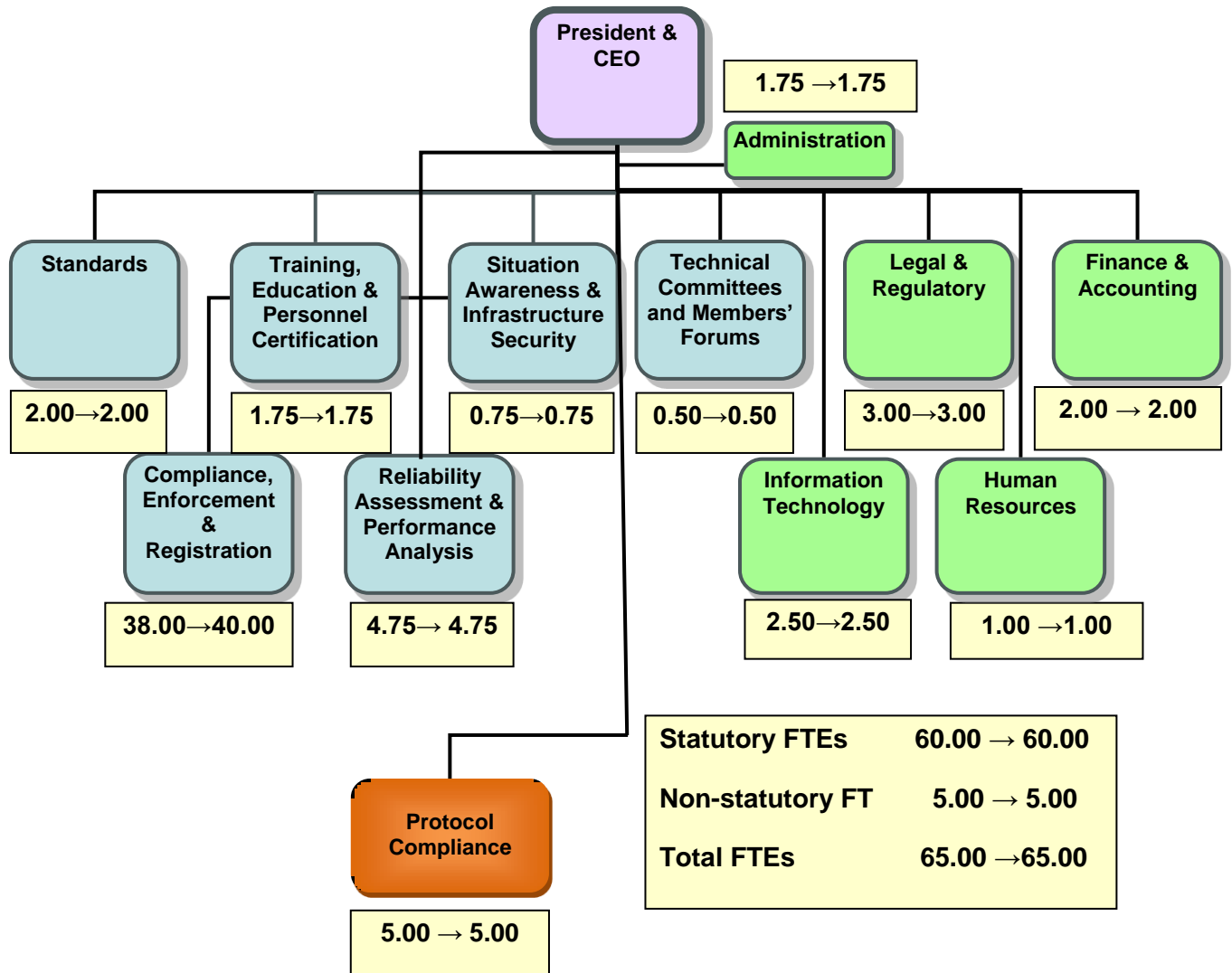
Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
<b>Funding</b>																
<b>ERO Funding</b>																
NERC Assessments	10,509,308	10,509,308	-	10,509,308	433,387	8,994,237	1,407,540	377,493	137,508	-	(840,856.47)	-	-	-	-	-
Penalty Sanctions	402,833	402,833	-	402,833	16,359	327,174	38,852	14,314	6,135	-	-	-	-	-	-	-
<b>Total NERC Funding</b>	<b>10,912,141</b>	<b>10,912,141</b>	<b>-</b>	<b>10,912,141</b>	<b>449,745</b>	<b>9,321,411</b>	<b>1,446,392</b>	<b>391,807</b>	<b>143,642</b>	<b>-</b>	<b>(840,856)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Membership Dues	18,250	18,250	-	18,250	741	14,822	1,760	648	278	-	-	-	-	-	-	-
PUCT Fees	970,000	-	970,000	-	-	-	-	-	-	-	-	-	-	-	-	970,000
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	14,466	14,466	-	14,466	-	-	-	-	-	-	14,466	-	-	-	-	-
<b>Total Funding (A)</b>	<b>11,914,857</b>	<b>10,944,857</b>	<b>970,000</b>	<b>10,944,857</b>	<b>450,487</b>	<b>9,336,233</b>	<b>1,448,152</b>	<b>392,456</b>	<b>143,920</b>	<b>-</b>	<b>(826,390)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>970,000</b>
<b>Expenses</b>																
<b>Personnel Expenses</b>																
Salaries	6,648,383	6,087,779	560,604	6,087,779	184,058	3,520,283	689,636	121,945	48,270	539,315	278,656	336,221	91,052	278,344	560,604	
Payroll Taxes	619,271	571,040	48,231	571,040	20,720	357,639	52,409	14,985	10,318	33,225	29,665	20,306	12,804	18,970	48,231	
Benefits	1,053,804	971,875	81,929	971,875	28,527	640,999	95,813	28,111	14,310	7,906	52,190	37,002	36,740	30,277	81,929	
Retirement Costs	959,729	882,728	77,001	882,728	26,688	510,441	99,997	17,682	6,999	78,201	40,405	48,752	13,203	40,360	77,001	
<b>Total Personnel Expenses</b>	<b>9,281,187</b>	<b>8,513,423</b>	<b>767,765</b>	<b>8,513,423</b>	<b>259,993</b>	<b>5,029,363</b>	<b>937,855</b>	<b>182,722</b>	<b>79,896</b>	<b>658,645</b>	<b>400,916</b>	<b>442,281</b>	<b>153,799</b>	<b>367,951</b>	<b>767,765</b>	
<b>Meeting Expenses</b>																
Meetings	95,213	95,213	-	95,213	-	-	-	62,136	-	21,427	-	2,900	8,750	-	-	
Travel	410,071	397,591	12,480	397,591	11,268	236,385	52,288	312	1,314	57,045	17,099	17,556	1,705	2,620	12,480	
Conference Calls	3,500	3,500	-	3,500	-	-	-	-	-	-	-	3,500	-	-	-	
<b>Total Meeting Expenses</b>	<b>508,784</b>	<b>496,304</b>	<b>12,480</b>	<b>496,304</b>	<b>11,268</b>	<b>236,385</b>	<b>52,288</b>	<b>62,448</b>	<b>1,314</b>	<b>78,472</b>	<b>17,099</b>	<b>23,956</b>	<b>10,455</b>	<b>2,620</b>	<b>12,480</b>	
<b>Operating Expenses</b>																
Consultants & Contracts	514,927	496,072	18,855	496,072	10,992	287,280	-	-	-	42,600	2,299	37,500	80,400	35,000	18,855	
Office Rent	555,287	510,864	44,423	510,864	-	510,864	-	-	-	510,864	-	-	-	-	44,423	
Office Costs	693,244	639,498	53,747	639,498	1,004	13,626	60,840	960	-	27,427	5,392	486,540	3,652	40,057	53,747	
Professional Services	1,107,846	1,073,088	34,758	1,073,088	-	425,000	-	-	-	384,000	30,000	81,000	-	153,088	34,758	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	301,186	263,213	37,973	263,213	-	-	5,000	-	-	258,213	-	-	-	-	37,973	
<b>Total Operating Expenses</b>	<b>3,172,490</b>	<b>2,982,735</b>	<b>189,756</b>	<b>2,982,735</b>	<b>11,996</b>	<b>725,906</b>	<b>65,840</b>	<b>960</b>	<b>-</b>	<b>1,223,105</b>	<b>37,691</b>	<b>605,040</b>	<b>84,052</b>	<b>228,145</b>	<b>189,756</b>	
<b>Total Direct Expenses</b>	<b>12,962,461</b>	<b>11,992,461</b>	<b>970,000</b>	<b>11,992,461</b>	<b>283,258</b>	<b>5,991,654</b>	<b>1,055,983</b>	<b>246,130</b>	<b>81,210</b>	<b>1,960,223</b>	<b>455,706</b>	<b>1,071,277</b>	<b>248,306</b>	<b>598,716</b>	<b>970,000</b>	
<b>Indirect Expenses</b>																
	-	-	-	-	176,009	3,520,184	418,022	154,008	66,003	(1,960,223)	(455,706)	(1,071,277)	(248,306)	(598,716)	-	
<b>Other Non-Operating Expenses</b>																
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Expenses (B)</b>	<b>12,962,461</b>	<b>11,992,461</b>	<b>970,000</b>	<b>11,992,461</b>	<b>459,267</b>	<b>9,511,838</b>	<b>1,474,005</b>	<b>400,138</b>	<b>147,213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>970,000</b>
<b>Change in Assets</b>	<b>(1,047,604)</b>	<b>(1,047,604)</b>	<b>(0)</b>	<b>(1,047,604)</b>	<b>(8,780)</b>	<b>(175,605)</b>	<b>(25,853)</b>	<b>(7,683)</b>	<b>(3,293)</b>	<b>-</b>	<b>(826,390)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>																
Depreciation	(263,213)	(263,213)	-	(263,213)	-	-	(5,000)	-	-	(258,213)	-	-	-	-	-	
Computer & Software CapEx	42,000	42,000	-	42,000	-	-	-	-	-	-	-	42,000	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Allocation of Fixed Assets	(0)	(0)	-	(0)	(8,780.23)	(175,605)	(20,853)	(7,683)	(3,293)	258,213	-	(42,000)	-	-	-	
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(221,213)</b>	<b>(221,213)</b>	<b>-</b>	<b>(221,213)</b>	<b>(8,780)</b>	<b>(175,605)</b>	<b>(25,853)</b>	<b>(7,683)</b>	<b>(3,293)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>11,771,248</b>	<b>11,771,248</b>	<b>-</b>	<b>11,771,248</b>	<b>450,487</b>	<b>9,336,233</b>	<b>1,448,152</b>	<b>392,456</b>	<b>143,920</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>(826,391)</b>	<b>(826,390)</b>	<b>(0)</b>	<b>(826,390)</b>	<b>0</b>	<b>(0)</b>	<b>-</b>	<b>0</b>	<b>(0)</b>	<b>-</b>	<b>(826,390)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Statement of Financial Position

- As of December 31, 2012, per audit
- As of December 31, 2013, projected
- As of December 31, 2014, as budgeted

Statement of Financial Position			
STATUTORY and NON- STATORY			
	(Per Audit) 31-Dec-12	Projected 31-Dec-13	Budget 31-Dec-14
<b>ASSETS</b>			
Cash	6,483,137	6,483,137	6,483,137
Accounts receivable, net of allowance for uncollectible	3,766	3,766	3,766
Prepaid expenses and other current assets	219,499	219,499	219,499
Security deposit	79,411	39,705	39,705
Property and equipment	1,191,776	565,073	565,073
Total Assets	<b>7,977,590</b>	<b>7,311,181</b>	<b>7,311,181</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	250,812	250,812	250,812
Deferred income	568,789	568,789	568,789
Regional assessments	1,284,821	1,284,821	1,284,821
Total Liabilities	<b>2,104,423</b>	<b>2,104,423</b>	<b>2,104,423</b>
Net Assets - unrestricted	5,873,167	5,206,758	5,206,758
Total Liabilities and Net Assets	<b>7,977,590</b>	<b>7,311,181</b>	<b>7,311,181</b>

2014 Texas RE Combined Statutory and Non-statutory Organization Chart



Arrow indicates number of FTEs from 2013 to 2014.

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 10**

**WESTERN ELECTRICITY COORDINATING COUNCIL**

**PROPOSED 2014 BUSINESS PLAN AND BUDGET**



## **2014 Business Plan and Budget**

**Western Electricity Coordinating Council**

**Approved by:  
WECC Board of Directors**

**Date:  
June 28, 2013**

---

---

## Table of Contents

<b>Introduction .....</b>	<b>3</b>
Organizational Overview .....	3
Membership and Governance .....	4
Statutory Functional Scope .....	5
2014 Key Assumptions.....	5
2014 WECC Business Objectives .....	6
2014 Overview of Cost Impacts.....	6
Personnel Analysis.....	9
2013 Budget and Projection and 2014 Budget Comparisons.....	10
<b>Section A — 2014 Business Plan.....</b>	<b>12</b>
Reliability Standards Program .....	12
Compliance Monitoring and Enforcement and Organization Registration and Certification Program .....	16
Hearings.....	23
Reliability Assessment and Performance Analysis Program.....	24
Training, Education, and Operator Certification Program .....	29
Situation Awareness and Infrastructure Security Program.....	33
Administrative Services .....	36
Technical Committees and Member Forums .....	37
General and Administrative .....	41
Legal and Regulatory .....	44
Information Technology .....	47
Human Resources .....	50
Finance and Accounting.....	53
<b>Section B — Supplemental Financial Information.....</b>	<b>57</b>
Reserve Balance.....	57
Penalty Sanctions .....	60
Supplemental Funding .....	61
Personnel Expenses .....	63
Consultants and Contracts .....	65
Office Rent.....	67
Office Costs .....	68
Professional Services.....	69
Other Non-Operating.....	70
<b>Section C — 2014 Non-Statutory Business Plan and Budget .....</b>	<b>72</b>
Western Renewable Energy Generation Information System (WREGIS) .....	72
Personnel Analysis.....	75
Reserve Analysis — 2013–2014 .....	76
<b>Section D – Additional Consolidated Financial Statements.....</b>	<b>78</b>
2014 Consolidated Statement of Activities by Program, Statutory, and Non-Statutory.....	78
Statement of Financial Position .....	79
<b>Appendix A: Organizational Chart.....</b>	<b>80</b>
<b>Appendix B: 2014 Budget &amp; Projected 2015 and 2016 Budgets.....</b>	<b>81</b>
<b>Appendix C: Adjustment to the AESO 2014 Assessment.....</b>	<b>82</b>

## Introduction

TOTAL RESOURCES (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs*	135.0			
Non-statutory FTEs	5.0			
<b>Total FTEs</b>	140.0			
Statutory Expenses	\$ 25,772,598			
Non-Statutory Expenses	\$ 1,658,980			
<b>Total Expenses</b>	\$ 27,431,578			
Statutory Inc(Dec) in Fixed Assets	\$ (134,513)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (134,513)			
Statutory Working Capital Requirement**	2,072,292			
Non-Statutory Working Capital Requirement***	7,950,648			
<b>Total Working Capital Requirement</b>	10,022,941			
Total Statutory Funding Requirement	\$ 23,219,138			
Total Non-Statutory Funding Requirement	\$ 1,903,800			
<b>Total Funding Requirement</b>	\$ 25,122,938			
<b>Statutory Funding Assessments</b>	\$ 15,630,852	\$ 13,805,434	\$ 1,715,011	\$ 261,907
<b>Non-Statutory Fees</b>	\$ 1,903,800	\$ 1,903,800	\$ -	\$ -
NEL****	866,703,757	735,082,752	120,014,087	11,606,918
NEL%	100.00%	84.81%	13.85%	1.34%

\*An FTE is defined as a full-time equivalent employee.

\*\*Refer to the Statutory Reserve Analysis on page 57 in Section B.

\*\*\*Refer to the Non-Statutory Reserve Analysis on page 76 in Section C.

\*\*\*\*NEL is defined as Net Energy for Load.

## Organizational Overview

The Western Electricity Coordinating Council (WECC) is a 501(c)(4) entity operating in the “best interest of the public welfare.” WECC’s mission is to promote and foster a reliable Bulk Electric System (BES) in the Western Interconnection. WECC’s website is <http://www.wecc.biz>. WECC’s geographic area is the Western Interconnection – an area in which the use and generation of electricity is synchronized. This area includes all or part of 14 Western states in the United States, two Canadian provinces, and a portion of Baja California Norte, Mexico.

WECC’s business philosophy is guided by the following core values:

**Integrity** – We are honest, ethical, and trustworthy. We honor our commitments. We take personal responsibility for our actions. We treat everyone fairly and with respect.

**Teamwork** – We recognize our strength is derived from collaborative efforts. We continually learn, and share ideas and knowledge. We encourage cooperative efforts across all activities in the Western Interconnection.

***Excellence*** – We strive for continuous quality improvement in all that we do.

***Inclusiveness*** – We foster an open and participatory environment that encourages innovative ideas and diverse perspectives from all stakeholders.

***Professionalism*** – We conduct ourselves with skill, good judgment, and polite behavior across all committees, forums, and stakeholder interactions.

## **Membership and Governance**

WECC has 421 members<sup>1</sup> divided into the following five membership classes:

1. Large Transmission Owners
2. Small Transmission Owners
3. Transmission Dependent Energy Service Providers
4. End Users
5. Representatives of State and Provincial Governments

WECC membership is open to any person or entity that has an interest in the reliable operation of the Western Interconnection BES. WECC membership is not a requirement for participation in the WECC standards development process.<sup>2</sup>

WECC is governed by a nine-member Independent Board of Directors and the Chief Executive Officer. The nine Independent Directors are not full-time employees of any Registered Entity, nor are they affiliated with any member or Registered Entity operating in the Western Interconnection, nor are they directors of an entity performing the function of Reliability Coordinator in the Western Interconnection. The WECC Board is elected by the WECC membership and the directors are compensated for their time.

One Board Committee, the Governance Committee, oversees implementation and amendment of the WECC Bylaws, and addresses such other issues pertinent to Governance as delegated by the Board. The Governance Committee will consist of five directors. The Board Chair will designate one of the committee members to be the Chair of the Governance Committee.

Under the direction of the WECC Board, five Standing Committees — the Member Advisory Committee (MAC), the WECC Standards Committee (WSC), the Planning Coordination Committee (PCC), the Operating Committee (OC), and the Market Interface Committee (MIC) — provide technical work and policy recommendations to the WECC Board. All member organizations are eligible for representation on the Standing Committees.

---

<sup>1</sup> As of July 9, 2013

<sup>2</sup> Non-WECC members may participate in standards drafting teams, and Participating Stakeholders may vote on Regional Reliability Standards. A Participating Stakeholder is defined in Section 3.21 of the WECC Bylaws and the Participating Stakeholder Application Process is described in Section 8.6.2. The Reliability Standards Voting Procedure is outlined in Section 8.6.1.2 of the WECC Bylaws.



1. **The Member Advisory Committee (MAC)** – advises the Board on any matters the Board requests the committee to evaluate or consider, and advises the Board on matters as the MAC deems appropriate. The MAC Chair attends the WECC Board meetings to provide advice, clarifications or respond to directors' questions. The Board gives serious consideration to the MAC's recommendations and responds to MAC recommendations through a means that the Board determines appropriate. The MAC is comprised of three representatives from each of the five Member Classes, for a total of 15 members.
2. **WECC Standards Committee (WSC)** – oversees the process for responding to requests for Regional Reliability Standards and Regional Criteria in accordance with the Reliability Standards Development Procedures. The WECC Standards Committee consists of one member from each of the WECC Standards Voting Sectors and a member of the WECC Board who shall act as chair of the committee.
3. **Planning Coordination Committee (PCC)** – advises the Board and makes recommendations on all matters within the jurisdiction of WECC pertaining to maintaining reliability through evaluating generation and load balance and the adequacy of the physical infrastructure of the BES within the Western Interconnection.
4. **Operating Committee (OC)** – advises the Board and makes recommendations on all matters within the jurisdiction of WECC pertaining to maintaining reliability through the operation and security of the BES in the Western Interconnection.
5. **Market Interface Committee (MIC)** – advises the Board and makes recommendations on the development of consistent Market Interface practices and compatible commercial practices within the Western Interconnection. It considers matters pertaining to the impact of North American Electric Reliability Corporation (NERC) Reliability Standards and WECC's Regional Reliability Standards, Regional Business Practices, Regional Criteria, procedures on the commercial electricity market in the Western Interconnection, and facilitates analysis of the impact of electricity market practices on electric system reliability.

### **Statutory Functional Scope**

WECC has been approved by the Federal Energy Regulatory Commission (FERC) as a Regional Entity, with authority — pursuant to the WECC /NERC Delegation Agreement — to create, monitor, and enforce standards for the reliability of the BES in the Western Interconnection.

### **2014 Key Assumptions**

NERC and the Regional Entities' business plans and budgets reflect a set of Common Assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The entire set of Common Assumptions is provided in Exhibit A to the NERC 2014 Business Plan and Budget. These Common Assumptions and WECC's assumptions are described in each statutory program area in [Section A](#) of this document.

---

## 2014 WECC Business Objectives

WECC's business objectives for 2014 are as follows:

1. Execute delegated authority with a high degree of excellence to reduce the frequency and severity of system events.
2. Facilitate the reliable and cost-effective integration of variable generation and non-traditional resources in the Western Interconnection.
3. Improve cost-effectiveness and efficiency of WECC processes to optimize the use of assessments.
4. Produce Interconnection-wide studies to support the development of a reliable, robust transmission system and assure resource adequacy.
5. Increase organizational readiness to respond to external drivers.
6. Provide data and analysis to support informed decisions related to system reliability and efficient competitive power markets.
7. Identify and mitigate potential risks and vulnerabilities to improve system reliability.

## 2014 Overview of Cost Impacts

WECC's proposed 2014 statutory budget is \$25.6 million, a \$25.4 million (49.7 percent) decrease from the 2013 statutory budget. The decrease is mainly attributable to the creation of an independent new entity housing the Reliability Coordinator and Interchange Authority registered functions. Expenses associated with activities related to the U.S. Department of Energy (DOE) grants decrease by \$2.3 million. Non-grant expenditures decrease by \$23.1 million.

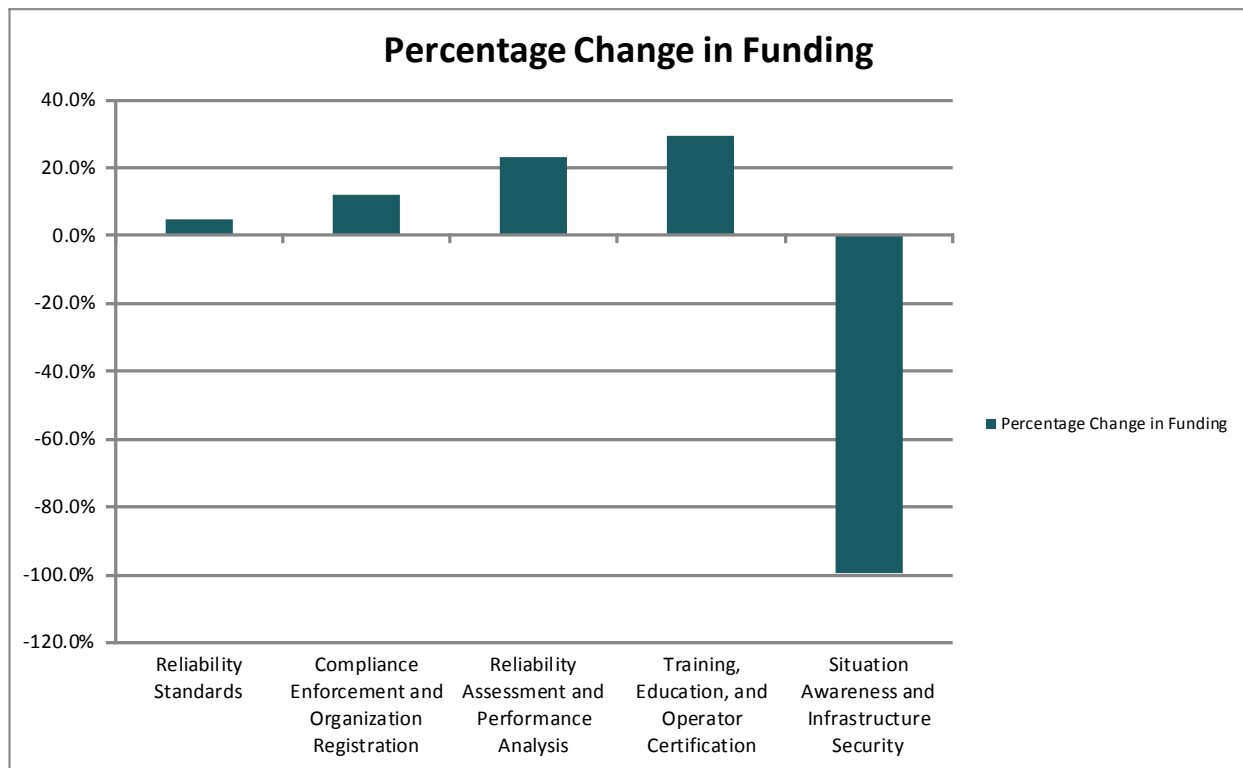
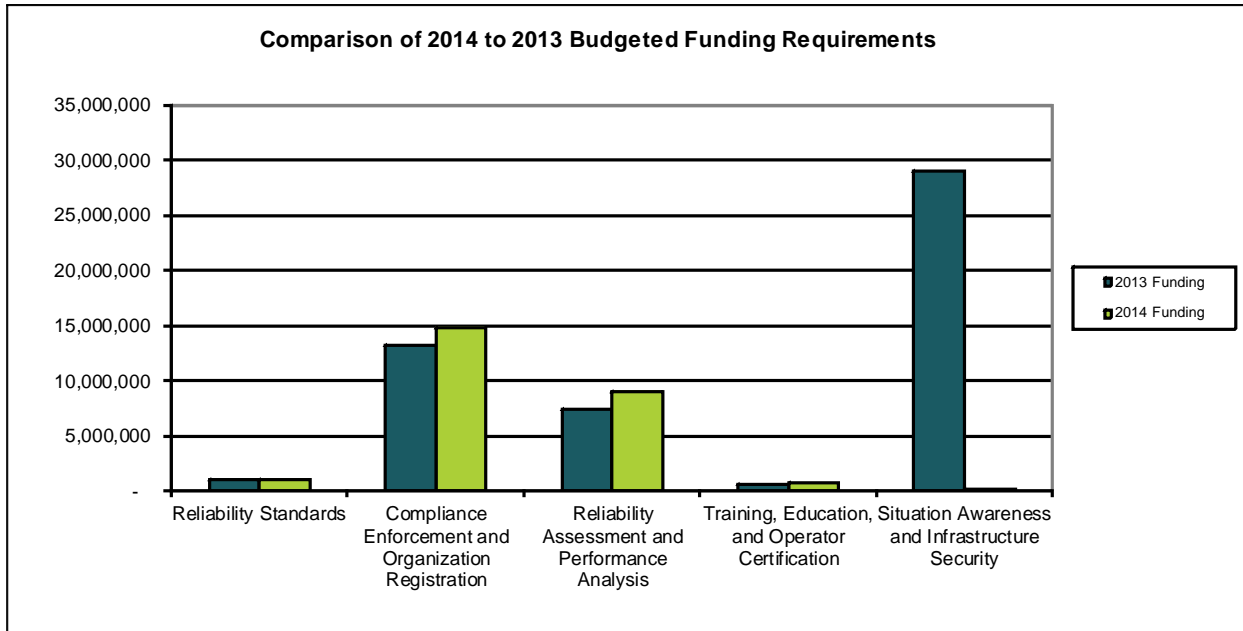
Full-time equivalents (FTE) represent the fractional allocation of a full-time position's cost to one or more functional areas. Headcount represents either vacant or filled positions. Significant changes to the 2014 statutory budget from the 2013 statutory budget are as follows:

- Personnel Expenses decrease by \$15.5 million primarily due to the transfer of 111 FTEs to the Reliability Coordination Company (RCCo) in the WECC bifurcation process. Additionally, most personnel expenses were reduced by 15 percent to budget for labor float (turnover, hiring delays, etc.).
- Travel and Meeting Expenses decrease by \$639,000, which is due to the creation of the new entity.
- Consultants and Contracts decrease by a net \$1.4 million. The budget for Situation Awareness was \$2.4 million in 2013 and, due to the creation of the new entity, the Situation Awareness budget for Consultants and Contracts is zero in 2014. Reliability Assessment and Performance Analysis increases by \$840,000 due to the continuation of the Regional Transmission Expansion Planning grant, which is offset by DOE grant funding. Human Resources increases by \$120,000 due to a new compensation and benefits survey.
- Other operating costs decrease by \$5.9 million primarily due to the creation of the new entity. Two office facilities are transferring to the RCCo and Reliability Coordinator licensing and Internet bandwidth costs also transfer to the RCCo.

- Fixed Assets expenditures decrease by \$1.9 million primarily due to the creation of the new RCo entity.

A summary of funding requirements for WECC's primary statutory functional areas is shown in the following table and graphs:

Program	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Reliability Standards	975,302	879,525	1,023,001	47,699	4.9%
Compliance Enforcement and Organization Registration	13,159,281	13,103,076	14,763,348	1,604,067	12.2%
Reliability Assessment and Performance Analysis	7,363,003	6,773,714	9,054,046	1,691,043	23.0%
Training, Education, and Operator Certification	533,258	519,358	689,277	156,019	29.3%
Situation Awareness and Infrastructure Security	28,994,248	44,776,460	108,410	(28,885,838)	-99.6%
Total By Program	51,025,092	66,052,134	25,638,082	(25,387,010)	



The percentage change in funding is described in detail in Section A of the Business Plan and Budget, starting on page 12.

## Personnel Analysis

In 2014, there is a net decrease of 81.3 FTEs (108 positions). Three new positions are being added in 2014 and 111 are being transferred to the RCCo.

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs* 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	3.5	3.3	4.0	0.0	4.0	0.5
Compliance and Organization Registration and Certification	50.5	54.5	58.0	0.0	58.0	7.5
Training and Education	1.5	1.5	2.0	0.0	2.0	0.5
Reliability Assessment and Performance Analysis	19.6	21.7	23.6	0.0	23.6	4.0
Situation Awareness and Infrastructure Security	85.0	97.5	0.5	0.0	0.5	(84.5)
<b>Total FTEs Operational Programs</b>	<b>160.0</b>	<b>178.5</b>	<b>88.1</b>	<b>0.0</b>	<b>88.1</b>	<b>(71.9)</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	7.6	6.6	9.0	0.0	9.0	1.4
General & Administrative	18.8	17.3	15.2	0.0	15.2	(3.6)
Information Technology	9.0	8.2	9.0	0.0	9.0	-
Legal and Regulatory	12.1	9.6	6.0	0.0	6.0	(6.1)
Human Resources	3.1	3.6	3.0	0.0	3.0	(0.1)
Finance and Accounting	5.7	7.0	4.7	0.0	4.7	(1.0)
<b>Total FTEs Administrative Programs</b>	<b>56.3</b>	<b>52.3</b>	<b>46.9</b>	<b>0.0</b>	<b>46.9</b>	<b>(9.4)</b>
<b>Total FTEs</b>	<b>216.3</b>	<b>230.8</b>	<b>135.0</b>	<b>0.0</b>	<b>135.0</b>	<b>(81.3)</b>

\*A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

WECC's methodology for budgeting for labor float (turnover, hiring delays, etc.) changed in 2014. In 2013, 15 FTEs were removed from the WECC budget in various departments to budget for labor float. In 2014, those FTEs were added back in and instead, WECC reduced salaries, payroll taxes, retirement contributions, and insurance by 15 percent across the organization to maintain the integrity of FTE values. WECC's average turnover rate for the past few years has been approximately 15 percent. At the bottom of each Statement of Activities in each Program Area, headcount values have been provided in addition to FTE values to provide a more comprehensive picture of actual positions being added compared to the adjustment in FTEs.

## 2013 Budget and Projection and 2014 Budget Comparisons

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

#### STATUTORY

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2013 Budget v 2012 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 40,962,547	\$ 40,962,547	\$ -	\$ 15,630,852	\$ (25,331,695)
Penalty Sanctions	2,966,850	2,966,850	-	2,933,050	(33,800)
<b>Total WECC Funding</b>	<b>\$ 43,929,397</b>	<b>\$ 43,929,397</b>	<b>\$ -</b>	<b>\$ 18,563,902</b>	<b>\$ (25,365,495)</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	5,915,605	13,151,454	7,235,849	3,628,308	(2,287,297)
Services & Software	-	-	-	-	-
Workshops	885,300	869,335	(15,965)	957,929	72,629
Interest	290,911	256,630	(34,281)	69,000	(221,911)
Miscellaneous	3,879	(66,927)	(70,806)	-	(3,879)
<b>Total Funding (A)</b>	<b>\$ 51,025,092</b>	<b>\$ 58,139,890</b>	<b>\$ 7,114,798</b>	<b>\$ 23,219,138</b>	<b>\$ (27,805,954)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 24,445,264	\$ 26,782,685	\$ 2,337,421	\$ 12,096,225	\$ (12,349,038)
Payroll Taxes	1,757,632	1,939,887	182,255	774,001	(983,631)
Benefits	3,443,465	3,636,095	192,630	2,129,744	(1,313,721)
Retirement Costs	1,593,510	1,819,237	225,727	774,001	(819,509)
<b>Total Personnel Expenses</b>	<b>\$ 31,239,871</b>	<b>\$ 34,177,904</b>	<b>\$ 2,938,033</b>	<b>\$ 15,773,971</b>	<b>\$ (15,465,900)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 996,254	\$ 961,725	\$ (34,529)	\$ 873,476	\$ (122,778)
Travel	1,942,001	1,950,384	8,383	1,484,456	(457,545)
Conference Calls	172,492	118,183	(54,309)	114,222	(58,270)
<b>Total Meeting Expenses</b>	<b>\$ 3,110,747</b>	<b>\$ 3,030,292</b>	<b>\$ (80,455)</b>	<b>\$ 2,472,154</b>	<b>\$ (638,593)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 5,830,998	\$ 13,841,654	\$ 8,010,656	\$ 4,387,302	\$ (1,443,696)
Office Rent	1,975,323	1,857,522	(117,801)	936,072	(1,039,251)
Office Costs	6,214,635	7,876,507	1,661,872	1,405,454	(4,809,181)
Professional Services	722,829	1,237,323	514,494	758,756	35,927
Miscellaneous	-	-	-	-	-
Depreciation	4,176,235	4,400,446	224,211	580,000	(3,596,235)
<b>Total Operating Expenses</b>	<b>\$ 18,920,019</b>	<b>\$ 29,213,452</b>	<b>\$ 10,293,433</b>	<b>\$ 8,067,584</b>	<b>\$ (10,852,435)</b>
<b>Total Direct Expenses</b>	<b>\$ 53,270,637</b>	<b>\$ 66,421,648</b>	<b>\$ 13,151,011</b>	<b>\$ 26,313,709</b>	<b>\$ (26,956,929)</b>
<b>Indirect Expenses</b>	<b>\$ (443,310)</b>	<b>\$ (594,843)</b>	<b>\$ (151,534)</b>	<b>\$ (541,111)</b>	<b>\$ (97,801)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 52,827,327</b>	<b>\$ 65,826,805</b>	<b>\$ 12,999,477</b>	<b>\$ 25,772,598</b>	<b>\$ (27,054,729)</b>
<b>Change in Assets</b>	<b>\$ (1,802,235)</b>	<b>\$ (7,686,915)</b>	<b>\$ (5,884,680)</b>	<b>\$ (2,553,459)</b>	<b>\$ (751,224)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (4,176,235)	\$ (4,400,446)	\$ (224,211)	\$ (580,000)	\$ 3,596,235
Computer & Software CapEx	1,253,000	1,502,744	249,744	309,487	(943,513)
Furniture & Fixtures CapEx	34,000	11,000	(23,000)	-	(34,000)
Equipment CapEx	1,087,000	1,650,158	563,158	136,000	(951,000)
Leasehold Improvements	-	1,461,873	1,461,873	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ (1,802,235)</b>	<b>\$ 225,329</b>	<b>\$ 2,027,564</b>	<b>\$ (134,513)</b>	<b>\$ 1,667,722</b>
<b>TOTAL BUDGET (B+C)</b>	<b>51,025,092</b>	<b>66,052,134</b>	<b>15,027,041</b>	<b>25,638,084</b>	<b>(25,387,008)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ (7,912,244)</b>	<b>\$ (7,912,244)</b>	<b>\$ (2,418,946)</b>	<b>\$ (2,418,946)</b>
FTEs	216.3	230.8	14.5	135.0	(81.3)
HC	243.0	253.0	10.0	135.0	(108.0)

---

## Section A – Statutory Programs

### 2014 Business Plan and Budget

---

## Section A — 2014 Business Plan

### Reliability Standards Program

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.5	4.0	0.5
Direct Expenses	\$ 677,776	\$ 597,739	\$ (80,037)
Indirect Expenses	\$ 310,317	\$ 432,890	\$ 122,573
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (12,790)	\$ (7,628)	\$ 5,162
Total Funding Requirement	\$ 975,303	\$ 1,023,001	\$ 47,698

### Program Scope and Functional Description

WECC's standards development activities are divided into two categories:

1. Participation in the NERC Reliability Standards Development Procedure.
2. Development of Western Interconnection Regional Reliability Standards (RRS), Regional Criteria, and Regional Business Practices.

WECC's standards development process is overseen by the WECC Standards Committee and is open to participation by all parties interested in providing input during the drafting, comment, and approval processes. Each standard is recommended by vote of a ballot pool formed from the WECC Ballot Body. Standards are balloted electronically during 15-day ballot windows. Upon approval by the ballot pool, standards are forwarded to the WECC Board for approval. Once approved by the WECC Board, the standards are sent to the NERC Board of Trustees for adoption. NERC then files these reliability standards with FERC for approval.

The WECC Reliability Standards Development Procedures are also used for the development of WECC Regional Criteria and Regional Business Practices. Regional Criteria are requirements that are approved by the WECC Board. They do not require NERC or FERC approval. WECC develops its Regional Criteria to meet the requirements of NERC Fill-in-the-Blank Standards.<sup>3</sup> Regional Business Practices are requirements that are approved by the WECC Board. They do not require NERC or FERC approval. WECC develops its Regional Business Practices to establish consistency among WECC member entities with respect to specific business practices, technical procedures, documentation procedures, or administrative procedures.

<sup>3</sup> Fill-in-the-Blank Standards are reliability standards developed by NERC that require the Regional Reliability Organizations to develop criteria for use by users, owners, or operators within the region.



---

**2014 Key Assumptions**

- Integration of renewable resources may require new or modified NERC Reliability Standards.
- WECC will continue to rely on stakeholder volunteers for the staffing of NERC Standards drafting teams.
- WECC Standards staff will take an active role in the coordination and communication of NERC Standards drafting teams' activities to the Western stakeholders.
- WECC expects that a significant proportion of the work required to develop regional standards, regional criteria, and regional business practices will continue to be performed by voluntary stakeholder participation.
- Depending on the final treatment of the NERC Fill-in-the-Blank Standards, it may be necessary to develop one or more RRSs to address any regional obligations in this area.

**2014 Goals and Key Deliverables**

- Ensure the Western Interconnection perspective is represented in NERC continent-wide Reliability Standards.
- Ensure that the WECC Standards Department meets the needs of the Western stakeholders in the area of RRSs, Regional Criteria, and Regional Business Practices.
- Ensure that WECC members and stakeholders are informed and engaged in the NERC Standards development efforts.
- Provide leadership and guidance to the Western Interconnection efforts to advance the NERC Results-Based Standards initiative.
- Undertake regular outreach to keep stakeholders informed about standards development and the NERC Results-Based Standards initiative.
- Provide support to NERC's informal outreach efforts.
- Ensure that WECC's procedures are developed to comply with the requirements of the NERC Fill-in-the-Blank Standards.
- Triage NERC Standards development projects and provide timely analyses to WECC members.
- Continue updates and enhancements to the WECC Standards Outreach Web page.
- Facilitate and support the activities of the WECC Standards Committee.

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than Electric Reliability Organization (ERO) Assessments)**

- Assessments are offset by the allocation of \$133,000 in penalty sanctions received by WECC on or prior to June 30, 2013.
- Interest revenue is allocated based on FTEs.

---

**Personnel Expenses**

- Personnel Expenses decrease by \$43,000 primarily due to a 15 percent reduction in salaries, payroll taxes, insurance, and retirement costs in 2014 to budget for labor float.

**Meeting Expenses**

- Total Meeting Expenses decrease by \$14,000, primarily due to lower attendance at NERC Board of Trustees meetings.

**Indirect Expenses**

- Indirect Expenses are allocated based on FTEs. The reliability standards allocation increase is due to the creation of the new entity. The percentage of Standards FTEs to total WECC FTEs increases in 2014 as a result of the reduction in total WECC FTEs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.

## Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2014 Business Plan and Budget are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>RELIABILITY STANDARDS</b>					
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 903,967	\$ 903,967	\$ -	\$ 790,180	\$ (113,787)
Penalty Sanctions	64,888	64,888	-	133,169	68,281
<b>Total WECC Funding</b>	<b>\$ 968,855</b>	<b>\$ 968,855</b>	<b>\$ -</b>	<b>\$ 923,349</b>	<b>\$ (45,506)</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	6,363	5,739	(624)	3,133	(3,230)
Miscellaneous	85	(1,249)	(1,334)	-	(85)
<b>Total Funding (A)</b>	<b>\$ 975,303</b>	<b>\$ 973,345</b>	<b>\$ (1,958)</b>	<b>\$ 926,482</b>	<b>\$ (48,821)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 464,771	\$ 439,541	\$ (25,230)	\$ 447,768	\$ (17,003)
Payroll Taxes	34,916	32,972	(1,944)	30,138	(4,778)
Benefits	60,156	48,728	(11,428)	48,499	(11,657)
Retirement Costs	40,139	30,206	(9,933)	30,138	(10,001)
<b>Total Personnel Expenses</b>	<b>\$ 599,982</b>	<b>\$ 551,447</b>	<b>\$ (48,535)</b>	<b>\$ 556,543</b>	<b>\$ (43,439)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 14,754	\$ 14,754	\$ -	\$ 528	\$ (14,226)
Travel	43,000	43,000	-	28,360	(14,640)
Conference Calls	11,400	11,400	-	4,188	(7,212)
<b>Total Meeting Expenses</b>	<b>\$ 69,154</b>	<b>\$ 69,154</b>	<b>\$ -</b>	<b>\$ 33,076</b>	<b>\$ (36,078)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	8,640	7,170	(1,470)	8,120	(520)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 8,640</b>	<b>\$ 7,170</b>	<b>\$ (1,470)</b>	<b>\$ 8,120</b>	<b>\$ (520)</b>
<b>Total Direct Expenses</b>	<b>\$ 677,776</b>	<b>\$ 627,771</b>	<b>\$ (50,005)</b>	<b>\$ 597,739</b>	<b>\$ (80,037)</b>
<b>Indirect Expenses</b>	<b>\$ 310,317</b>	<b>\$ 256,802</b>	<b>\$ (53,515)</b>	<b>\$ 432,890</b>	<b>\$ 122,573</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 988,093</b>	<b>\$ 884,573</b>	<b>\$ (103,520)</b>	<b>\$ 1,030,629</b>	<b>\$ 42,536</b>
<b>Change in Assets</b>	<b>\$ (12,790)</b>	<b>\$ 88,771</b>	<b>\$ 101,561</b>	<b>\$ (104,147)</b>	<b>\$ (91,357)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (12,790)	\$ (5,048)	\$ 7,742	\$ (7,628)	\$ 5,162
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ (12,790)</b>	<b>\$ (5,048)</b>	<b>\$ 7,742</b>	<b>\$ (7,628)</b>	<b>\$ 5,162</b>
<b>TOTAL BUDGET (B+C)</b>	<b>975,303</b>	<b>879,525</b>	<b>(95,778)</b>	<b>1,023,001</b>	<b>47,698</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ 93,819</b>	<b>\$ 93,819</b>	<b>\$ (96,519)</b>	<b>\$ (96,519)</b>
FTEs	3.5	3.3	(0.3)	4.0	0.5
HC	4.0	4.0	-	4.0	-

## Compliance Monitoring and Enforcement and Organization Registration and Certification Program

<b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	50.5	58.0	7.5
Direct Expenses	\$ 8,931,897	\$ 8,592,053	\$ (339,844)
Indirect Expenses	\$ 4,477,429	\$ 6,276,897	\$ 1,799,468
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (250,045)	\$ (105,602)	\$ 144,443
Total Funding Requirement	\$ 13,159,281	\$ 14,763,348	\$ 1,604,067

### Program Scope and Functional Description

Compliance monitoring and enforcement is essential to WECC's mission as a Regional Entity, and to its fulfillment of the requirements of the WECC/NERC Delegation Agreement. This agreement delegates compliance monitoring and enforcement authority in the United States portion of the Western Interconnection to WECC.

WECC's Compliance Monitoring and Enforcement Program (CMEP) is implemented by WECC Compliance staff members who are independent of all users, owners, and operators of the BES. All approved and effective mandatory reliability standards are monitored and enforced under the CMEP, including standards made mandatory pursuant to FERC Order 693,<sup>4</sup> and the Critical Infrastructure Protection (CIP) standards under FERC Order 706.<sup>5</sup> Under the CMEP, WECC undertakes the following activities:

- 1) Recommends the registration of entities for applicable functions to NERC. WECC facilitates the registration process, ensures that there are no omissions in the registration of entities in the Western Interconnection, and helps resolve registration disputes.
- 2) Monitors Registered Entities' compliance with reliability standards using the following methods:
  - Compliance Audits – Conducts either on-site or off-site audits of all Registered Entities.
  - Self-Certification – Reviews Registered Entities' annual certifications of compliance or non-compliance with standards.
  - Spot-Checks – Verifies compliance with specific standards in connection with reviews of self-certification, or in scheduled CIP spot checks.

<sup>4</sup> *Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, 72 FR 16,416 (Apr. 4, 2007), FERC Stats. & Regs. ¶ 31,242 (2007).

<sup>5</sup> *Mandatory Reliability Standards for Critical Infrastructure Protection*, Order No. 706, 73 FR 7368 (Feb. 7, 2008), 122 FERC ¶ 61,040 (2008).

Compliance Investigations – Investigates violations; usually as the result of a system event or disturbance, but possibly from other sources.

Self-Reports – Reviews and follows up on reports from Registered Entities' continuous monitoring efforts by their internal compliance programs.

Periodic Data Submittals – Reviews monthly and quarterly reports that are submitted in compliance with certain standards.

Exception Reporting – Requires reports on a small set of standards when violations occur.

Complaints – Investigates whether a violation has occurred when the WECC Compliance staff is alerted to a potential violation.

3) Conducts enforcement activities that include:

Mitigation Plans – Reviews, monitors, and verifies mitigation plans filed by Registered Entities to correct violations.

Penalty Calculations – Determines, as appropriate, proposed penalties for alleged violations.

Settlement Negotiations – Conducts settlement negotiations with Registered Entities when requested.

The Compliance function also undertakes the following processes in support of its activities:

System Events – Reviews certain events and encourages registered entities to perform an internal assessment of compliance for those events. Also, considers self-reporting violations and other compliance monitoring processes as appropriate.

Entity Impact Evaluations (formerly known as Risk-Based Assessments) – Conducts a review and assessment of Registered Entities to determine scope of audits.

Lessons Learned and Best Practices – Develops lessons learned from all monitoring and enforcement activities and communicates these during interactions with Registered Entities: for example; during audits, reviews of Self-Reports, or reviews of proposed or completed Mitigation Plans.

Hearings and Appeals – Participates in any hearings and appeals as needed.

Outreach and Education – Manages an active educational program, holding numerous in-person meetings and monthly calls in an effort to educate Registered Entities on compliance issues and to improve their compliance programs.

The Hearings budget is included in the Compliance budget and is reflected in the table on page 22. For structural and governance purposes, the Hearings function is discussed separately in this section.

### **Compliance in Alberta, British Columbia, and Mexico**

Alberta and British Columbia, Canada; and Baja California Norte, Mexico are all part of the WECC footprint, and have adopted or are adopting mandatory reliability standards

based on FERC-approved standards. WECC has entered into agreements with the Alberta Market Surveillance Administrator (MSA), the British Columbia Utilities Commission (BCUC), and Mexico's Comisión Federal de Electricidad (CFE) under which WECC performs compliance monitoring activities to help assure reliability across international borders within the Western Interconnection. These monitoring activities began during 2010, increased considerably during 2011 and 2012, and will continue to increase in 2013 and 2014, primarily due to audits in CFE that are scheduled to begin this year.

### **Reliability Management System (RMS)**

In 1996, the Western Systems Coordinating Council (WSCC)<sup>6</sup> created the RMS, a contract-based compliance enforcement mechanism. The RMS grew to encompass 14 criteria. In the U.S., since all RMS Criteria have been adopted either as RRSs or NERC Standards, the RMS was terminated in 2011.

The RMS in British Columbia was terminated in 2010 as the province adopted equivalent standards. The adoption of Alberta Standards is expected to be completed during 2013, after which the RMS will be terminated in Alberta. The CFE (Baja California, Mexico) is also in the process of adopting mandatory standards, with highest priority given to standards corresponding to RMS Criteria. Governmental entities in Alberta and Mexico will ultimately decide when to replace all RMS criteria with applicable standards and terminate the RMS. WECC anticipates that the impact of RMS Criteria on resources will be negligible.

### **2014 Key Assumptions**

WECC Compliance is incorporating Key Assumptions relevant to 2014 from the 2014 NERC Business Plan and Budget, Exhibit A: Common Assumptions,<sup>7</sup> used by NERC and the Regional Entities in formulating 2014 budgets. At this time the impact of many of the Assumptions is speculative; therefore, additions to the 2014 budget based on the Assumptions are not being proposed. If it becomes evident that impacts emerge that cannot be absorbed by current staffing levels and the existing proposed 2014 budget, then Compliance may seek approval for additional funds. The most significant assumptions (in bold) are from the Common Assumptions, and WECC's current assessment of the impact these assumptions may have is detailed below:

“External factors will continue to affect both resource needs and allocation...”:

**“The final definition of the BES, as well as the number of exception requests.”**

Depending on the outcome and timing of these initiatives, Compliance may register and monitor additional Registered Entities — or de-register and monitor fewer. At this time it is uncertain what Compliance resources will be required to manage the filings by Registered Entities claiming inclusions and exclusions under the new BES definition as well as requests for exceptions. WECC did not

---

<sup>6</sup> The WSCC was one of the companies and regional transmission associations that merged to form WECC.

<sup>7</sup> Shared Business Plan and Budget Assumptions: NERC and the Regional Entities, 2014-2016 Planning Period, provided in Exhibit A to the NERC 2014 Business Plan and Budget.

budget for BES inclusion, exclusion, or exception processing in the 2014 budget due to the uncertainty and timing of the BES definition approval and of the processing requirements. Additionally, WECC carries adequate reserve levels to fund the work if the need arises.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program:

*Compliance and Enforcement*

**“Improvements in consistency among Regional Entities, and registered entities are expected from an improved centralized compliance, registration, analysis, and tracking system. A significant multiyear investment will be required to develop and implement the system.”**

It is uncertain what impact this may have on WECC’s Program Administration and how widely Regional Entities will be expected to alter their current practices, equipment, and programs; what the associated costs might be; and how they might be allocated. To the extent this initiative succeeds, it could provide further efficiencies in WECC’s interactions related to reporting data and sending information to NERC.

In addition, during 2014 (as in every year), WECC Compliance is expected to respond to FERC directives and orders as well as to significant new initiatives not currently identified that may be generated by NERC. An uncertainty that may result in significant impact on resources is the transition from CIP version 3 standards to CIP version 5. Possible impacts include additional workload, need for increased outreach and training, and the actual transition and associated guidance that may be issued by NERC.

### **2014 Goals and Key Deliverables**

- Monitor and enforce compliance with mandatory standards in accordance with the WECC/NERC Delegation Agreement, including the Rules of Procedure and the CMEP within the U.S. and, with respect to non-U.S. jurisdictions, monitor compliance in accordance with the approved memoranda of understanding with Canadian and Mexican authorities.
- Ensure all auditors meet NERC auditor training requirements.
- Work with Registered Entities within the WECC Region to promote a strong culture of compliance and reliability improvement. Identify key areas needing improvement and implement educational efforts to improve compliance in those areas, based on Compliance program results and system events.
- Identify where existing NERC Reliability Standards can be improved or clarified.
- Use technology effectively to collaborate and share information.
- Use resources effectively and efficiently.
- Participate in and represent the Western Interconnection on issues that will impact WECC in NERC and regional initiatives for example: refining risk-based monitoring, streamlining enforcement processing, and monitoring information technology initiatives.

- Perform CMEP tasks that are estimated based on 2012 and 2013 data, and expected impact from the 2013-2015 Assumptions. These estimates may change as more information becomes available:
  - Conduct 90 assessments and make recommendations based on current rules in effect relating to the registration of entities.
  - Conduct 21 on-site audits of Operations and Planning standards.
  - Conduct 20 on-site audits of Cyber Security standards. (Note that due to transition to new versions of CIP standards, CIP audits may be more time-consuming than they have been in the past.)
  - Conduct 130 off-site audits (for both Operations and Planning, and Cyber Security Standards).
  - Process 15,000 self-certification forms.
  - Process 500 self-report forms.
  - Perform 15 spot-checks.
  - Process 625 violations.
  - Review 750 mitigation plans.
  - Review 325 completed mitigation plans.
  - Conduct three Compliance Investigations.
  - Validate, track, and monitor Technical Feasibility Exception (TFE) requests. If proposed changes to the TFE process are adopted by FERC, the administrative burden will be less than in the past but auditors still will be required to validate TFEs.
  - Complete 35 reviews or compliance assessments relating to Event Analysis.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

WECC is the largest of the Regional Entities with 466 Registered Entities that include 1,239 registered functions (according to the NERC Registry as of May 31, 2013). The Compliance Department manages the CMEP processes for every Registered Entity and registered function in the Western Interconnection.

The resource needs for the registration, audit, investigations, and enforcement activities for 2014 are expected to increase minimally over 2013. This estimation is based on:

- actual workload in 2012;
- experience gained in 2013;
- assumptions in the 2013 WECC Business Plan and Budget; and
- assumptions in the 2014 WECC Business Plan and Budget.

### **Funding Sources (Other than ERO Assessments)**

- Assessments are offset by the allocation of \$1.9 million in penalty sanctions received by WECC on or prior to June 30, 2013.
- Interest revenue is allocated based on FTEs.



**Personnel Expenses**

- FTEs increase by 7.5 due to the addition of one position and the methodology change for budgeting for labor float.
- Salaries decrease by \$249,000 primarily due to a 15 percent reduction for labor float.
- Payroll Taxes decrease by \$48,000 with Salaries.
- Benefits increase by \$38,000 primarily due to a 20 percent increase in insurance premiums and additional employee training.

**Meeting Expenses**

- Travel increases by \$94,000 due to an increase in audit engagements as well as employee training opportunities.

**Operating Expenses**

- Consultants and Contracts decrease by \$45,000 due to the departure of one contractor and fewer significant cases requiring outside expertise.
- Office Costs decrease by \$44,000 primarily due to software enhancements completed in 2013.

**Indirect Expenses**

- Indirect Expenses are allocated based on FTEs. The Compliance allocation increases by \$1.7 million due to the creation of the new entity. The percentage of Compliance FTEs to total WECC FTEs increases in 2014 as a result of the overall reduction of total WECC FTEs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.

## Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

#### COMPLIANCE AND ORGANIZATION REGISTRATION AND CERTIFICATION

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 11,696,264	\$ 11,696,264	\$ -	\$ 10,955,928	\$ (740,336)
Penalty Sanctions	936,241	936,241	-	1,930,952	994,711
<b>Total WECC Funding</b>	<b>\$ 12,632,505</b>	<b>\$ 12,632,505</b>	<b>\$ -</b>	<b>\$ 12,886,880</b>	<b>\$ 254,375</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	433,750	433,550	(200)	438,125	4,375
Interest	91,802	81,335	(10,467)	45,426	(46,376)
Miscellaneous	1,224	(20,948)	(22,172)	-	(1,224)
<b>Total Funding (A)</b>	<b>\$ 13,159,281</b>	<b>\$ 13,126,442</b>	<b>\$ (32,839)</b>	<b>\$ 13,370,431</b>	<b>\$ 211,150</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 5,019,223	\$ 5,154,544	\$ 135,321	\$ 4,769,767	\$ (249,456)
Payroll Taxes	370,015	390,471	20,456	322,315	(47,700)
Benefits	757,768	649,760	(108,008)	795,563	37,795
Retirement Costs	314,433	348,859	34,426	322,315	7,882
<b>Total Personnel Expenses</b>	<b>\$ 6,461,439</b>	<b>\$ 6,543,634</b>	<b>\$ 82,195</b>	<b>\$ 6,209,960</b>	<b>\$ (251,479)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 452,985	\$ 464,585	\$ 11,600	\$ 462,503	\$ 9,518
Travel	872,000	703,482	(168,518)	966,340	94,340
Conference Calls	64,550	23,606	(40,944)	41,780	(22,770)
<b>Total Meeting Expenses</b>	<b>\$ 1,389,535</b>	<b>\$ 1,191,673</b>	<b>\$ (197,862)</b>	<b>\$ 1,470,623</b>	<b>\$ 81,088</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 470,000	\$ 700,363	\$ 230,363	\$ 424,800	\$ (45,200)
Office Rent	-	3,619	3,619	-	-
Office Costs	494,423	392,059	(102,364)	450,670	(43,753)
Professional Services	1,000	-	(1,000)	-	(1,000)
Miscellaneous	-	-	-	-	-
Depreciation	115,500	82,730	(32,770)	36,000	(79,500)
<b>Total Operating Expenses</b>	<b>\$ 1,080,923</b>	<b>\$ 1,178,771</b>	<b>\$ 97,848</b>	<b>\$ 911,470</b>	<b>\$ (169,453)</b>
<b>Total Direct Expenses</b>	<b>\$ 8,931,897</b>	<b>\$ 8,914,078</b>	<b>\$ (17,819)</b>	<b>\$ 8,592,053</b>	<b>\$ (339,844)</b>
<b>Indirect Expenses</b>	<b>\$ 4,477,429</b>	<b>\$ 4,306,377</b>	<b>\$ (171,052)</b>	<b>\$ 6,276,897</b>	<b>\$ 1,799,468</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 13,409,326</b>	<b>\$ 13,220,455</b>	<b>\$ (188,871)</b>	<b>\$ 14,868,950</b>	<b>\$ 1,459,624</b>
<b>Change in Assets</b>	<b>\$ (250,045)</b>	<b>\$ (94,013)</b>	<b>\$ 156,032</b>	<b>\$ (1,498,519)</b>	<b>\$ (1,248,474)</b>
<b>Fixed Assets</b>					
Depreciation	(115,500)	(82,730)	32,770	(36,000)	79,500
Computer & Software CapEx	50,000	50,000	-	10,000	(40,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	31,000	31,000
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (184,545)	\$ (84,649)	\$ 99,896	\$ (110,602)	\$ 73,943
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ (250,045)</b>	<b>\$ (117,379)</b>	<b>\$ 132,666</b>	<b>\$ (105,602)</b>	<b>\$ 144,443</b>
<b>TOTAL BUDGET (B+C)</b>	<b>13,159,281</b>	<b>13,103,076</b>	<b>(56,205)</b>	<b>14,763,348</b>	<b>1,604,067</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ 23,366</b>	<b>\$ 23,366</b>	<b>\$ (1,392,917)</b>	<b>\$ (1,392,917)</b>
FTEs	50.5	54.5	4.0	58.0	7.5
HC	57.0	57.0	-	58.0	1.0

## Hearings

### Background

The WECC 2014 budget for Hearings is reflected in the following table. These expenditures are included in the Compliance Program *Statement of Activities*.

<b>Hearings</b>			
(in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	-	-	-
Direct Expenses	\$ 14,550	\$ -	\$ (14,550)
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 14,550	\$ -	\$ (14,550)

### Program Scope and Functional Description

The role of the Hearing Officer is to coordinate and conduct evidentiary hearings of disputes and then issue initial decisions to the Hearing Panel for approval. In cases of particular complexity or significant regional interest, the Hearing Panel may conduct or participate in the evidentiary hearing.

The Compliance Hearing Body (CHB) is comprised of volunteers from the WECC Board, WECC members, and consultants. The Hearing Panel will be drawn from a pool of individuals on the CHB.

Legal Department staff will support the Hearing Officer and Hearing Panel and those staff members will be screened from compliance matters when a hearing is pending.

### 2014 Key Assumptions

- WECC will maintain current operations.
- NERC expectations in terms of hearing requirements will be clearly defined.
- WECC does not anticipate any hearings in 2014.

### 2014 Goals and Key Deliverables

- Provide independent, fair, efficient, and cost effective support to the WECC Hearing Panel.
- Meet all timelines identified in the WECC Hearing Procedures.
- Maintain hearing records.
- Manage the hearing budget.

## Reliability Assessment and Performance Analysis Program

<b>Reliability Assessment and Performance Analysis</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	19.6	23.6	4.0
Direct Expenses	\$ 5,408,087	\$ 6,516,514	\$ 1,108,427
Indirect Expenses	\$ 1,734,819	\$ 2,554,048	\$ 819,229
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 220,096	\$ (16,516)	\$ (236,612)
Total Funding Requirement	\$ 7,363,002	\$ 9,054,046	\$ 1,691,044

### Program Scope and Functional Description

WECC staff conducts a variety of studies and assessments essential to the reliable planning and operation of the BES in the Western Interconnection. In addition, WECC staff compiles and distributes planning data and information that is used by WECC members to aid in local planning studies. These integrated planning efforts enhance WECC's overall ability to participate in, and respond to, the major planning and public policy issues emerging both in the Western Interconnection and nationally.

The Reliability Assessment and Performance Analysis (RAPA) budget supports the efforts of the Transmission Expansion Planning function, the Planning Services function and the Reliability Assessments function.

#### Transmission Expansion Planning

WECC assists with fulfilling the FERC Order 890 requirement for regional transmission planning cooperation in the Western Interconnection through its Transmission Expansion Planning (TEP) activities. Specifically, WECC provides credible data, tools, and analysis about the future of the Western Interconnection. This work is conducted in an open, public process led by the WECC Transmission Expansion Planning Policy Committee (TEPPC). WECC's TEP activities are partially funded by a DOE grant through 2014 under the Regional Transmission Expansion Planning (RTEP) project.

TEPPC is a WECC Board Committee of 20 members representing all classes of stakeholders with representation from all geographic subregions of WECC. TEPPC and its subgroups work closely and coordinate with Western Interconnection state, provincial, and federal government entities.

Transmission Expansion Planning's deliverables are:

- Oversee and maintain a public database for production cost and related analysis;
- Develop and implement Interconnection-wide expansion planning processes;
- Guide and improve the economic analysis and modeling of the Western Interconnection and conduct transmission studies; and

- Prepare Interconnection-wide transmission plans consistent with applicable NERC and WECC Reliability Standards.

### Planning Services

The Planning Services function, working with the Planning Coordination Committee and its subcommittees, collects and compiles information needed to develop planning resources for WECC member entities. These resources include interconnection-wide base case models, study assessments, and transmission facility maps.

In addition, Planning Services provides power system subject matter expertise to industry activities such as NERC Standards development and BES Definition exception request processing.

Planning Services is proposing a one-time expenditure of \$400,000 in 2014 for further development of the composite load model and to develop Remedial Action Scheme (RAS) and relay models for use in power flow and stability simulation programs. These efforts include contracting with subject matter specialists who can provide expertise and with vendors that can provide tools needed to develop equipment models.

Planning Services' deliverables are:

- Power Flow and Stability Base Cases.
- Annual Study Program Report.
- WECC Transmission Maps (existing and planned).
- Project Coordination and Project Rating Review Process Logging.
- Path Rating Catalog.
- Dynamic Model Development and Validation.
- BES Definition exception request processing.
- Support for all WECC groups under the PCC except the Loads and Resources Subcommittee (LRS).
- Monitor and support the activities of the NERC Planning Committee, the Systems Analysis and Modeling Subcommittee, and associated work groups.

### Reliability Assessments

The Reliability Assessments function, working with the PCC's LRS, creates and analyzes supply and demand assessments for the Western Interconnection.

The mission of the Reliability Assessments group is to produce and distribute credible data, information, and analyses. The Reliability Assessments group creates reliability adequacy assessments that include the Power Supply Assessment, NERC seasonal assessments, and the Long-Term Reliability Assessment.

In addition, the Reliability Assessment function has been appointed to oversee the analysis of data related to system outages, compliance violations, system performance, and planning data. This data will be analyzed to identify trends and potential system

vulnerabilities and will be compiled in the annual WECC State of the Interconnection Report.

Reliability Assessments' deliverables are:

- NERC Long-Term Reliability Assessment.
- Seasonal assessments (summer and winter).
- NERC Probabilistic Reliability Assessment.
- WECC Power Supply Assessment.
- Support of the LRS.
- Annual State of the Interconnection Report.
- NERC Transmission Availability Data System (TADS), Generator Availability Data System (GADS), and Demand Response Availability Data System (DADS) filing verification and submittal.
- Monitor and support the activities of the NERC Reliability Assessment Subcommittee, the Performance Analysis Subcommittee, and associated work groups.

### **2014 New Initiatives and Goals**

The PCC began implementing the Base Case Coordination System (BCCS) in 2013 and implementation efforts will continue into 2014.<sup>8</sup> Efforts will be focused on populating the database and ensuring that it produces credible base cases. Extensive WECC member outreach and training associated with the BCCS is also planned. Ongoing costs related to database management and software updates are expected to begin in 2015, and are expected to total approximately \$85,000 annually.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### **Funding Sources (Other than ERO Assessments)**

- Assessments are offset by the allocation of \$786,000 in penalty sanctions received by WECC on or prior to June 30, 2013.
- WECC will receive \$3.6 million in DOE grant funding for the RTEP project. The funds directly offset expenditures related to the RTEP project.
- Interest revenue is allocated based on FTEs.

#### **Personnel Expenses**

- Salaries increase by a net of \$86,000 primarily due to an increase of four FTEs. Salaries were also reduced by 15 percent due to the change in budgeting for labor float.

---

<sup>8</sup> The BCCS will be a Web-accessible, centralized database that automates existing processes. It will provide a central location for maintaining base-case information.

- Benefits increase by \$59,000 due to an estimated 20 percent increase in insurance premiums.

### **Meeting Expenses**

- Meetings decrease by \$46,000 due to a reduction in the number of meetings and the expected number of participants.
- Travel increases by \$14,000 primarily due to an increase in FTEs and increased staff attendance at path rating study meetings.

### **Operating Expenses**

- Consultants and Contracts increase by \$840,000.
  - Consultants and Contracts related to the RTEP grant increase by \$700,000 due to additional activities being undertaken as part of the grant extension through 2014.
  - Consultants and Contracts in non-grant activities increase by \$140,000. This increase is primarily related to the continued development of the BCCS, and additional model development and system validation efforts of the Model Validation Work Group (MVWG).
- Office Costs increase by \$52,000 primarily due to software licensing fees for the Long-Term Planning Tool used by RTEP. Two years of licensing fees were included in the original purchase price. 2014 will be the first year these fees are paid as a renewal.
- Professional Services decrease by \$30,000 due to the elimination of Non-Affiliated Director fees associated with the RTEP grant.
- Depreciation was under-budgeted in 2013. Depreciation increases by \$143,000 in 2014 to more accurately reflect actual depreciation.

### **Indirect Expenses**

- Indirect Expenses are allocated based on FTEs. The Reliability Assessment and Performance Analysis Program allocation increases by \$762,000 due to the creation of the new entity. The percentage of RAPA FTEs to total WECC FTEs increases in 2014 as a result of the overall reduction of total WECC FTEs.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- CapEx increases by a net \$64,000, primarily due to the acquisition of load forecasting software for the RTEP grant and the allocation of Fixed Assets from Administrative Services areas.

## Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

#### RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 3,834,675	\$ 3,834,675	\$ -	\$ 3,767,309	\$ (67,366)
Penalty Sanctions	362,755	362,755	-	785,698	422,943
<b>Total WECC Funding</b>	<b>\$ 4,197,430</b>	<b>\$ 4,197,430</b>	<b>\$ -</b>	<b>\$ 4,553,007</b>	<b>\$ 355,577</b>
Membership Dues	-	-	-	-	-
Federal Grants	3,129,529	2,664,502	(465,027)	3,628,308	498,779
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	35,569	31,396	(4,173)	18,484	(17,085)
Miscellaneous	474	(7,402)	(7,876)	-	(474)
<b>Total Funding (A)</b>	<b>\$ 7,363,002</b>	<b>\$ 6,885,925</b>	<b>\$ (477,077)</b>	<b>\$ 8,199,799</b>	<b>\$ 836,797</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,928,608	\$ 2,024,098	\$ 95,490	\$ 2,014,830	\$ 86,222
Payroll Taxes	142,732	153,356	10,624	134,116	(8,616)
Benefits	237,122	250,306	13,184	296,187	59,065
Retirement Costs	133,061	153,657	20,596	134,116	1,055
<b>Total Personnel Expenses</b>	<b>\$ 2,441,523</b>	<b>\$ 2,581,417</b>	<b>\$ 139,894</b>	<b>\$ 2,579,249</b>	<b>\$ 137,726</b>
<b>Meeting Expenses</b>					
Meetings	\$ 111,423	\$ 83,144	\$ (28,279)	\$ 65,065	\$ (46,358)
Travel	134,900	97,491	(37,409)	148,800	13,900
Conference Calls	33,000	28,546	(4,454)	30,750	(2,250)
<b>Total Meeting Expenses</b>	<b>\$ 279,323</b>	<b>\$ 209,181</b>	<b>\$ (70,142)</b>	<b>\$ 244,615</b>	<b>\$ (34,708)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 2,527,541	\$ 1,842,698	\$ (684,843)	\$ 3,368,000	\$ 840,459
Office Rent	-	-	-	-	-
Office Costs	61,300	119,326	58,026	113,650	52,350
Professional Services	30,000	8,563	(21,437)	-	(30,000)
Miscellaneous	-	-	-	-	-
Depreciation	68,400	163,676	95,276	211,000	142,600
<b>Total Operating Expenses</b>	<b>\$ 2,687,241</b>	<b>\$ 2,134,263</b>	<b>\$ (552,978)</b>	<b>\$ 3,692,650</b>	<b>\$ 1,005,409</b>
<b>Total Direct Expenses</b>	<b>\$ 5,408,087</b>	<b>\$ 4,924,861</b>	<b>\$ (483,226)</b>	<b>\$ 6,516,514</b>	<b>\$ 1,108,427</b>
<b>Indirect Expenses</b>	<b>\$ 1,734,819</b>	<b>\$ 1,717,020</b>	<b>\$ (17,799)</b>	<b>\$ 2,554,048</b>	<b>\$ 819,229</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 7,142,906</b>	<b>\$ 6,641,881</b>	<b>\$ (501,025)</b>	<b>\$ 9,070,562</b>	<b>\$ 1,927,656</b>
<b>Change in Assets</b>	<b>\$ 220,096</b>	<b>\$ 244,045</b>	<b>\$ 23,949</b>	<b>\$ (870,763)</b>	<b>\$ (1,090,859)</b>
<b>Fixed Assets</b>					
Depreciation	(68,400)	(163,676)	(95,276)	(211,000)	(142,600)
Computer & Software CapEx	360,000	329,260	(30,740)	239,487	(120,513)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (71,504)	\$ (33,751)	\$ 37,753	\$ (45,003)	\$ 26,501
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ 220,096</b>	<b>\$ 131,833</b>	<b>\$ (88,263)</b>	<b>\$ (16,516)</b>	<b>\$ (236,612)</b>
<b>TOTAL BUDGET (B+C)</b>	<b>7,363,002</b>	<b>6,773,714</b>	<b>(589,288)</b>	<b>9,054,046</b>	<b>1,691,044</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ 112,212</b>	<b>\$ 112,212</b>	<b>\$ (854,247)</b>	<b>\$ (854,247)</b>
FTEs	19.6	21.7	2.1	23.6	4.0
HC	24.0	24.0	-	23.0	(1.0)



## Training, Education, and Operator Certification Program

<b>Training, Education, and Operator Certification</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.5	2.0	0.5
Direct Expenses	\$ 427,889	\$ 496,262	\$ 68,373
Indirect Expenses	\$ 110,851	\$ 196,829	\$ 85,978
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (5,482)	\$ (3,814)	\$ 1,668
Total Funding Requirement	\$ 533,258	\$ 689,277	\$ 156,019

### Program Scope and Functional Description

The Training Department provides education and training for system operators and schedulers. The WECC training staff develops the annual training curriculum with the assistance of the Operations Training Subcommittee (OTS). These training sessions will primarily be held at the Salt Lake City Training Center, with the balance hosted by WECC members.

The Training Department also provides two System Overview Workshops each year. These two-day workshops are designed for those who have not been directly involved in day-to-day power system operations and are interested in better understanding this aspect of the power industry.

The Training Department and the OTS organize and host an annual Train-the-Trainer workshop. This workshop is targeted at training staff from WECC members and includes presentations from industry training experts. In addition, WECC's Training Department organizes and hosts the Systematic Approach to Training (SAT) Instructor's Course. This week-long course is designed to assist WECC members' training staff to design, develop, and implement training programs. The SAT also provides individual training activities to assist training staff in meeting the requirements in the NERC Reliability Standard PER-005.

### 2014 Key Assumptions

- Attendance during 2012 continued to decline. Revenue budget for 2014 is based on actual attendance from 2012 training sessions. Early indications in 2013 show an increase in attendance for the first few classes. With this increased attendance trend in 2013, coupled with improvements to the content of the training sessions, WECC is optimistic that training attendance in 2014 will continue to trend upward.
- There are no significant changes in operator certification continuing education unit requirements for 2014.
- The Training, Education, and Operator Certification program area is self-funded in 2014.

- One additional FTE will be added in 2014 to support expanded use of a Dispatcher Training Simulator, examination of computer-based training, and support of corporate training opportunities. The primary responsibility of this position will be to develop the training scenarios for simulation exercises. This position will also be responsible for developing, updating, and delivering, where appropriate, the WECC training programs for electric utility operations personnel (System Operators, Power Schedulers, and Sub-transmission Operators) and providing a contingency plan for backup instructor.

### **2014 Goals and Key Deliverables**

- Facilitate sound decision making to improve reliability by providing high-quality operator training through the WECC-sponsored Training Program, to include:
  - Review and revise curriculum as needed;
  - Support the Continuing Education Program for system operators requiring NERC Certification;
  - Expand the use of the simulator and practical Western Interconnection-specific training. This will include creation and implementation of simulator cases that are specific to the Western Interconnection; and
  - Evaluate member feedback and concerns and address through training program improvements.
- Ensure the Western Interconnection is represented in reliability matters by participating in the NERC Personnel Subcommittee and other industry forums.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### **Funding Sources (Other than ERO Assessments)**

- Assessments are offset by the allocation of \$67,000 in penalty sanctions received by WECC on or prior to June 30, 2013.
- Workshop revenue increases by \$68,000 due to the increase in the total number of sessions and a preliminary estimate of operators scheduled to attend training sessions.
- Interest revenue is allocated based on FTEs.

#### **Personnel Expenses**

- Personnel Expenses increase by a net \$50,000 due to a 0.5 increase in FTEs and 15 percent reduction in expenses related to the change in methodology for budgeting for labor float.

#### **Meeting Expenses**

- Meetings decrease by \$44,000 due to a decrease in the number of meetings and an anticipated decrease in the number of attendees.

**Operating Expenses**

- Consultants and Contracts increase by \$14,000 due to the increased use of consultants to conduct training sessions.
- Office Costs increase by \$47,000 due to an incremental simulator license fee.

**Indirect Expenses**

- Indirect Expenses are allocated based on FTEs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.

## Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>TRAINING AND EDUCATION</b>					
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 51,135	\$ 51,135	\$ -	\$ 36,290	\$ (14,845)
Penalty Sanctions	27,809	27,809	-	66,585	38,776
<b>Total WECC Funding</b>	<b>\$ 78,944</b>	<b>\$ 78,944</b>	<b>\$ -</b>	<b>\$ 102,875</b>	<b>\$ 23,931</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	451,550	435,785	(15,765)	519,804	68,254
Interest	2,727	2,439	(288)	1,566	(1,161)
Miscellaneous	36	(577)	(613)	-	(36)
<b>Total Funding (A)</b>	<b>\$ 533,257</b>	<b>\$ 516,591</b>	<b>\$ (16,666)</b>	<b>\$ 624,245</b>	<b>\$ 90,988</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 103,772	\$ 103,772	\$ 0	\$ 146,942	\$ 43,170
Payroll Taxes	7,689	7,862	173	10,136	2,447
Benefits	21,306	(4,180)	(25,486)	22,654	1,348
Retirement Costs	7,264	8,588	1,324	10,136	2,872
<b>Total Personnel Expenses</b>	<b>\$ 140,031</b>	<b>\$ 116,042</b>	<b>\$ (23,989)</b>	<b>\$ 189,868</b>	<b>\$ 49,837</b>
<b>Meeting Expenses</b>					
Meetings	\$ 99,950	\$ 64,481	\$ (35,469)	\$ 56,040	\$ (43,910)
Travel	6,350	6,350	-	7,836	1,486
Conference Calls	600	600	-	804	204
<b>Total Meeting Expenses</b>	<b>\$ 106,900</b>	<b>\$ 71,431</b>	<b>\$ (35,469)</b>	<b>\$ 64,680</b>	<b>\$ (42,220)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 92,500	\$ 92,500	\$ -	\$ 106,502	\$ 14,002
Office Rent	47,478	43,745	(3,733)	47,472	(6)
Office Costs	40,980	79,446	38,466	87,740	46,760
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 180,958</b>	<b>\$ 215,691</b>	<b>\$ 34,733</b>	<b>\$ 241,714</b>	<b>\$ 60,756</b>
<b>Total Direct Expenses</b>	<b>\$ 427,889</b>	<b>\$ 403,164</b>	<b>\$ (24,725)</b>	<b>\$ 496,262</b>	<b>\$ 68,373</b>
<b>Indirect Expenses</b>	<b>\$ 110,851</b>	<b>\$ 118,524</b>	<b>\$ 7,673</b>	<b>\$ 196,829</b>	<b>\$ 85,978</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 538,740</b>	<b>\$ 521,688</b>	<b>\$ (17,052)</b>	<b>\$ 693,091</b>	<b>\$ 154,351</b>
<b>Change in Assets</b>	<b>\$ (5,482)</b>	<b>\$ (5,097)</b>	<b>\$ 386</b>	<b>\$ (68,846)</b>	<b>\$ (63,364)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (5,482)	\$ (2,330)	\$ 3,152	\$ (3,814)	\$ 1,668
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ (5,482)</b>	<b>\$ (2,330)</b>	<b>\$ 3,152</b>	<b>\$ (3,814)</b>	<b>\$ 1,668</b>
<b>TOTAL BUDGET (B+C)</b>	<b>533,258</b>	<b>519,358</b>	<b>(13,899)</b>	<b>689,277</b>	<b>156,019</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ (0)</b>	<b>\$ (2,767)</b>	<b>\$ (2,767)</b>	<b>\$ (65,032)</b>	<b>\$ (65,032)</b>
FTEs	1.5	1.5	-	2.0	0.5
HC	2.0	2.0	-	2.0	-

## Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	85.0	0.5	(84.5)
Direct Expenses	\$ 24,469,496	\$ 60,156	\$ (24,409,340)
Indirect Expenses	\$ 6,278,766	\$ 49,207	\$ (6,229,559)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (1,754,014)	\$ (953)	\$ 1,753,061
Total Funding Requirement	\$ 28,994,248	\$ 108,410	\$ (28,885,838)

### Program Scope and Functional Description

The Reliability Coordinator and Interchange Authority functions will be assumed by the new RCCo entity effective January 1, 2014. Reference the 2014 RCCo Business Plan and Budget for more information. The tables referencing the 2013 budget for this Program are presented in this document to provide a complete picture of the WECC 2013 budget.

As required under the Delegation Agreement and NERC Rules of Procedure, the 2014 WECC Situation Awareness and Infrastructure Security (SAIS) Program Area includes funding and resources consisting of 0.5 FTE to review and respond to incidents and events that impact the reliability of the BES, and to respond to information requests from NERC, FERC, and internal WECC Management. The goal of the SAIS Program Area is to maintain real-time awareness about the conditions of the interconnected BES in the Western Interconnection and to respond to events by providing coordination, assistance and communications with the Western Interconnection Reliability Coordinator (RC), Stakeholders, WECC Management, and the NERC SAIS personnel.

### 2014 Key Assumptions

- SAFNR will provide additional situation awareness capabilities at both NERC and Regional Entity levels.
- The WECC Situation Awareness process will be used to support NERC and FERC's efforts for situation awareness of current system conditions.

### 2014 Goals and Key Deliverables

- Staff will monitor System Events, collect information and coordinate the distribution of timely updates on System Events to WECC Management, industry stakeholders and NERC SAIS staff.
- Staff will continue to monitor system data, weather, and technological developments to understand trends that affect reliability for the near- and long-term horizons.
- Staff will continue to develop and enhance ways to improve upon the use of SAFNR data to further support SAIS.

**Funding Sources and Requirements — Explanation of Increase (Decrease)****Funding Sources (Other than ERO Assessments)**

- Assessments are offset by the allocation of \$17,000 in penalty sanctions received by WECC on or prior to June 30, 2013.
- Interest revenue is allocated based on FTEs.

**Personnel Expenses**

- Personnel Expenses decrease by \$12.9 million due to the creation of the new RCCo entity.

**Meeting Expenses**

- Meetings decrease by \$454,000 due to the creation of the new RCCo entity.

**Operating Expenses**

- Operating Expenses decrease by \$11.0 million due to the creation of the new RCCo entity.

**Indirect Expenses**

- Indirect Expenses are allocated based on FTEs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Fixed Assets are zero due to the creation of the new RCCo entity.

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>SITUATION AWARENESS AND INFRASTRUCTURE SECURITY</b>					
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 24,476,506	\$ 24,476,506	\$ -	\$ 81,145	\$ (24,395,361)
Penalty Sanctions	1,575,157	1,575,157	-	16,646	(1,558,511)
<b>Total WECC Funding</b>	<b>\$ 26,051,663</b>	<b>\$ 26,051,663</b>	<b>\$ -</b>	<b>\$ 97,791</b>	<b>\$ (25,953,872)</b>
Membership Dues	-	-	-	-	-
Federal Grants	2,786,076	10,486,952	7,700,876	-	(2,786,076)
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	154,450	135,721	(18,729)	391	(154,059)
Miscellaneous	2,059	(36,750)	(38,809)	-	(2,059)
<b>Total Funding (A)</b>	<b>\$ 28,994,248</b>	<b>\$ 36,637,586</b>	<b>\$ 7,643,338</b>	<b>\$ 98,182</b>	<b>\$ (28,896,066)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 10,500,212	\$ 12,279,930	\$ 1,779,718	\$ 47,976	\$ (10,452,236)
Payroll Taxes	745,846	907,970	162,124	3,228	(742,618)
Benefits	1,093,420	1,306,921	213,501	5,724	(1,087,696)
Retirement Costs	647,167	824,045	176,878	3,228	(643,939)
<b>Total Personnel Expenses</b>	<b>\$ 12,986,645</b>	<b>\$ 15,318,866</b>	<b>\$ 2,332,221</b>	<b>\$ 60,156</b>	<b>\$ (12,926,489)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ 13,002	\$ 13,002	\$ -	\$ -
Travel	437,726	614,395	176,669	-	(437,726)
Conference Calls	15,920	18,557	2,637	-	(15,920)
<b>Total Meeting Expenses</b>	<b>\$ 453,646</b>	<b>\$ 645,954</b>	<b>\$ 192,308</b>	<b>\$ -</b>	<b>\$ (453,646)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 2,422,290	\$ 10,156,531	\$ 7,734,241	\$ -	\$ (2,422,290)
Office Rent	768,081	767,034	(1,047)	-	(768,081)
Office Costs	4,518,304	6,120,608	1,602,304	-	(4,518,304)
Professional Services	5,000	82,144	77,144	-	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	3,315,530	3,759,841	444,311	-	(3,315,530)
<b>Total Operating Expenses</b>	<b>\$ 11,029,205</b>	<b>\$ 20,886,158</b>	<b>\$ 9,856,953</b>	<b>\$ -</b>	<b>\$ (11,029,205)</b>
<b>Total Direct Expenses</b>	<b>\$ 24,469,496</b>	<b>\$ 36,850,978</b>	<b>\$ 12,381,482</b>	<b>\$ 60,156</b>	<b>\$ (24,409,340)</b>
<b>Indirect Expenses</b>	<b>\$ 6,278,766</b>	<b>\$ 7,707,230</b>	<b>\$ 1,428,464</b>	<b>\$ 49,207</b>	<b>\$ (6,229,559)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 30,748,262</b>	<b>\$ 44,558,208</b>	<b>\$ 13,809,946</b>	<b>\$ 109,363</b>	<b>\$ (30,638,899)</b>
<b>Change in Assets</b>	<b>\$ (1,754,014)</b>	<b>\$ (7,920,622)</b>	<b>\$ (6,166,608)</b>	<b>\$ (11,181)</b>	<b>\$ 1,742,833</b>
<b>Fixed Assets</b>					
Depreciation	(3,315,530)	(3,759,841)	(444,311)	-	3,315,530
Computer & Software CapEx	843,000	1,078,367	235,367	-	(843,000)
Furniture & Fixtures CapEx	29,000	6,000	(23,000)	-	(29,000)
Equipment CapEx	1,000,000	1,583,352	583,352	-	(1,000,000)
Leasehold Improvements	-	1,461,873	1,461,873	-	-
Allocation of Fixed Assets	\$ (310,484)	\$ (151,498)	\$ 158,986	\$ (953)	\$ 309,531
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ (1,754,014)</b>	<b>\$ 218,253</b>	<b>\$ 1,972,267</b>	<b>\$ (953)</b>	<b>\$ 1,753,061</b>
<b>TOTAL BUDGET (B+C)</b>	<b>28,994,248</b>	<b>44,776,460</b>	<b>15,782,212</b>	<b>108,410</b>	<b>(28,885,838)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ (8,138,874)</b>	<b>\$ (8,138,874)</b>	<b>\$ (10,228)</b>	<b>\$ (10,228)</b>
FTEs	85.0	97.5	12.6	0.5	(84.5)
HC	96.0	108.0	12.0	-	(96.0)

## Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	56.3	46.9	(9.4)
Direct Expenses	\$ 13,355,492	\$ 10,050,982	\$ (3,304,510)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

WECC's Administrative Services consists of Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The budgets for these programs are addressed in the subsequent sections of the Business Plan and Budget.

### Methodology for Allocation of Administrative Services Expenses to Programs

Administrative Services expenses are allocated to statutory and non-statutory program areas based on FTEs.



## Technical Committees and Member Forums

<b>Technical Committees and Member Forums</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	7.6	9.0	1.4
Total Direct Expenses	\$ 2,218,267	\$ 2,246,509	\$ 28,242
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

WECC provides forums for members and other interested stakeholders within its footprint to discuss and share reliability, compliance, and operating concerns. These forums include the Board of Directors, committees, subcommittees, work groups, and task forces.

### 2014 Key Assumptions

- Members and interested stakeholders are responsible for all expenses to attend WECC forums.
- WECC budgets for meeting space, meals, and logistics associated with WECC forums and most meetings will be held at the Salt Lake City meeting facilities.
- The same level of forums and forum support will carry forward into 2014.
- Committees will coordinate with the RCo as appropriate for participation and efficiency.
- The Joint Synchronized Information Subcommittee will initiate a project to validate synchrophasor data and will also pursue a project to demonstrate voltage stability applications that use synchrophasor data.
- One additional position was added to the 2014 budget to enhance analytical resources to identify reliability trends and vulnerabilities based on system data and event analysis.
- The number of “qualified system events,” as defined in the NERC Events Analysis Process, is expected to remain steady.
- The approved NERC Event Analysis Program will be augmented with a robust program of causal analysis and metrics.

### 2014 Goals and Key Deliverables

- Staff will work directly with registered entities and NERC staff to develop cause codes for WECC Brief Reports and Events Analysis Reports.
- Create a more effective organization by facilitating and encouraging cross-departmental coordination and consistency.
- Review the Standing Committee organizational structure; evaluate the value of member groups; determine whether consolidation of groups or creation of ad hoc

groups provides a more effective and efficient forum for addressing specific reliability issues.

- Continue support of activities associated with the September 8, 2011 Arizona-Southern California Outage event and complete committee assignments according to proposed timelines.
- Address the vulnerabilities that could impact reliability by identifying and promoting the projects that can improve reliability and mitigate vulnerabilities.
- Optimize stakeholder involvement and value by structuring meetings and agendas to meet member needs, communicating WECC processes and initiatives to committees, and providing strong staff support to member committees.
- Facilitate sound decision making to improve reliability by providing detailed analysis on emerging issues, including alternatives examined, recommendations, and rationale for recommendations.
- Ensure the Western Interconnection is represented in reliability matters by participating in the NERC Operating Committee, NERC Integration of Variable Generation Taskforce, and other industry forums.
- Ensure the Western Interconnection is represented in the development of continent-wide processes and reliability standards including Frequency Responsive Reserve, Reliability Based Control, and Event Analysis.
- Continue the categorization and review of key WECC documents to ensure consistent formatting and quality.

Assure WECC members have access to the most current and applicable documentation in support of maintaining a high level of reliability in the Western Interconnection.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### **Funding Sources (Other than ERO Assessments)**

- Not applicable.

#### **Personnel Expenses**

- Personnel Expenses increase by a net of \$48,000 primarily due to the increase of 1.4 FTEs and the reduction in expenses due to the change in methodology of budgeting for labor float.

#### **Meeting Expenses**

- Meetings decrease by \$19,000 due to use of lower cost vendors.
- Travel decreases by \$21,000 due to a reduced number of Board members.

#### **Operating Expenses**

- Consultants and Contracts increase by \$45,000 due to a data validation and voltage stability project.

**Indirect Expenses**

- Technical Committees and Member Forums expenses are allocated to statutory functional areas based on FTEs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.

## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

#### TECHNICAL COMMITTEES AND MEMBER FORUMS

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 902,239	\$ 877,506	\$ (24,733)	\$ 874,612	\$ (27,627)
Payroll Taxes	67,808	68,107	299	59,075	(8,733)
Benefits	86,657	107,960	21,303	115,178	28,521
Retirement Costs	63,157	65,234	2,077	59,075	(4,082)
<b>Total Personnel Expenses</b>	<b>\$ 1,119,860</b>	<b>\$ 1,118,807</b>	<b>\$ (1,053)</b>	<b>\$ 1,107,940</b>	<b>\$ (11,920)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 297,448	\$ 308,961	\$ 11,513	\$ 278,090	\$ (19,358)
Travel	149,825	170,612	20,787	128,720	(21,105)
Conference Calls	27,400	19,125	(8,275)	18,800	(8,600)
<b>Total Meeting Expenses</b>	<b>\$ 474,673</b>	<b>\$ 498,698</b>	<b>\$ 24,025</b>	<b>\$ 425,610</b>	<b>\$ (49,063)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 166,667	\$ 120,000	\$ (46,667)	\$ 212,000	\$ 45,333
Office Rent	-	-	-	-	-
Office Costs	40,068	50,961	10,893	35,203	(4,865)
Professional Services	401,000	564,875	163,875	465,756	64,756
Miscellaneous	-	-	-	-	-
Depreciation	16,000	-	(16,000)	-	(16,000)
<b>Total Operating Expenses</b>	<b>\$ 623,734</b>	<b>\$ 735,836</b>	<b>\$ 112,102</b>	<b>\$ 712,959</b>	<b>\$ 89,225</b>
<b>Total Direct Expenses</b>	<b>\$ 2,218,267</b>	<b>\$ 2,353,341</b>	<b>\$ 135,073</b>	<b>\$ 2,246,509</b>	<b>\$ 28,241</b>
<b>Indirect Expenses</b>	<b>\$ (2,218,267)</b>	<b>\$ (2,353,341)</b>	<b>\$ (135,075)</b>	<b>\$ (2,246,509)</b>	<b>\$ (28,243)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	(16,000)	-	16,000	-	16,000
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 16,000	\$ -	\$ (16,000)	\$ -	\$ (16,000)
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (B+C)</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	7.6	6.6	(1.0)	9.0	1.4
HC	8.0	6.0	(2.0)	9.0	1.0

## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	18.8	15.2	(3.6)
Direct Expenses	\$ 4,941,753	\$ 3,695,570	\$ (1,246,183)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The General and Administrative Program provides executive leadership, communications, and administrative support for WECC staff, committees, members, and management, as well as logistics support of the Salt Lake office and meeting facilities. In addition, indirect costs such as Office Rent that benefit multiple functional areas are accounted for in this budget.

### 2014 Key Assumptions

- WECC will receive an exemption from Washington State income tax.

### 2014 Goals and Key Deliverables

- WECC will continue to conduct its annual “Measures of Success” and stakeholder surveys.
- Provide executive leadership and strategic guidance for the activities undertaken by WECC.
- Improve the quality and efficiency of administrative support provided to staff and members.
- Redesign the WECC Intranet and Internet websites.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources (Other than ERO Assessments)

- Not applicable.

#### Personnel Expenses

- Salaries decrease by \$393,000 primarily due to a net reduction of 3.6 FTEs due to the creation of the new entity and a 15 percent reduction of personnel expenses for labor float.
- Payroll Taxes decrease by \$50,000 with Salaries.
- Benefits decrease by \$27,000 with Salaries.
- Retirement Costs decrease by \$61,000 with Salaries.

**Travel Expense**

- Travel decreases by \$47,000 primarily due to decreased attendance at external meetings.

**Operating Expenses**

- Consulting and Contracts decrease by \$20,000 primarily because the WECC stakeholder survey was conducted in 2013 and is only performed every other year.
- Office Rent decreases by \$271,000 due to the transfer of two office facilities to the newly formed RCo.
- Office Costs decrease by \$80,000 partially due to the creation of the RCo, and also due to bank charges and property taxes being accounted for in the Finance and Accounting function in 2014.
- Depreciation was over-budgeted in 2013. Depreciation decreases by \$297,000 in 2014 to more accurately reflect actual depreciation.

**Indirect Expenses**

- General and Administrative expenses are allocated to statutory functional areas based on FTEs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.

## General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

#### GENERAL AND ADMINISTRATIVE

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,194,293	\$ 2,339,974	\$ 145,681	\$ 1,801,127	\$ (393,166)
Payroll Taxes	141,861	156,089	14,228	92,319	(49,542)
Benefits	214,991	317,491	102,500	188,224	(26,767)
Retirement Costs	153,600	186,443	32,843	92,319	(61,281)
<b>Total Personnel Expenses</b>	<b>\$ 2,704,745</b>	<b>\$ 2,999,997</b>	<b>\$ 295,252</b>	<b>\$ 2,173,989</b>	<b>\$ (530,756)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 13,665	\$ 8,066	\$ (5,599)	\$ 11,250	\$ (2,415)
Travel	168,700	165,541	(3,159)	121,750	(46,950)
Conference Calls	6,200	5,970	(230)	8,100	1,900
<b>Total Meeting Expenses</b>	<b>\$ 188,565</b>	<b>\$ 179,577</b>	<b>\$ (8,988)</b>	<b>\$ 141,100</b>	<b>\$ (47,465)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 110,000	\$ 224,593	\$ 114,593	\$ 90,000	\$ (20,000)
Office Rent	1,159,764	1,043,124	(116,640)	888,600	(271,164)
Office Costs	276,500	279,806	3,306	196,881	(79,619)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	502,179	263,188	(238,991)	205,000	(297,179)
<b>Total Operating Expenses</b>	<b>\$ 2,048,443</b>	<b>\$ 1,810,711</b>	<b>\$ (237,732)</b>	<b>\$ 1,380,481</b>	<b>\$ (667,962)</b>
<b>Total Direct Expenses</b>	<b>\$ 4,941,753</b>	<b>\$ 4,990,285</b>	<b>\$ 48,532</b>	<b>\$ 3,695,570</b>	<b>\$ (1,246,183)</b>
<b>Indirect Expenses</b>	<b>\$ (4,941,753)</b>	<b>\$ (4,990,285)</b>	<b>\$ (48,532)</b>	<b>\$ (3,695,570)</b>	<b>\$ 1,246,183</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	(502,179)	(263,188)	238,991	(205,000)	297,179
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	5,000	5,000	-	-	(5,000)
Equipment CapEx	6,000	6,000	-	-	(6,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 491,179	\$ 252,188	\$ (238,991)	\$ 205,000	\$ (286,179)
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (B+C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	18.8	17.3	(1.5)	15.2	(3.6)
HC	19.0	17.0	(2.0)	16.0	(3.0)

## Legal and Regulatory

<b>Legal and Regulatory</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	12.1	6.0	(6.1)
Direct Expenses	\$ 2,447,593	\$ 1,099,606	\$ (1,347,987)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Legal program area provides coordinated legal services to the WECC Board, committees, and staff. In addition, the program area provides consistent legal interpretations of relevant statutes, regulations, court opinions, and regulatory decisions. The Legal program area also develops specific subject matter expertise to further assist WECC with its legal needs. On occasion, major efforts may be outsourced to select law firms, but the responsibility for all legal matters remains with the General Counsel and Legal program area.

WECC's international operations and its broad scope of activities require significant legal support and review. Arranging for legal support is complicated by the technical nature of this developing area of law and there are many potential areas of conflict prohibiting the use of law firms with energy practices.

### 2014 Key Assumptions

- WECC will maintain the scope of its current operations. However, the operating environment may change in the event of unanticipated direction from FERC, NERC, or both.
- The creation of an independent company responsible for the Reliability Coordinator and Interchange Authority registered functions will be effective January 1, 2014; provision of legal services in support of this company will be the responsibility of that company's Legal department.

### 2014 Goals and Key Deliverables

- Provide efficient, cost-effective legal support to the WECC Board, committees, and staff through a combination of in-house and outside resources.
- Update and advise the WECC Board and CEO on pending legal issues.
- Advise WECC departments on specified legal matters and general matters relating to WECC business.
- Provide legal support to the WECC Compliance Department and facilitate the processing of possible and alleged violations.
- Represent WECC in legal and regulatory proceedings.
- Review and advise WECC business units on draft agreements.
- Improve tracking for development of WECC regulatory policies.



- Implement a corporate records management system.

## **Funding Sources and Requirements — Explanation of Increase (Decrease)**

### **Funding Sources (Other than ERO Assessments)**

- Not applicable.

### **Personnel Expenses**

- Salaries decrease by a net \$1.07 million primarily due to the transfer of seven positions to the newly formed entity as well as a 15 percent reduction in personnel expenses for labor float.
- Payroll Taxes decrease by \$82,000 with Salaries.
- Benefits decrease by \$77,000 with Salaries.
- Retirement Costs decrease by \$76,000 with Salaries.

### **Meeting Expenses**

- Travel decreases by \$32,000 due to the reduction of legal staff.

### **Operating Expenses**

- Office Costs decrease by \$21,000 due to reduced number of cell phones, legal subscriptions, and membership dues as a result of the bifurcation of WECC.

### **Indirect Expenses**

- Legal and Regulatory expenses are allocated to statutory functional areas based on FTEs.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Not applicable.

## Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

#### LEGAL AND REGULATORY

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,730,245	\$ 1,414,558	\$ (315,687)	\$ 657,788	\$ (1,072,457)
Payroll Taxes	126,811	106,434	(20,377)	44,388	(82,423)
Benefits	154,547	144,583	(9,964)	77,152	(77,395)
Retirement Costs	120,661	98,725	(21,936)	44,388	(76,273)
<b>Total Personnel Expenses</b>	<b>\$ 2,132,264</b>	<b>\$ 1,764,300</b>	<b>\$ (367,964)</b>	<b>\$ 823,716</b>	<b>\$ (1,308,548)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ 463	\$ 463	\$ -	\$ -
Travel	80,000	79,633	(367)	48,000	(32,000)
Conference Calls	2,500	2,294	(206)	1,200	(1,300)
<b>Total Meeting Expenses</b>	<b>\$ 82,500</b>	<b>\$ 82,390</b>	<b>\$ (110)</b>	<b>\$ 49,200</b>	<b>\$ (33,300)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ 60,164	\$ 60,164	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	50,000	80,977	30,977	28,690	(21,310)
Professional Services	182,829	503,966	321,137	190,000	7,171
Miscellaneous	-	-	-	-	-
Depreciation	-	8,488	8,488	8,000	8,000
<b>Total Operating Expenses</b>	<b>\$ 232,829</b>	<b>\$ 653,595</b>	<b>\$ 420,766</b>	<b>\$ 226,690</b>	<b>\$ (6,139)</b>
<b>Total Direct Expenses</b>	<b>\$ 2,447,593</b>	<b>\$ 2,500,285</b>	<b>\$ 52,692</b>	<b>\$ 1,099,606</b>	<b>\$ (1,347,987)</b>
<b>Indirect Expenses</b>	<b>\$ (2,447,593)</b>	<b>\$ (2,500,285)</b>	<b>\$ (52,692)</b>	<b>\$ (1,099,606)</b>	<b>\$ 1,347,987</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	(8,488)	(8,488)	(8,000)	(8,000)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ 8,488	\$ 8,488	\$ 8,000	\$ 8,000
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (B+C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	12.1	9.6	(2.5)	6.0	(6.1)
HC	13.0	11.0	(2.0)	6.0	(7.0)

## Information Technology

<b>Information Technology</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	9.0	9.0	(0.0)
Direct Expenses	\$ 1,826,228	\$ 1,365,441	\$ (460,787)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

WECC's Information Technology (IT) program area provides systems support including: servers, data, email, telephone systems, and Internet and Intranet website maintenance. In addition, IT includes development of new technology solutions using both internal staff and working with external service providers. The IT program area provides resources and tools to enable the organization to meet the evolving requirements to support activities and responsibilities as directed by NERC and FERC.

The IT budget includes costs associated with the refresh of all corporate desktop computers, laptops, and servers that is based on either a four-year cycle or on an as-needed basis.

### 2014 Key Assumptions

- WECC will maintain compliance with industry best practices on security and data protection, as well as the evolving NERC Standards and audit practices. As a result, WECC will require increased storage management, processes, and network infrastructure.
- Technology will be a key focus in developing new, more efficient business processes that will support collaboration, elimination of duplicate work, and streamlining information flow.
- Entities required to exchange data with WECC will demand greater ease of use, clearer communication, and the latest in security assurances.

### 2014 Goals and Key Deliverables

- Provide systems support and technology solutions that ensure reliability and security of critical IT infrastructure.
- Develop and implement Policies and Procedures to enforce best practices across the organization.
- Align IT as a strategic partner in accomplishing business goals and objectives.
- Provide a significant increase in data support, analysis, and communication. Create centralized databases, automated processes, and tools to organize a growing volume of electronic data that will be in high demand.
- Provide custom solutions to enable secure, reliable, and efficient transmission of a growing number of data types.

- Launch a redesigned website to improve usability and accommodate features critical to promoting WECC initiatives and collaboration with entities.

## **Funding Sources and Requirements — Explanation of Increase (Decrease)**

### **Funding Sources (Other than ERO Assessments)**

- Not applicable.

### **Personnel Expenses**

- Personnel Expenses decrease by \$202,000 primarily due to a 15 percent reduction for labor float.

### **Meeting Expenses**

- Not applicable.

### **Operating Expenses**

- Consultants and Contracts increase by \$24,000 primarily due to a project to expand WECCs reporting and analytics capabilities.
- Office Costs decrease by \$247,000 due to a reduction of software licenses and expensed equipment as a result of the creation of the new entity and the reduction in FTEs.
- Depreciation was over-budgeted in 2013. Depreciation decreases by \$36,000 in 2014 to more accurately reflect actual depreciation.

### **Indirect Expenses**

- Information Technology expenses are allocated to statutory functional areas based on FTEs.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Computer and Software CapEx decreases by \$15,000 due to scheduled refreshes of corporate servers in prior year.
- Equipment CapEx increases by \$111,000 due to hardware purchases to accommodate the current rate of increase in storage requirements and for managed security services.

## Information Technology

Funding sources and related expenses for the Information Technology section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>INFORMATION TECHNOLOGY</b>					
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 829,213	\$ 698,417	\$ (130,796)	\$ 670,107	\$ (159,106)
Payroll Taxes	62,286	53,378	(8,908)	45,103	(17,183)
Benefits	114,786	105,141	(9,645)	101,928	(12,858)
Retirement Costs	58,045	46,673	(11,372)	45,103	(12,942)
<b>Total Personnel Expenses</b>	<b>\$ 1,064,330</b>	<b>\$ 903,609</b>	<b>\$ (160,721)</b>	<b>\$ 862,241</b>	<b>\$ (202,089)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 900	\$ -	\$ (900)	\$ -	\$ (900)
Travel	13,000	10,065	(2,935)	13,200	200
Conference Calls	6,572	5,950	(622)	7,200	628
<b>Total Meeting Expenses</b>	<b>\$ 20,472</b>	<b>\$ 16,015</b>	<b>\$ (4,457)</b>	<b>\$ 20,400</b>	<b>\$ (72)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 12,000	\$ 26,710	\$ 14,710	\$ 36,000	\$ 24,000
Office Rent	-	-	-	-	-
Office Costs	587,500	560,681	(26,819)	340,800	(246,700)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	141,926	110,939	(30,987)	106,000	(35,926)
<b>Total Operating Expenses</b>	<b>\$ 741,426</b>	<b>\$ 698,330</b>	<b>\$ (43,096)</b>	<b>\$ 482,800</b>	<b>\$ (258,626)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,826,228</b>	<b>\$ 1,617,954</b>	<b>\$ (208,274)</b>	<b>\$ 1,365,441</b>	<b>\$ (460,787)</b>
<b>Indirect Expenses</b>	<b>\$ (1,826,228)</b>	<b>\$ (1,617,954)</b>	<b>\$ 208,274</b>	<b>\$ (1,365,441)</b>	<b>\$ 460,787</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	(141,926)	(110,939)	30,987	(106,000)	35,926
Computer & Software CapEx	-	5,117	5,117	60,000	60,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	81,000	60,806	(20,194)	105,000	24,000
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 60,926	\$ 45,016	\$ (15,910)	\$ (59,000)	\$ (119,926)
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (B+C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	9.0	8.2	(0.8)	9.0	(0.0)
HC	10.0	9.0	(1.0)	9.0	(1.0)

## Human Resources

<b>Human Resources</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.1	3.0	(0.1)
Direct Expenses	\$ 1,134,800	\$ 1,072,064	\$ (62,736)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Human Resources (HR) program area is responsible for the delivery of all HR functions to WECC, including: recruitment, staffing, compensation, benefits, safety and health, employee relations, performance management, and employee training and development.

### 2014 Key Assumptions

- WECC's staffing levels will decrease from 2013 to 2014.
- Competition for talent will increase due to the economic recovery and an increasing percentage of the utility talent pool being eligible for retirement. Consequently, as the talent pool compresses, salary and benefit pressures increase.
- Increase in benefit program costs due to the Health Care Reform Act.
- Retention and competitive compensation of key individuals will continue to be critical.
- Succession planning, employee development, and training are vital to ensuring that WECC maintains a skilled, qualified workforce.

### 2014 Goals and Key Deliverables

- Continue to enhance the recruiting program in 2014 that targets power engineering and cyber security programs to increase visibility of WECC to broaden the applicant pool for hard-to-fill positions and increase bench strength for key roles within Compliance.
- Manage health and welfare benefits to deliver an attractive benefit package to employees while managing overall costs to the organization.
- Conduct a salary and benefits survey to ensure the overall compensation package is competitive to recruit and retain top talent. Educate management on compensation philosophies to enhance recruitment efforts, and retain skilled and talented employees.
- Track and monitor turnover rates, gather feedback to determine cause of turnover, and when appropriate, take action to reduce the turnover rate.

- Identify training needs and develop and deliver programs to enhance employee development.

## **Funding Sources and Requirements — Explanation of Increase (Decrease)**

### **Funding Sources (Other than ERO Assessments)**

- Not applicable.

### **Personnel Expenses**

- Salaries increase by a net \$101,000 primarily due to retention and severance plan expenses related to the creation of the new entity.
- Benefits decrease by a net \$211,000 due to the creation of the RCCo. Health Reimbursement Arrangement benefits for the company are accounted for in HR and decrease by \$184,000. Also the workers compensation insurance estimate went down by \$10,000.

### **Meeting Expenses**

- Travel decreases by \$16,000 due to a reduction in recruiting and career fair travel due to the transfer of positions to the new entity.

### **Operating Expenses**

- Consultants increase by \$120,000 due to a new compensation and benefits survey.
- Office Costs decrease by \$29,000 due to decreases in job postings, drug testing, and background checks, which had been ramped up prior to the creation of the new RCCo entity.

### **Indirect Expenses**

- Human Resource expenses are allocated to statutory functional areas based on FTEs.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Not applicable.

## Human Resources

Funding sources and related expenses for the Human Resources section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

#### HUMAN RESOURCES

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 283,445	\$ 1,049,965	\$ 766,520	\$ 384,508	\$ 101,063
Payroll Taxes	21,290	30,950	9,660	14,190	(7,100)
Benefits	625,824	650,233	24,409	414,876	(210,948)
Retirement Costs	21,841	28,638	6,797	14,190	(7,651)
<b>Total Personnel Expenses</b>	<b>\$ 952,400</b>	<b>\$ 1,759,786</b>	<b>\$ 807,386</b>	<b>\$ 827,764</b>	<b>\$ (124,636)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 5,130	\$ 4,269	\$ (861)	\$ -	\$ (5,130)
Travel	26,000	46,960	20,960	10,200	(15,800)
Conference Calls	3,500	1,696	(1,804)	1,000	(2,500)
<b>Total Meeting Expenses</b>	<b>\$ 34,630</b>	<b>\$ 52,925</b>	<b>\$ 18,295</b>	<b>\$ 11,200</b>	<b>\$ (23,430)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 30,000	\$ 611,732	\$ 581,732	\$ 150,000	\$ 120,000
Office Rent	-	-	-	-	-
Office Costs	88,070	116,091	28,021	59,100	(28,970)
Professional Services	23,000	165	(22,835)	17,000	(6,000)
Miscellaneous	-	-	-	-	-
Depreciation	6,700	692	(6,008)	7,000	300
<b>Total Operating Expenses</b>	<b>\$ 147,770</b>	<b>\$ 728,680</b>	<b>\$ 580,910</b>	<b>\$ 233,100</b>	<b>\$ 85,330</b>
<b>Total Direct Expenses</b>	<b>\$ 1,134,800</b>	<b>\$ 2,541,391</b>	<b>\$ 1,406,591</b>	<b>\$ 1,072,064</b>	<b>\$ (62,736)</b>
<b>Indirect Expenses</b>	<b>\$ (1,134,800)</b>	<b>\$ (2,541,391)</b>	<b>\$ (1,406,591)</b>	<b>\$ (1,072,064)</b>	<b>\$ 62,736</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	(6,700)	(692)	6,008	(7,000)	(300)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 6,700	\$ 692	\$ (6,008)	\$ 7,000	\$ 300
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (B+C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	3.1	3.6	0.5	3.0	(0.1)
HC	4.0	6.0	2.0	3.0	(1.0)



## Finance and Accounting

<b>Finance and Accounting</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	5.7	4.7	(1.0)
Direct Expenses	\$ 786,851	\$ 571,792	\$ (215,059)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Finance and Accounting function provides accounting and financial analysis support to WECC. Finance is responsible for accounts payable, billing, accounts receivable, budgeting, fixed asset management, banking, payroll, and financial reporting.

### 2014 Key Assumptions

- The creation of the new entity will decrease demands placed on the accounting function due to a decreased number of employees and departments.

### 2014 Goals and Key Deliverables

- Review financial policies and modify as necessary.
- Identify and implement efficiencies in financial processes.
- Ensure WECC has strong internal controls designed to protect the organization's assets and ensure accurate financial reporting.
- Develop a budget to address the risks created by an uncertain operating environment.
- Provide improved reporting and financial analysis to WECC managers, the Finance and Audit Committee, and the WECC Board.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources (Other than ERO Assessments)

- Not applicable.

#### Personnel Expenses

- Salaries decrease by \$208,000 due to the transfer of one position to the RCCo and also due to a 15 percent reduction for labor float.
- Payroll Taxes decrease by \$17,000 with Salaries.
- Benefits decrease by \$13,000 with Salaries.

- Retirement Costs decrease by \$15,000 with Salaries.

**Meeting Expenses**

- Not Applicable

**Operating Expenses**

- Office Costs increase by \$36,000 due to a transfer of the budget for bank charges from WECC's General and Administrative Department into Accounting.

**Indirect Expenses**

- Finance and Accounting expenses are allocated to statutory functional areas based on FTEs.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- Not applicable.

## Finance and Accounting

Funding sources and related expenses for the Finance and Accounting section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	<b>FINANCE AND ACCOUNTING</b>				
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 489,243	\$ 400,380	\$ (88,863)	\$ 280,800	\$ (208,443)
Payroll Taxes	36,377	32,298	(4,079)	18,992	(17,385)
Benefits	76,889	59,152	(17,737)	63,758	(13,131)
Retirement Costs	34,142	28,169	(5,973)	18,992	(15,150)
<b>Total Personnel Expenses</b>	<b>\$ 636,651</b>	<b>\$ 519,999</b>	<b>\$ (116,652)</b>	<b>\$ 382,542</b>	<b>\$ (254,109)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	10,500	12,855	2,355	11,250	750
Conference Calls	850	439	(411)	400	(450)
<b>Total Meeting Expenses</b>	<b>\$ 11,350</b>	<b>\$ 13,294</b>	<b>\$ 1,944</b>	<b>\$ 11,650</b>	<b>\$ 300</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ 6,363	\$ 6,363	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	48,850	69,382	20,532	84,600	35,750
Professional Services	80,000	77,610	(2,390)	86,000	6,000
Miscellaneous	-	-	-	-	-
Depreciation	10,000	10,892	892	7,000	(3,000)
<b>Total Operating Expenses</b>	<b>\$ 138,850</b>	<b>\$ 164,247</b>	<b>\$ 25,397</b>	<b>\$ 177,600</b>	<b>\$ 38,750</b>
<b>Total Direct Expenses</b>	<b>\$ 786,851</b>	<b>\$ 697,540</b>	<b>\$ (89,311)</b>	<b>\$ 571,792</b>	<b>\$ (215,059)</b>
<b>Indirect Expenses</b>	<b>\$ (786,851)</b>	<b>\$ (697,540)</b>	<b>\$ 89,311</b>	<b>\$ (571,792)</b>	<b>\$ 215,059</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	(10,000)	(10,892)	(892)	(7,000)	3,000
Computer & Software CapEx	-	40,000	40,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 10,000	\$ (29,108)	\$ (39,108)	\$ 7,000	\$ (3,000)
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (B+C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	5.7	7.0	1.3	4.7	(1.0)
<b>HC</b>	6.0	9.0	3.0	5.0	(1.0)

---

Section B – Supplemental Financial Information  
2014 Business Plan and Budget

---

## Section B — Supplemental Financial Information

### Reserve Balance

**Table B-1**

Working Capital Reserve Analysis 2013-2014	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2012	12,340,806
Plus: 2013 WECC Funding (from Load Serving Entities (LSE) or designees)	43,929,397
Plus: 2013 Other funding sources	14,210,493
Less: 2013 Projected expenses & capital expenditures	(66,052,134)
Projected Working Capital Reserve (Deficit), December 31, 2013	<u>4,428,561</u>
Desired Working Capital Reserve, December 31, 2014	2,072,292
Less: Convert Non-statutory Reserves to Statutory	(5,874,245)
Less: Projected Working Capital Reserve, December 31, 2013	(4,428,561)
Plus: Transfer of Reserves to RCCo	5,811,568
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u>(2,418,946)</u>
2014 Expenses and Capital Expenditures	25,638,084
Less: Penalty Sanctions <sup>1</sup>	(2,933,050)
Less: Other Funding Sources	(4,655,237)
Adjustment to achieve desired Working Capital Reserve	(2,418,946)
2014 WECC Assessment	<u>15,630,852</u>

1 – Represents collections between July, 1 2012 and June 30, 2013. See page 60 for full disclosure.

2 – On June 28, 2013, the WECC Board of Directors approved this reserve level.

WECC's Working Capital Reserve balance decreases in 2014. WECC's Board has approved a Working Capital Reserve balance equal to one month of Personnel and Operating Expenses, to be achieved by 2016. In 2014, WECC is transferring \$5.87 million of Non-statutory Working Capital Reserves, which were on-hand when WECC originally signed its Delegation Agreement in 2006, to Statutory Working Capital Reserves. Those funds are exclusive of the Non-statutory reserves related to WREGIS and have not been used for any purpose in the past seven years. WECC Management and the WECC Board believe it would be prudent to use that money to minimize the impact on Assessments due to the budget increases in 2014. The total working capital reserves will be used to offset the impact of the creation of the new entity and other increases on Assessments for both WECC and the RCCo in 2014.

As a result of the creation of the RCCo, WECC's working capital reserves were split between WECC and the RCCo to provide reserves for both entities. The same

---

population of entities provides funding for both companies and WECC management as well as WECC's Finance and Audit Committee believe reserves should be split equitably as a result. The calculation used to split the reserves was based on each entity's percent-to-total ratio of operating expenses. The RCo's anticipated portion is \$5.8 million.

---

## Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statutory Statement of Activities and Capital Expenditures on page 10. All significant variances have been disclosed by program area in the preceding pages.

### Monetary Penalties

As documented in the NERC Policy *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*, penalty monies received on or prior to June 30, 2013 will be used to offset assessments in the 2014 WECC Budget. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

All penalty monies received on or prior to June 30, 2013 are detailed below, including the amount and the date received.

Allocation Method: Penalty monies received have been allocated to the following Statutory Programs to reduce assessments:

- Reliability Standards;
- Compliance Monitoring and Enforcement and Organization Registration and Certification;
- Reliability Assessment and Performance Analysis;
- Training, Education, and Operator Certification; and
- Situation Awareness and Infrastructure Security.

Penalty monies are allocated based on the number of FTEs in the functional areas divided by the aggregate total FTEs in the programs receiving the allocation.

## Penalty Sanctions

Table B-2

Penalty Sanctions Received on or Prior to June 30, 2013					
Date Received	Amount Received	Date Received	Amount Received	Date Received	Amount Received
7/6/2012	4,000	10/5/2012	12,600	1/21/2013	1,000
7/6/2012	4,000	10/5/2012	5,000	2/5/2013	40,000
7/11/2012	70,000	10/9/2012	30,000	2/19/2013	62,500
7/11/2012	17,300	10/12/2012	6,650	3/11/2013	15,000
7/12/2012	500	10/15/2012	70,000	3/12/2013	2,000
7/23/2012	15,600	10/19/2012	60,000	3/18/2013	7,500
7/23/2012	14,000	10/30/2012	27,800	3/21/2013	15,000
7/26/2012	21,000	11/5/2012	8,400	3/25/2013	7,500
8/3/2012	15,000	11/5/2012	10,100	3/27/2013	212,000
8/3/2012	14,900	11/6/2012	1,000	3/28/2013	12,500
8/10/2012	7,000	11/13/2012	12,000	4/2/2013	150,000
8/21/2012	1,500	11/13/2012	50,000	4/8/2013	10,000
8/21/2012	60,000	11/13/2012	12,000	4/8/2013	115,000
8/23/2012	67,500	11/13/2012	79,000	4/12/2013	7,000
8/24/2012	1,500	11/19/2012	50,000	6/6/2013	35,000
8/31/2012	12,500	11/26/2012	65,000	6/7/2013	151,500
9/10/2012	7,500	11/28/2012	200,000	6/27/2013	4,250
9/10/2012	22,000	12/4/2012	12,000		
9/13/2012	11,500	12/6/2012	15,000		
9/13/2012	25,100	12/7/2012	6,000		
9/14/2012	1,500	12/10/2012	17,400		
9/20/2012	4,500	12/14/2012	4,000		
9/20/2012	55,000	12/14/2012	50,000		
9/24/2012	2,500	12/17/2012	162,600		
10/2/2012	60,000	12/28/2012	10,000		
10/3/2012	4,500	12/31/2012	40,000		
10/4/2012	15,000	1/7/2013	54,000		
10/4/2012	72,000	1/10/2013	10,000		
10/4/2012	39,000	1/11/2013	24,000		
10/5/2012	134,350	1/14/2013	200,000		

**Total Penalties Received** \$ 2,933,050

**Net Penalties to Offset  
Assessments** \$ 2,933,050



## Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding WECC Assessments & Penalty Sanctions)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
<b>Reliability Standards</b>				
Interest	\$ 6,363	\$ 5,739	\$ 3,133	\$ (3,230)
Miscellaneous	85	(1,249)	-	(85)
<b>Total</b>	<b>\$ 6,448</b>	<b>\$ 4,490</b>	<b>\$ 3,133</b>	<b>\$ (3,315)</b>
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Workshops	\$ 433,750	\$ 433,550	438,125	\$ 4,375
Interest	91,802	81,335	45,426	(46,376)
Miscellaneous	1,224	(20,948)	-	(1,224)
<b>Total</b>	<b>\$ 526,776</b>	<b>\$ 493,937</b>	<b>\$ 483,551</b>	<b>\$ (43,225)</b>
<b>Reliability Assessment and Performance Analysis</b>				
Federal Grants	\$ 3,129,529	\$ 2,664,502	\$ 3,628,308	\$ 498,779
Interest	35,569	31,396	18,484	(17,085)
Miscellaneous	474	(7,402)	-	(474)
<b>Total</b>	<b>\$ 3,165,572</b>	<b>\$ 2,688,495</b>	<b>\$ 3,646,792</b>	<b>\$ 481,220</b>
<b>Training and Education</b>				
Workshops	\$ 451,550	\$ 435,785	\$ 519,804	\$ 68,254
Interest	2,727	2,439	1,566	(1,161)
Miscellaneous	36	(577)	-	
<b>Total</b>	<b>\$ 454,313</b>	<b>\$ 437,647</b>	<b>\$ 521,370</b>	<b>\$ 67,093</b>
<b>Situation Awareness and Infrastructure Security</b>				
Federal Grants	\$ 2,786,076	\$ 10,486,952	-	\$ (2,786,076)
Interest	154,450	135,721	391	(154,059)
Miscellaneous	2,059	(36,750)	-	(2,059)
<b>Total</b>	<b>\$ 2,942,585</b>	<b>\$ 10,585,923</b>	<b>\$ 391</b>	<b>\$ (2,942,194)</b>
<b>Technical Committees and Member Forms</b>				
Federal Grants	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Outside Funding</b>	<b>\$ 7,095,694</b>	<b>\$ 14,210,493</b>	<b>\$ 4,655,237</b>	<b>\$ (2,440,421)</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

WECC anticipates its investments will earn interest of approximately \$69,000 in 2014. This revenue is allocated to the Statutory and Non-Statutory Programs based on FTEs.

**Compliance Monitoring and Enforcement and Organization Registration and Certification**

- An increase of \$4,000 in workshop revenue is anticipated in 2014 due to the increased attendance at the Compliance Users Group and Critical Infrastructure Protection User Group meetings.

**Reliability Assessment and Performance Analysis**

- Revenues from the RTEP grant are expected to increase by \$499,000 as a result of increased grant expenditures.

**Training and Education**

- Workshop revenue increases by \$68,000 due to an increase in the total number of sessions and a preliminary estimate of operators scheduled to attend training sessions. WECC's Training program continues to be self-funded.

**Situation Awareness and Infrastructure Security**

- The Western Interconnection Synchrophasor Program (WISP) grant and this function were transferred to the RCo.

**Technical Committees and Member Forums**

- Not applicable.

## Personnel Expenses

Table B-4

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 24,370,024	\$ 25,976,283	\$ 12,092,325	\$ (12,277,699)	-50.4%
Employment Agency Fees	20,000	633,550	-	(20,000)	-100.0%
Temporary Office Services	55,240	172,852	3,900	(51,340)	-92.9%
<b>Total Salaries</b>	<b>\$ 24,445,264</b>	<b>\$ 26,782,685</b>	<b>\$ 12,096,225</b>	<b>\$ (12,349,039)</b>	<b>-50.5%</b>
<b>Total Payroll Taxes</b>					
	\$ 1,757,632	\$ 1,939,887	\$ 774,002	\$ (983,630)	-56.0%
<b>Benefits</b>					
Workers Compensation	\$ 22,000	\$ 35,034	\$ 12,000	\$ (10,000)	-45.5%
Medical Insurance	2,780,267	2,865,920	1,753,689	(1,026,578)	-36.9%
Life-LTD-STD Insurance	195,034	188,606	64,708	(130,326)	-66.8%
Education	325,275	320,498	286,375	(38,900)	-12.0%
Relocation	90,388	199,747	16,200	(74,188)	-82.1%
Other	30,501	26,290	-	(30,501)	-100.0%
<b>Total Benefits</b>	<b>\$ 3,443,465</b>	<b>\$ 3,636,095</b>	<b>\$ 2,132,972</b>	<b>\$ (1,310,493)</b>	<b>-38.1%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 1,591,510	\$ 1,787,986	\$ 770,774	\$ (820,736)	-51.6%
Retirement Administration Fees	2,000	31,251	-	(2,000)	-100.0%
<b>Total Retirement</b>	<b>\$ 1,593,510</b>	<b>\$ 1,819,237</b>	<b>\$ 770,774</b>	<b>\$ (822,736)</b>	<b>-51.6%</b>
<b>Total Personnel Costs</b>					
	\$ 31,239,871	\$ 34,177,904	\$ 15,773,973	\$ (15,465,898)	-49.5%
<b>FTEs</b>					
	216.3	230.8	135.0	-81.3	-37.6%
<b>Cost per FTE</b>					
Salaries	\$ 113,005	\$ 116,048	\$ 89,602	(23,403)	-20.7%
Payroll Taxes	8,125	8,405	5,733	(2,392)	-29.4%
Benefits	15,918	15,755	15,800	(118)	-0.7%
Retirement	7,367	7,883	5,709	(1,658)	-22.5%
<b>Total Cost per FTE</b>	<b>\$ 144,415</b>	<b>\$ 148,091</b>	<b>\$ 116,844</b>	<b>\$ (27,571)</b>	<b>-19.1%</b>

## Explanation of Significant Variances – 2014 Budget versus 2013 Budget

## Salaries

- Salaries decrease by \$12.3 million due to the net decrease of 81.3 FTEs primarily related to the transfer of positions to the new entity and a 15 percent reduction to budget for labor float.
- Employment Agency Fees decrease by \$20,000 due to the creation of the new entity and decreased number of potential new hires.
- Temporary Office Services decrease by \$30,000 with the reduced requirement for temporary staff due to the creation of the new entity.

## Payroll Taxes

- Payroll Taxes decrease by \$984,000 due to the reduction of FTEs as a result of position transfers to the RCCo and due to a 15 percent reduction to budget for labor float.

**Benefits**

- Medical Insurance decreases by \$1.03 million due to the decrease in FTEs due to the transfer of positions to the new entity.
- Life, Long-Term Disability, and Short-Term Disability Insurance decreases by \$130,000 due to the transfer of positions to the new entity.
- Education decreases by \$39,000 due to the reduction of FTEs.
- Relocation decreases by \$74,000 due to the creation of the new entity.

**Retirement**

- Contributions to 401k plans decrease by \$819,000 with Salaries.

## Consultants and Contracts

**Table B-5**

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	15,000	59,736	\$ 64,000	49,000	326.7%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	1,768,889	1,201,541	\$ 2,968,000	1,199,111	67.8%
Training and Education	92,500	92,500	\$ 106,502	14,002	15.1%
Situation Awareness and Infrastructure Security	922,290	5,506,491	\$ -	(922,290)	-100.0%
Committee and Member Forums	-	-	\$ 12,000	12,000	
General and Administrative	101,000	224,593	\$ 90,000	(11,000)	-10.9%
Legal and Regulatory	-	17,473	\$ -	-	
Information Technology	12,000	26,710	\$ 36,000	24,000	200.0%
Human Resources	30,000	611,732	\$ 150,000	120,000	400.0%
Accounting and Finance	-	6,363	\$ -	-	
<b>Consultants Total</b>	<b>\$ 2,941,679</b>	<b>\$ 7,747,139</b>	<b>\$ 3,426,502</b>	<b>\$ 484,823</b>	<b>16.5%</b>
<b>Contracts</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	455,000	640,627	\$ 360,800	(94,200)	-20.7%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	758,652	641,157	\$ 400,000	(358,652)	-47.3%
Training and Education	-	-	\$ -	-	
Situation Awareness and Infrastructure Security	1,500,000	4,650,040	\$ -	(1,500,000)	-100.0%
Committee and Member Forums	166,667	120,000	\$ 200,000	33,333	20.0%
General and Administrative	9,000	-	\$ -	(9,000)	-100.0%
Legal and Regulatory	-	42,691	\$ -	-	
Information Technology	-	-	\$ -	-	
Human Resources	-	-	\$ -	-	
Accounting and Finance	-	-	\$ -	-	
<b>Contracts Total</b>	<b>\$ 2,889,319</b>	<b>\$ 6,094,515</b>	<b>\$ 960,800</b>	<b>\$ (1,928,519)</b>	<b>-66.7%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 5,830,998</b>	<b>\$ 13,841,654</b>	<b>\$ 4,387,302</b>	<b>\$ (1,443,696)</b>	<b>-24.8%</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

#### Consultants

- Compliance and Organization Registration and Certification increases by \$49,000 due to increased membership and registration-related workload.
- RAPA increases by a net \$1.20 million due to the following:
  - An increase of \$1.3 million is due to the RTEP grant for Scenario Planning Steering Group and Environmental Data Task Force contractor expenses.
  - A decrease of \$130,000 in the Planning Services due to RAS modeling completion in 2013.
  - Transmission Planning consultants increase by \$43,000 due to data validation consulting.
- Training and Education consultants increase by \$14,000 due to an increased use of consultants to conduct training sessions.

- 
- Situation Awareness consultants decrease by \$922,000 due to the creation of the new entity.
  - Committee and Member Forums consultants increase by \$12,000 due to the continuation of the phasor measurement unit data validation project.
  - General and Administrative consultants decrease by \$11,000 due to the completion of a WECC stakeholder survey and the update of the WECC Internet website.
  - Information Technology consultants increase \$24,000 due to new initiatives to expand reporting and analytics capabilities.
  - Human Resources increases \$120,000 due to a new compensation and benefits survey requested by the Human Resources and Compensation Committee.

### Contracts

- Compliance and Organization Registration and Certification contracts decrease by \$94,000 due to staff to undertaking tasks previously performed by contractors.
- RAPA Contracts decrease by a net \$359,000. RTEP decreases by \$654,000 due to University funding under the grants ending at the end of 2013, and Planning Services increases by \$295,000 primarily due to the development of additional RAS models and phase two of the composite load model implementation.
- Situation Awareness Contracts decrease by \$1.50 million due to the creation of the new entity.
- Committee and Member Forums increase by \$33,000 due to projects that will be undertaken to validate and incorporate synchrophasor data into operations.

## Office Rent

Table B-6

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 1,699,671	\$ 1,567,299	\$ 926,196	(773,475)	-45.5%
Utilities	175,971	128,712	-	(175,971)	-100.0%
Maintenance	91,731	156,261	9,876	(81,855)	-89.2%
Security	7,950	5,250	-	(7,950)	-100.0%
<b>Total Office Rent</b>	<b>\$ 1,975,323</b>	<b>\$ 1,857,522</b>	<b>\$ 936,072</b>	<b>\$ (1,039,251)</b>	<b>-52.6%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

- Office Rent and Maintenance decrease by \$773,000 and \$82,000, respectively, primarily as a result of the transfer of the Loveland, Colorado and Vancouver, Washington facilities to the new RCCo entity.
- Utilities decrease by \$176,000 due to the creation of the new entity.

## Office Costs

Table B-7

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Telephone	\$ 200,000	\$ 231,290	\$ 97,610	\$ (102,390)	-51.2%
Internet	1,083,062	1,406,313	145,310	(937,752)	-86.6%
Office Supplies	223,050	912,861	192,336	(30,714)	-13.8%
Computer Supplies and Maintenance	4,188,300	4,690,120	690,027	(3,498,273)	-83.5%
Publications & Subscriptions	63,550	28,541	22,835	(40,715)	-64.1%
Dues and Fees	120,468	256,151	126,233	5,765	4.8%
Postage	9,795	7,315	3,790	(6,005)	-61.3%
Express Shipping	22,225	24,014	13,147	(9,078)	-40.8%
Copying	213,685	213,729	43,536	(170,149)	-79.6%
Bank Charges	75,500	91,429	57,630	(17,870)	-23.7%
Taxes	15,000	14,744	13,000	(2,000)	-13.3%
<b>Total Office Costs</b>	<b>\$ 6,214,635</b>	<b>\$ 7,876,507</b>	<b>\$ 1,405,454</b>	<b>\$ (4,809,181)</b>	<b>-77.4%</b>

## Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Telephone expense decreases \$102,000 due to the creation of the new entity.
- Internet expenses decrease by a net \$938,000 due to the creation of the new entity. In 2013, the Reliability Coordinator function used 74 percent of the bandwidth.
- Office Supplies decrease by \$31,000 due to two facilities transferring from WECC to the RCCo.
- Computer Supplies and Maintenance decrease by \$3.50 million due to the creation of the new entity.
- Copying decreases by \$170,000 primarily due to the creation of the new entity.
- Bank Charges decrease \$18,000 due to reduced transaction volume as a result of the creation of the new entity.



## Professional Services

Table B-8

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Non-affiliated Director fees	\$ 431,000	\$ 564,875	\$ 465,756	\$ 34,756	8.1%
Outside Legal	36,000	355,558	28,000	(8,000)	-22.2%
Accounting & Auditing Fees	93,000	163,318	97,000	4,000	4.3%
Insurance Commercial	162,829	153,572	168,000	5,171	3.2%
<b>Total Services</b>	<b>\$ 722,829</b>	<b>\$ 1,237,323</b>	<b>\$ 758,756</b>	<b>\$ 35,927</b>	<b>5.0%</b>

## Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Non-Affiliated Director fees increase by \$35,000 due to the addition of two Independent Directors in 2014.

## Other Non-Operating

Table B-9

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

## Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Not applicable.

---

## Section C – Non-Statutory Activities

### 2014 Business Plan and Budget

---

## Section C — 2014 Non-Statutory Business Plan and Budget

<b>Western Renewable Energy Generation System</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	5	5	-
Direct Expenses	1,064,836	1,117,869	53,033
Indirect Expenses	443,310	541,111	97,801
Inc(Dec) in Fixed Assets	(2,000)	-	2,000
Total Funding Requirement	363,064	244,820	(118,244)

### Western Renewable Energy Generation Information System (WREGIS)

WREGIS is an independent, renewable energy database for the Western Interconnection. WREGIS creates renewable energy certificates (REC) for verifiable renewable generation from units that are registered in the database.

WREGIS was developed through a collaborative process between the Western Governors' Association, the Western Regional Air Partnership, and the California Energy Commission (CEC). This development was further guided by stakeholder input from more than 400 participants over a period greater than three years. WREGIS's governance was integrated into WECC on March 31, 2012 following the expiration of WECC's contract that had previously provided for backstop funding from the CEC. WREGIS is governed by a WECC Board committee consisting of representatives from the WECC Board and various stakeholder groups. WECC is the administrative home of WREGIS.

WREGIS costs fall outside Section 215 of the Federal Power Act. Participants fund WREGIS through registration and transaction fees.

WREGIS consists of two parts: the information system software and the administrative operations housed at WECC. The WREGIS staff oversees the software contractor and performs all of the administrative tasks required to operate the program including: registering account holders and generation units; training WREGIS users; and managing the budgeting, billing, and financial reporting.

### Major 2014 Assumptions and Cost Impacts

WREGIS is funded entirely by user fees and is not subsidized by Section 215 funding. User fees are based on several factors including size and amount of usage. The size of the users is fairly constant, annual fees based on size make up only about 25 percent of the total revenues. The other 75 percent of revenues are based on usage levels, which can depend on uncontrollable factors such as weather (wind and solar generation levels) and state regulatory policies (retirement, transfers, etc.). Because a large portion of revenues can vary greatly from year to year, WECC holds large WREGIS reserves to allow for normal operations during years in which fee levels are low.

### **2014 Primary Goals and Objectives**

- Implement the WREGIS program as required by the participating states, provinces, and voluntary programs.
- Register program participants, whether mandatory or voluntary.
- Refine the WREGIS software to ensure optimum performance in terms of both efficiency and ease of use for account holders.
- Keep abreast of possible needs to increase WREGIS's functionality.

### **Funding Sources and Requirements — Explanation of Increase (Decrease)**

#### **Funding Sources (Other than ERO Assessments)**

- WREGIS account holders pay an initial registration fee and annual renewal fees. Amounts vary by the size and category of the account holder.
- Volumetric-based fees are assessed when RECs are traded, retired, reserved, or transferred.
- Nominal fees are charged for users who attend training.

#### **Personnel Expenses**

- Benefits decrease by \$19,000 due to a 15 percent reduction of personnel expenses for labor float.

#### **Travel Expenses**

- Travel Expenses increase by \$11,000 due to an increase in WREGIS audits in 2014.

#### **Operating Expenses**

- Consultants and Contracts decrease by \$14,000 due to a reduced need for customized QuickBooks programming and also due to existing staff performing tasks previously performed by consultants.
- Office Costs increase by \$88,000 due to WREGIS software licensing fees as well as system upgrades.

#### **Indirect Expenses**

- Indirect Expenses are allocated based on FTEs. WECC charges and receives funds for WREGIS's indirect costs, based on actual results that are calculated quarterly.

#### **Other Non-Operating Expenses**

- Not applicable.

## 2013 Budget and Projection and 2014 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital  
2013 Budget & Projection, and 2014 Budget

## NON-STATUTORY

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	1,850,000	1,806,731	(43,269)	1,896,000	46,000
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	10,000	9,294	(706)	7,800	(2,200)
Interest	9,089	9,089	-	-	(9,089)
Miscellaneous	121	121	-	-	(121)
<b>Total Funding (A)</b>	<b>\$ 1,869,210</b>	<b>\$ 1,825,235</b>	<b>\$ (43,975)</b>	<b>\$ 1,903,800</b>	<b>\$ 34,590</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 349,435	\$ 347,974	\$ (1,461)	\$ 350,730	\$ 1,295
Payroll Taxes	26,019	26,543	524	23,715	(2,304)
Benefits	85,024	66,044	(18,980)	65,935	(19,089)
Retirement Costs	24,460	23,678	(782)	23,715	(745)
<b>Total Personnel Expenses</b>	<b>\$ 484,938</b>	<b>\$ 464,239</b>	<b>\$ (20,699)</b>	<b>\$ 464,094</b>	<b>\$ (20,844)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 18,300	\$ 16,121	\$ (2,179)	\$ 13,225	\$ (5,075)
Travel	50,000	45,200	(4,800)	61,000	11,000
Conference Calls	500	487	(13)	-	(500)
<b>Total Meeting Expenses</b>	<b>\$ 68,800</b>	<b>\$ 61,808</b>	<b>\$ (6,992)</b>	<b>\$ 74,225</b>	<b>\$ 5,425</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 19,648	\$ 17,267	\$ (2,381)	\$ 6,000	\$ (13,648)
Office Rent	-	-	-	-	-
Office Costs	469,450	452,309	(17,141)	557,050	87,600
Professional Services	20,000	14,091	(5,909)	16,500	(3,500)
Miscellaneous	-	-	-	-	-
Depreciation	2,000	2,000	224,211	-	(2,000)
<b>Total Operating Expenses</b>	<b>\$ 511,098</b>	<b>\$ 485,667</b>	<b>\$ 198,780</b>	<b>\$ 579,550</b>	<b>\$ 68,452</b>
<b>Total Direct Expenses</b>	<b>\$ 1,064,836</b>	<b>\$ 1,011,714</b>	<b>\$ 171,089</b>	<b>\$ 1,117,869</b>	<b>\$ 53,033</b>
<b>Indirect Expenses</b>	<b>\$ 443,310</b>	<b>\$ 594,843</b>	<b>\$ 151,533</b>	<b>\$ 541,111</b>	<b>\$ 97,801</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,508,146</b>	<b>\$ 1,606,557</b>	<b>\$ 322,622</b>	<b>\$ 1,658,980</b>	<b>\$ 150,834</b>
<b>Change in Assets</b>	<b>\$ 361,064</b>	<b>\$ 218,678</b>	<b>\$ (366,597)</b>	<b>\$ 244,820</b>	<b>\$ (116,244)</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	6,000	6,000	-	-	(6,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,000)</b>
<b>TOTAL BUDGET (=B+C)</b>	<b>1,514,146</b>	<b>1,612,557</b>	<b>322,622</b>	<b>1,658,980</b>	<b>144,834</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ 355,064</b>	<b>\$ 212,678</b>	<b>\$ (366,597)</b>	<b>\$ 244,820</b>	<b>\$ (110,244)</b>
FTEs	5.0	4.8	(0.3)	5.0	-
HC	5.0	5.0	-	5.0	-

## Personnel Analysis

FTEs are defined as full-time equivalent employees only. Fractional FTEs reflect part-time employees or employees who worked in fewer than all four quarters of the year.

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs <sup>1</sup> 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
<b>NON-STATUTORY</b>						
<b>Operational Programs</b>						
Total FTEs Operational Programs	0.0	0.0	0.0	0.0	0.0	0.0
<b>Administrative Programs</b>						
WREGIS	5.0	4.8	5.0	0.0	5.0	0.0
Total FTEs Administrative Programs	5.0	4.8	5.0	0.0	5.0	0.0
Total FTEs	5.0	4.8	5.0	0.0	5.0	0.0

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

There are no changes to personnel within the non-statutory function.

## Reserve Analysis — 2013–2014

<b>Working Capital Reserve Analysis 2012-2013</b>		
<b>NON-STATUTORY</b>		
	WREGIS Reserves	WECC Non-Statutory Reserves
<b>Beginning Working Capital Reserve (Deficit), December 31, 2012</b>	1,954,861	5,874,245
Plus: 2013 WREGIS Funding	1,825,235	
Plus: 2013 Other funding sources		
Less: 2013 Projected expenses & capital expenditures	(1,612,557)	
<b>Projected Working Capital Reserve (Deficit), December 31, 2013</b>	<u>2,167,539</u>	<u>5,874,245</u>
<b>Projected Working Capital Reserve, December 31, 2014*</b>	2,167,539	0
Less: Projected Working Capital Reserve, December 31, 2013	(2,167,539)	(5,874,245)
<b>Adjustments to achieve Working Capital Reserve, December 31, 2013</b>	<u>0</u>	<u>(5,874,245)</u>
2013 Funding Sources	1,903,800	
Less: Expenses and Capital Expenditures	(1,658,980)	
Transfer Reserves to Statutory		(5,874,245)
<b>2014 Funding (reserve adjustment)</b>	<u>244,820</u>	<u>(5,874,245)</u>

\*WECC is converting Non-statutory Reserves not related to WREGIS to Statutory in the 2014 Business Plan and Budget.

WECC's Working Capital Reserve balance decreases in 2014. WECC's Board has approved a Working Capital Reserve balance equal to one month of Personnel and Operating Expenses, to be achieved by 2016. In 2014, WECC is transferring \$5.87 million of Non-statutory Working Capital Reserves, which were on-hand when WECC originally signed its Delegation Agreement in 2006, to Statutory Working Capital Reserves. Those funds have not been used for any purpose in the past seven years. WECC Management and the WECC Board believe it would be prudent to use that money to minimize the impact on Assessments due to the budget increases in 2014 and future years. The total Working Capital Reserves will be used to offset the impact of the creation of the new entity and other increases on Assessments for both WECC and the RCCo in 2014 and 2015.



---

Section D – Additional Consolidated Financial  
Statements  
2014 Business Plan and Budget

---

Section D — Additional Financial Statements

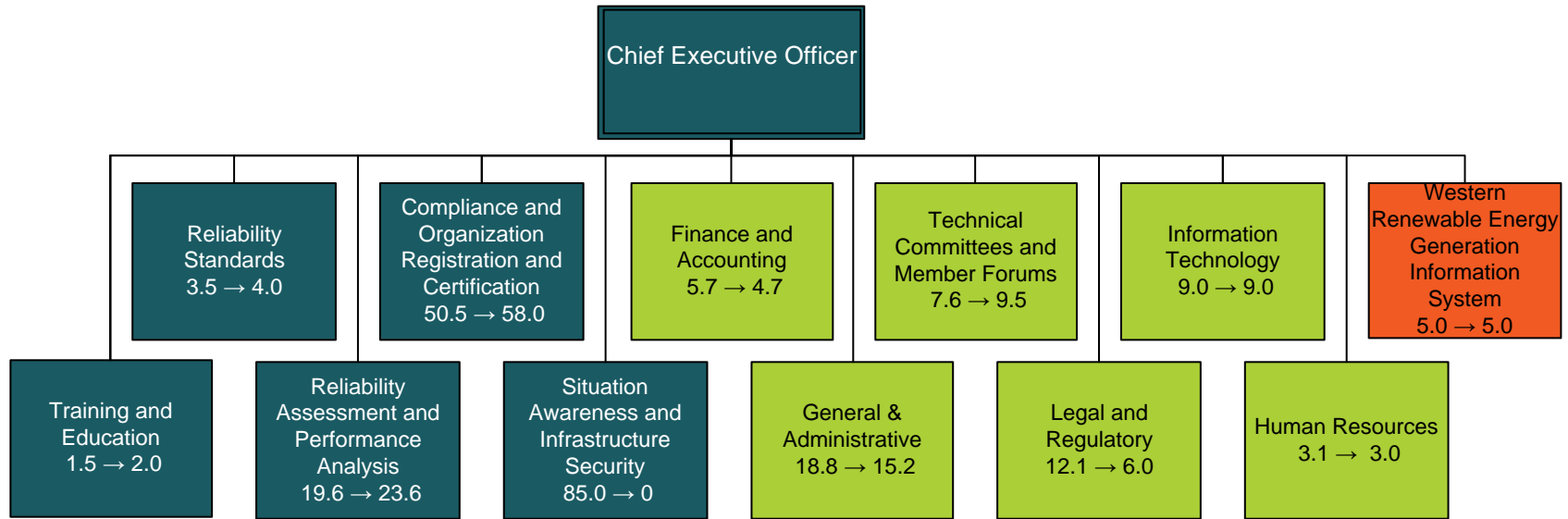
Section D – Additional Consolidated Financial Statements  
 2014 Consolidated Statement of Activities by Program, Statutory, and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement											Non-Statutory Functions				
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 600)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total	WREGIS		
<b>Funding</b>																			
<b>WECC Funding</b>																			
WECC Assessments	15,630,851	15,630,851	-	15,630,851	790,180	10,955,928	3,767,309	36,290	81,145	-	-	-	-	-	-	-	-	-	
Penalty Sanctions	2,933,050	2,933,050	-	2,933,050	133,169	1,930,952	785,698	66,585	16,646	-	-	-	-	-	-	-	-	-	
<b>Total WECC Funding</b>	<b>18,563,901</b>	<b>18,563,901</b>	<b>-</b>	<b>18,563,901</b>	<b>923,349</b>	<b>12,886,880</b>	<b>4,553,007</b>	<b>102,875</b>	<b>97,791</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Non-statutory Funding	1,896,000	-	1,896,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,896,000	
Federal Grants	3,628,308	3,628,308	-	3,628,308	-	-	3,628,308	-	-	-	-	-	-	-	-	-	-	-	
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Workshops	965,729	957,929	7,800	957,929	-	438,125	-	519,804	-	-	-	-	-	-	-	-	-	7,800	
Interest	69,000	69,000	-	69,000	3,133	45,426	18,484	1,566	391	-	-	-	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Funding (A)</b>	<b>25,122,938</b>	<b>23,219,138</b>	<b>1,903,800</b>	<b>23,219,138</b>	<b>926,482</b>	<b>13,370,431</b>	<b>8,199,799</b>	<b>624,245</b>	<b>98,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,903,800</b>	<b>1,903,800</b>
<b>Expenses</b>																			
<b>Personnel Expenses</b>																			
Salaries	12,446,955	12,096,225	350,730	12,096,225	447,768	4,769,767	2,014,830	146,942	47,976	874,612	1,801,127	657,788	670,107	384,508	280,800	-	-	350,730	350,730
Payroll Taxes	797,716	774,001	23,715	774,001	30,138	322,315	134,116	10,136	3,228	59,075	92,319	44,388	45,103	14,190	18,992	-	-	23,715	23,715
Benefits	2,195,679	2,129,744	65,935	2,129,744	48,499	795,563	296,187	22,654	5,724	115,178	188,224	77,152	101,928	414,876	63,758	-	-	65,935	65,935
Retirement Costs	797,716	774,001	23,715	774,001	30,138	322,315	134,116	10,136	3,228	59,075	92,319	44,388	45,103	14,190	18,992	-	-	23,715	23,715
<b>Total Personnel Expenses</b>	<b>16,238,065</b>	<b>15,773,971</b>	<b>464,094</b>	<b>15,773,971</b>	<b>556,544</b>	<b>6,209,960</b>	<b>2,579,250</b>	<b>189,868</b>	<b>60,156</b>	<b>1,107,940</b>	<b>2,173,989</b>	<b>823,716</b>	<b>862,241</b>	<b>827,764</b>	<b>382,542</b>	<b>-</b>	<b>-</b>	<b>464,094</b>	<b>464,094</b>
<b>Meeting Expenses</b>																			
Meetings	886,701	873,476	13,225	873,476	528	462,503	65,065	56,040	-	278,090	11,250	-	-	-	-	-	-	13,225	13,225
Travel	1,545,456	1,484,456	61,000	1,484,456	28,360	966,340	148,800	7,836	-	128,720	121,750	48,000	13,200	10,200	11,250	-	-	61,000	61,000
Conference Calls	114,222	114,222	-	114,222	4,188	41,780	30,750	804	-	18,800	8,100	1,200	7,200	1,000	400	-	-	-	-
<b>Total Meeting Expenses</b>	<b>2,546,379</b>	<b>2,472,154</b>	<b>74,225</b>	<b>2,472,154</b>	<b>33,076</b>	<b>1,470,623</b>	<b>244,615</b>	<b>64,680</b>	<b>-</b>	<b>425,610</b>	<b>141,100</b>	<b>49,200</b>	<b>20,400</b>	<b>11,200</b>	<b>11,650</b>	<b>-</b>	<b>-</b>	<b>74,225</b>	<b>74,225</b>
<b>Operating Expenses</b>																			
Consultants & Contracts	4,393,302	4,387,302	6,000	4,387,302	-	424,800	3,368,000	106,502	-	212,000	90,000	-	36,000	150,000	-	-	-	6,000	6,000
Office Rent	936,072	936,072	-	936,072	-	-	-	47,472	-	-	888,600	-	-	-	-	-	-	-	-
Office Costs	1,962,504	1,405,454	557,050	1,405,454	8,120	450,670	113,650	87,740	-	35,203	196,881	28,690	340,800	59,100	84,600	-	-	557,050	557,050
Professional Services	775,256	758,756	16,500	758,756	-	-	-	-	-	465,756	-	190,000	-	17,000	86,000	-	-	16,500	16,500
Miscellaneous	580,000	580,000	-	580,000	-	36,000	211,000	-	-	-	205,000	8,000	106,000	7,000	7,000	-	-	-	-
Depreciation	8,647,134	8,067,584	579,550	8,067,584	8,120	911,470	3,692,650	241,714	-	712,959	1,380,481	226,690	482,800	233,100	177,600	-	-	579,550	579,550
<b>Total Operating Expenses</b>	<b>27,431,578</b>	<b>26,313,709</b>	<b>1,117,869</b>	<b>26,313,709</b>	<b>597,740</b>	<b>8,592,053</b>	<b>6,516,515</b>	<b>496,262</b>	<b>60,156</b>	<b>2,246,509</b>	<b>3,695,570</b>	<b>1,099,606</b>	<b>1,365,441</b>	<b>1,072,064</b>	<b>571,792</b>	<b>-</b>	<b>-</b>	<b>1,117,869</b>	<b>1,117,869</b>
<b>Total Direct Expenses</b>	<b>27,431,578</b>	<b>26,313,709</b>	<b>1,117,869</b>	<b>26,313,709</b>	<b>597,740</b>	<b>8,592,053</b>	<b>6,516,515</b>	<b>496,262</b>	<b>60,156</b>	<b>2,246,509</b>	<b>3,695,570</b>	<b>1,099,606</b>	<b>1,365,441</b>	<b>1,072,064</b>	<b>571,792</b>	<b>-</b>	<b>-</b>	<b>1,117,869</b>	<b>1,117,869</b>
<b>Indirect Expenses</b>	<b>0</b>	<b>(541,111)</b>	<b>541,111</b>	<b>(541,111)</b>	<b>432,890</b>	<b>6,276,897</b>	<b>2,554,048</b>	<b>196,829</b>	<b>49,207</b>	<b>(2,246,509)</b>	<b>(3,695,570)</b>	<b>(1,099,606)</b>	<b>(1,365,441)</b>	<b>(1,072,064)</b>	<b>(571,792)</b>	<b>-</b>	<b>-</b>	<b>541,111</b>	<b>541,111</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>27,431,578</b>	<b>25,772,598</b>	<b>1,658,980</b>	<b>25,772,598</b>	<b>1,030,630</b>	<b>14,868,950</b>	<b>9,070,563</b>	<b>693,091</b>	<b>109,363</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,658,980</b>	<b>1,658,980</b>
<b>Change in Assets</b>	<b>(2,308,639)</b>	<b>(2,553,459)</b>	<b>244,820</b>	<b>(2,553,459)</b>	<b>(104,148)</b>	<b>(1,498,520)</b>	<b>(870,763)</b>	<b>(68,847)</b>	<b>(11,181)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>244,820</b>	<b>244,820</b>
<b>Fixed Assets</b>																			
Depreciation	(580,000)	(580,000)	-	(580,000)	-	(36,000)	(211,000)	-	-	-	(205,000)	(8,000)	(106,000)	(7,000)	(7,000)	-	-	-	-
Computer & Software CapEx	309,487	309,487	-	309,487	-	10,000	239,487	-	-	-	-	-	60,000	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	136,000	136,000	-	136,000	-	31,000	-	-	-	-	-	-	105,000	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	(0)	(0)	-	(0)	(7,628)	(110,602)	(45,003)	(3,814)	(953)	-	205,000	8,000	(59,000)	7,000	7,000	-	-	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(134,513)</b>	<b>(134,513)</b>	<b>-</b>	<b>(134,513)</b>	<b>(7,628)</b>	<b>(105,602)</b>	<b>(16,516)</b>	<b>(3,814)</b>	<b>(953)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (B+C)</b>	<b>27,297,064</b>	<b>25,638,084</b>	<b>1,658,980</b>	<b>25,638,084</b>	<b>1,023,002</b>	<b>14,763,349</b>	<b>9,054,046</b>	<b>689,278</b>	<b>108,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,658,980</b>	<b>1,658,980</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>(2,174,126)</b>	<b>(2,418,946)</b>	<b>244,820</b>	<b>(2,418,946)</b>	<b>(96,520)</b>	<b>(1,392,918)</b>	<b>(854,247)</b>	<b>(65,033)</b>	<b>(10,228)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>244,820</b>	<b>244,820</b>
<b>FTEs</b>	<b>140.0</b>	<b>135.0</b>	<b>5.0</b>	<b>135.0</b>	<b>4.0</b>	<b>58.0</b>	<b>23.6</b>	<b>2.0</b>	<b>0.5</b>	<b>9.0</b>	<b>15.2</b>	<b>6.0</b>	<b>9.0</b>	<b>3.0</b>	<b>4.7</b>	<b>-</b>	<b>-</b>	<b>5.0</b>	<b>5.0</b>
<b>HC</b>	<b>140.0</b>	<b>135.0</b>	<b>5.0</b>	<b>135.0</b>	<b>4.0</b>	<b>58.0</b>	<b>23.0</b>	<b>2.0</b>	<b>-</b>	<b>9.0</b>	<b>16.0</b>	<b>6.0</b>	<b>9.0</b>	<b>3.0</b>	<b>5.0</b>	<b>-</b>	<b>-</b>	<b>5.0</b>	<b>5.0</b>

## Statement of Financial Position

<b>Statement of Financial Position</b>			
<b>2012 Audited, 2013 Projection, and 2014 Budget</b>			
<b>STATUTORY and NON-STATUTORY</b>			
<b>(in thousands)</b>			
	<b>(Per Audit)</b>	<b>Projected</b>	<b>Budget</b>
	<b>31-Dec-12</b>	<b>31-Dec-13</b>	<b>31-Dec-14</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 39,940,191	\$ 25,679,956	\$ 2,843,277
Certificates of deposit	1,436,598	1,500,000	1,125,000
Investments	5,930,113	6,000,000	4,500,000
Accounts receivable, net	12,908,228	14,199,051	5,470,798
Prepaid expenses and other assets	835,773	626,830	470,122
Property and equipment	11,964,467	14,357,360	3,589,340
Total Assets	<b>\$ 73,015,370</b>	<b>\$ 62,363,197</b>	<b>\$ 17,998,537</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable	7,557,387	5,668,040	2,834,020
Accrued payroll and related liabilities	1,892,947	2,044,383	1,226,630
Deferred revenue	24,381,993	24,577,528	9,378,511
Other liabilities	7,051,156	5,640,925	1,410,231
Total Liabilities	<b>\$ 40,883,483</b>	<b>\$ 37,930,876</b>	<b>\$ 14,849,392</b>
Unrestricted net assets	32,131,887	24,432,321	3,149,145
Total Liabilities and Net Assets	<b>\$ 73,015,370</b>	<b>\$ 62,363,197</b>	<b>\$ 17,998,537</b>

## Appendix A: Organizational Chart



- Statutory Program Area
- Administrative Services Program Area
- Non-statutory Program Area

## Appendix B: 2014 Budget &amp; Projected 2015 and 2016 Budgets

Statement of Activities and Capital Expenditures							
2014 Budget & Projected 2015 and 2016 Budgets							
Statutory							
	2014	2015	\$ Change	% Change	2016	\$ Change	% Change
	Budget	Projection	14 v 15	14 v 15	Projection	15 v 16	15 v 16
<b>Funding</b>							
<b>ERO Funding</b>							
WECC Assessments	\$ 15,630,852	\$ 22,973,055	\$ 7,342,203	47.0%	\$ 23,591,978	\$ 618,923	2.7%
Penalty Sanctions	2,933,050	-	(2,933,050)	-100.0%	-	-	-
<b>Total ERO Funding</b>	<b>\$ 18,563,902</b>	<b>\$ 22,973,055</b>	<b>\$ 4,409,153</b>	<b>23.8%</b>	<b>\$ 23,591,978</b>	<b>\$ 618,923</b>	<b>2.7%</b>
Membership Dues							
Federal Grants	3,628,308	-	(3,628,308)	-100.0%	-	-	-
Workshops	-	996,246	996,246		1,036,096	39,850	4.0%
Interest	957,929	71,760	(886,169)	-92.5%	74,630	2,870	4.0%
Miscellaneous	69,000	-	(69,000)	-100.0%	-	-	-
<b>Total Funding (A)</b>	<b>\$ 23,219,138</b>	<b>\$ 24,041,061</b>	<b>\$ 821,923</b>	<b>3.5%</b>	<b>\$ 24,702,704</b>	<b>\$ 661,643</b>	<b>2.8%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 12,096,225	\$ 12,789,847	693,622	5.7%	\$ 13,301,441	511,594	4.0%
Payroll Taxes	774,001	804,594	30,593	4.0%	\$ 836,778	32,184	4.0%
Benefits	2,129,744	2,141,592	11,848	0.6%	\$ 2,227,256	85,664	4.0%
Retirement Costs	774,001	804,586	30,585	4.0%	\$ 836,768	32,182	4.0%
<b>Total Personnel Expenses</b>	<b>\$ 15,773,971</b>	<b>\$ 16,540,619</b>	<b>\$ 766,649</b>	<b>4.9%</b>	<b>\$ 17,202,243</b>	<b>\$ 661,624</b>	<b>4.0%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 873,476	\$ 908,415	34,939	4.0%	\$ 944,752	36,337	4.0%
Travel	1,484,456	1,543,834	59,378	4.0%	1,605,588	61,754	4.0%
Conference Calls	114,222	118,791	4,569	4.0%	123,543	4,752	4.0%
<b>Total Meeting Expenses</b>	<b>\$ 2,472,154</b>	<b>\$ 2,571,040</b>	<b>\$ 98,886</b>	<b>4.0%</b>	<b>\$ 2,673,883</b>	<b>\$ 102,843</b>	<b>4.0%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 4,387,302	\$ 1,776,394	(2,610,908)	-59.5%	\$ 1,647,450	(128,944)	-7.3%
Office Rent	936,072	973,515	37,443	4.0%	1,012,455	38,940	4.0%
Office Costs	1,405,454	1,619,945	214,491	15.3%	1,684,743	64,798	4.0%
Professional Services	758,756	789,106	30,350	4.0%	820,670	31,564	4.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	580,000	696,000	116,000	20.0%	-	(696,000)	-100.0%
<b>Total Operating Expenses</b>	<b>\$ 8,067,584</b>	<b>\$ 5,854,960</b>	<b>\$ (2,212,624)</b>	<b>-27.4%</b>	<b>\$ 5,165,318</b>	<b>\$ (689,642)</b>	<b>-11.8%</b>
<b>Total Direct Expenses</b>	<b>\$ 26,313,709</b>	<b>\$ 24,966,619</b>	<b>\$ (1,347,090)</b>	<b>-5.1%</b>	<b>\$ 25,041,444</b>	<b>\$ 74,825</b>	<b>0.3%</b>
<b>Indirect Expenses</b>	<b>(541,111)</b>	<b>(550,198)</b>	<b>(9,087)</b>	<b>1.7%</b>	<b>(572,206)</b>	<b>(22,008)</b>	<b>4.0%</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses (B)</b>	<b>\$ 25,772,598</b>	<b>\$ 24,416,421</b>	<b>\$ (1,356,177)</b>	<b>-5.3%</b>	<b>\$ 24,469,238</b>	<b>\$ 52,817</b>	<b>0.2%</b>
<b>Change in Assets</b>	<b>\$ (2,553,459)</b>	<b>\$ (375,360)</b>	<b>\$ 2,178,099</b>	<b>-85.3%</b>	<b>\$ 233,466</b>	<b>\$ 608,826</b>	<b>-162.2%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (580,000)	\$ (696,000)	(116,000)	20.0%	\$ -	\$ 696,000	-100.0%
Computer & Software CapEx	445,487	179,200	(266,287)	-59.8%	86,368	(92,832)	-51.8%
Furniture & Fixtures CapEx	-	141,440	141,440		147,098	5,658	4.0%
Leasehold Improvements	-	-	-	-	-	-	-
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ (134,513)</b>	<b>\$ (375,360)</b>	<b>\$ (240,847)</b>	<b>179.1%</b>	<b>\$ 233,466</b>	<b>\$ 608,826</b>	<b>-162.2%</b>
<b>TOTAL BUDGET (B+C)</b>	<b>\$ 25,638,085</b>	<b>\$ 24,041,061</b>	<b>\$ (1,597,024)</b>	<b>-6.2%</b>	<b>\$ 24,702,704</b>	<b>\$ 661,643</b>	<b>2.8%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ (2,418,946)</b>	<b>\$ -</b>	<b>\$ 2,418,946</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
FTEs	135.0	135.0	0.0	0.0%	135.0	-	0.0%
HC	135.0	135.0	0.0	0.0%	135.0	-	0.0%

## Appendix C: Adjustment to the AESO 2014 Assessment

### Adjustment to the AESO 2013 and 2014 Assessments

#### Credit for WECC Compliance Costs

	2013 Compliance Budget AESO NEL Allocation	2014 Compliance Budget AESO NEL Allocation
<b>WECC Compliance Costs</b>		
Direct Costs less Direct Revenue	\$ 8,405,121	\$ 8,108,502
Indirect Costs	4,477,429	6,276,897
Fixed Asset Expenditures	(250,045)	(105,602)
<b>Total Net Costs, including Fixed Assets</b>	<b>\$ 12,632,505</b>	<b>\$ 14,279,797</b>
<b>Reserve Offset</b>	<b>\$ -</b>	<b>\$ (1,392,917)</b>
<b>Net total to be allocated</b>	<b>\$ 12,632,505</b>	<b>\$ 12,886,880</b>
AESO NEL Share (2011 & 2012)	6.857%	6.835%
<b>AESO Proportional Share of Compliance Costs, including Fixed Assets</b>	<b>\$ 866,162</b>	<b>\$ 880,818</b>
% Credit (47.25 of 50.5 FTE for 2013, 54.98 of 58.0 FTE for 2014)	93.56%	94.79%
<b>AESO Credit for Compliance Costs</b>	<b>\$ 810,419</b>	<b>\$ 834,955</b>

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 11**

**RCCo**

**PROPOSED 2014 BUSINESS PLAN AND BUDGET**

**2014 Business Plan and Budget**  
**Reliability Coordination Company**

**Approved by:**  
**WECC Board of Directors**

**Date:**  
**June 28, 2013**



---

---

## Table of Contents

<b>Introduction .....</b>	<b>3</b>
Organizational Overview.....	3
Membership and Governance .....	4
Statutory Functional Scope.....	4
2014 RCCo Business Objectives.....	4
2014 Overview of Cost Impacts.....	5
Personnel Analysis .....	6
2013 Budget and Projection and 2014 Budget Comparisons .....	7
<b>Section A — 2014 Business Plan.....</b>	<b>9</b>
Situation Awareness and Infrastructure Security Program .....	9
Administrative Services .....	15
Technical Committees and Member Forums .....	16
General and Administrative .....	19
Legal and Regulatory.....	22
Information Technology .....	25
Human Resources .....	28
Finance and Accounting .....	31
<b>Section B — Supplemental Financial Information.....</b>	<b>35</b>
Reserve Balance .....	35
Penalty Sanctions.....	36
Supplemental Funding.....	37
Personnel Expenses.....	38
Consultants and Contracts .....	40
Office Rent.....	41
Office Costs.....	42
Professional Services .....	43
Other Non-Operating .....	44
<b>Section C – Additional Consolidated Financial Statements.....</b>	<b>46</b>
2014 Consolidated Statement of Activities by Program.....	46
<b>Appendix A: Organizational Chart.....</b>	<b>47</b>
<b>Appendix B: 2014 Budget &amp; Projected 2015 and 2016 Projections .....</b>	<b>48</b>

## Introduction

<b>TOTAL RESOURCES</b> (in whole dollars)				
	<b>2014 Budget</b>	<b>U.S.</b>	<b>Canada</b>	<b>Mexico</b>
Statutory FTEs*	149.1			
Non-statutory FTEs	-			
<b>Total FTEs</b>	149.1			
Statutory Expenses	\$ 34,371,648			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 34,371,648			
Statutory Inc(Dec) in Fixed Assets	\$ (1,413,000)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ (1,413,000)			
Statutory Working Capital Requirement**	2,576,951			
Non-Statutory Working Capital Requirement	0			
<b>Total Working Capital Requirement</b>	2,576,951			
Total Statutory Funding Requirement	\$ 29,724,031			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 29,724,031			
<b>Statutory Funding Assessments</b>	\$ 29,568,031	\$ 25,077,715	\$ 4,094,340	\$ 395,976
<b>Non-Statutory Fees</b>	\$ -	\$ -	\$ -	\$ -
NEL****	866,703,757	735,082,752	120,014,087	11,606,918
NEL%	100.00%	84.81%	13.85%	1.34%

\*An FTE is defined as a full-time equivalent employee.

\*\*Refer to the Statutory Reserve Analysis on page 35 in Section B.

\*\*\*\*NEL is defined as Net Energy for Load.

## Organizational Overview

The Reliability Coordination Company (RCCo) was created to form an independent entity to house the Reliability Coordinator and Interchange Authority Registered Functions. The RCCo is a 501(c)(4) entity operating in the “best interest of the public welfare.” The RCCo’s mission is to “support and promote social welfare by endeavoring to ensure reliability by providing Real-time Interconnection-wide oversight of the Bulk Electric System (BES) within the RCCo footprint, coordinating necessary Real-time and seasonal planning and modeling, and ensuring that data critical to the reliable and efficient operation of the BES is shared appropriately.”

The RCCo will create value by delivering cost-effective services and engaging in efficient and non-discriminatory practices. To achieve this, the RCCo will retain registration for and fulfill the duties of the Reliability Coordinator (RC) and the Interchange Authority (IA), as defined by the North American Electric Reliability Corporation (NERC), and agreed upon by the Federal Energy Regulatory Commission (FERC), for the RCCo’s footprint in the Western Interconnection. These functions have been transferred from the Western Electricity Coordinating Council (WECC). Further, upon approval by the RCCo Board of Directors, the RCCo will perform additional functions that promote BES reliability and support.

## Membership and Governance

The RCCo has 146 companies who have signaled their intent to become members<sup>1</sup> of the RCCo and they will be divided into the following six membership classes:

1. Large Transmission Owners
2. Small Transmission Owners
3. Generation Owners and Operators
4. End Users
5. Representatives of State and Provincial Governments
6. Members at Large

RCCo membership is open to any person or entity that has an interest in the reliable operation of the Western Interconnection BES.

The RCCo is governed by a seven-member Independent Board of Directors. The seven Independent Directors are not affiliated with any RCCo member, any Registered Entity within the Western Interconnection, or any Compliance Enforcement Authority with jurisdiction over the RCCo's activities. The RCCo Board is elected by the RCCo Membership and the Directors are compensated for their time.

Input comes to the RCCo Board from the member organizations, from other interested parties, and through recommendations from the RCCo Member Advisory Committee (MAC). The MAC is comprised of member representatives elected by the member Classes. The MAC advises the Board regarding matters referred to the MAC by the Board; and advises the Board on other matters as the MAC deems appropriate. The MAC consists of fifteen elected Members and includes three representatives elected by each of Classes 1 through 5. As set forth in the RCCo Bylaws, each of Member Classes 1 through 5 may subdivide into up to three subdivisions for purposes of electing a Class' MAC Members.<sup>2</sup>

## Statutory Functional Scope

The RCCo will be listed on the NERC Compliance Registry to perform the RC and IA functions as statutory activities. The RCCo was created by a spin-off of WECC's RC and IA functions, which represented almost 100 percent of WECC's Situation Awareness and Infrastructure Security (SAIS) Program Area. For comparative purposes in this Business Plan and Budget, the WECC 2013 SAIS budget is also presented

## 2014 RCCo Business Objectives

The RCCo's business objectives for 2014 are as follows:

1. Identify and mitigate potential risks and vulnerabilities to improve system reliability.
2. Increase organizational readiness to respond to external drivers.
3. Provide data and analysis to support informed decisions related to system reliability and efficient competitive power markets.

---

<sup>1</sup> As of July 8, 2013.

<sup>2</sup> RCCo Bylaws, Section VII.A.

## 2014 Overview of Cost Impacts

The RCCo's proposed 2014 statutory budget is \$33.0 million, a \$4.0 million (13.7 percent) increase from WECC's 2013 SAIS statutory budget. The primary drivers of the increase are the creation of the independent entity to house the RC and IA Registered Functions, and recommendations from the Board appointed Reliability Coordination Task Force (RCTF), which are both explained in more detail in the Program Area sections of the business plan. One-time costs related to the establishment of the RCCo as a stand-alone organization are expected to be incurred in 2013 and paid for by WECC out of Statutory funds.

Additionally, the U.S. Department of Energy (DOE) Western Interconnection Synchrophasor Program (WISP) grant is projected to be complete in December 2013. As planned, the cost of WISP's ongoing operations is incorporated into the SAIS budget in 2014. There is a material impact to Assessments in 2014 due to the termination of grant funding related to WISP. Ongoing annual costs related to WISP are in line with the original 2009 estimate of a \$3.7 million average per year.

Working Capital Reserves will be used in 2014 to help mitigate the percentage increase in Assessments due to the creation of the RCCo and the RCTF recommendations. Please see the Statutory Working Capital Analysis on page 35.

Full-time equivalents (FTE) represent the fractional allocation of a full-time position's cost to one or more functional areas. Headcount represents either vacant or filled positions. Significant changes to the 2014 statutory budget from the 2013 statutory budget and other noteworthy items are as follows:

- The budget for the newly formed Administrative Services Area is \$7.8 million.
- Thirty of the 149.08 FTEs work in the Administrative Services Area and the remaining 119.08 are in the SAIS Program Area.
- Personnel Expenses increase by \$6.4 million primarily due to the formation of the new organization and the RCTF Recommendations.
- Meeting expenses increase \$702,000 primarily due to the formation of the new organization.
- Consultants & Contracts decrease by \$1.2 million, primarily due to the completion of the WISP grant on December 31, 2013.
- Other operating costs increase primarily due to the formation of the new organization.

## Personnel Analysis

Total staffing for the RCCo is 149.08 FTEs in 2014.

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs* 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Situation Awareness and Infrastructure Security**	85.00	97.50	119.08	0	119.08	34.08
<b>Total FTEs Operational Programs</b>	<b>85.00</b>	<b>97.50</b>	<b>119.08</b>	<b>0.00</b>	<b>119.08</b>	<b>34.08</b>
<b>Administrative Programs</b>						
General & Administrative	0	0	12.00	0	12.00	12.00
Information Technology	0	0	3.00	0	3.00	3.00
Legal and Regulatory	0	0	7.00	0	7.00	7.00
Human Resources	0	0	3.00	0	3.00	3.00
Finance and Accounting	0	0	5.00	0	5.00	5.00
<b>Total FTEs Administrative Programs</b>	<b>0.00</b>	<b>0.00</b>	<b>30.00</b>	<b>0.00</b>	<b>30.00</b>	<b>30.00</b>
<b>Total FTEs</b>	<b>85.00</b>	<b>97.50</b>	<b>149.08</b>	<b>0.00</b>	<b>149.08</b>	<b>64.08</b>

\*A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

\*\*The 2013 values presented are from WECC's 2013 Business Plan and Budget to provide comparative figures.

## 2013 Budget and Projection and 2014 Budget Comparisons

### Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	STATUTORY				
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>WECC Funding</b>					
WECC Assessments	\$ 24,476,506	\$ 24,476,506	\$ -	\$ 29,568,031	\$ 5,091,525
Penalty Sanctions	1,575,157	1,575,157	-	-	(1,575,157)
<b>Total WECC Funding</b>	<b>\$ 26,051,663</b>	<b>\$ 26,051,663</b>	<b>\$ -</b>	<b>\$ 29,568,031</b>	<b>\$ 3,516,368</b>
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	2,786,077	10,486,952	7,700,876	-	(2,786,077)
Services & Software	-	-	-	-	-
Workshops	(0)	(0)	-	-	0
Interest	154,450	135,721	(18,729)	156,000	1,550
Miscellaneous	2,060	(36,750)	(38,809)	-	(2,060)
<b>Total Funding (A)</b>	<b>\$ 28,994,248</b>	<b>\$ 36,637,586</b>	<b>\$ 7,643,338</b>	<b>\$ 29,724,031</b>	<b>\$ 729,783</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 10,500,211	\$ 12,279,929	\$ 1,779,718	\$ 14,959,388	\$ 4,459,177
Payroll Taxes	745,847	907,971	162,124	963,709	217,863
Benefits	1,093,421	1,306,922	213,501	2,510,603	1,417,182
Retirement Costs	647,166	824,044	176,878	963,709	316,543
<b>Total Personnel Expenses</b>	<b>\$ 12,986,645</b>	<b>\$ 15,318,866</b>	<b>\$ 2,332,221</b>	<b>\$ 19,397,409</b>	<b>\$ 6,410,764</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ 13,002	\$ 13,002	\$ 306,183	\$ 306,183
Travel	437,726	614,395	176,669	804,138	366,412
Conference Calls	15,920	18,557	2,637	45,084	29,164
<b>Total Meeting Expenses</b>	<b>\$ 453,646</b>	<b>\$ 645,954</b>	<b>\$ 192,308</b>	<b>\$ 1,155,405</b>	<b>\$ 701,759</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 2,422,290	\$ 10,156,531	\$ 7,734,241	\$ 1,267,500	\$ (1,154,790)
Office Rent	768,081	767,034	(1,047)	1,276,728	508,647
Office Costs	4,518,304	6,120,608	1,602,304	6,986,326	2,468,022
Professional Services	5,000	82,144	77,144	663,280	658,280
Miscellaneous	-	-	-	-	-
Depreciation	3,315,530	3,759,841	444,311	3,625,000	309,470
<b>Total Operating Expenses</b>	<b>\$ 11,029,205</b>	<b>\$ 20,886,158</b>	<b>\$ 9,856,953</b>	<b>\$ 13,818,834</b>	<b>\$ 2,789,629</b>
<b>Total Direct Expenses</b>	<b>\$ 24,469,496</b>	<b>\$ 36,850,978</b>	<b>\$ 12,381,482</b>	<b>\$ 34,371,648</b>	<b>\$ 9,902,152</b>
<b>Indirect Expenses</b>	<b>\$ 6,278,766</b>	<b>\$ 7,707,230</b>	<b>\$ 1,428,464</b>	<b>\$ -</b>	<b>\$ (6,278,766)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 30,748,262</b>	<b>\$ 44,558,208</b>	<b>\$ 13,809,946</b>	<b>\$ 34,371,648</b>	<b>\$ 3,623,386</b>
<b>Change in Assets</b>	<b>\$ (1,754,014)</b>	<b>\$ (7,920,623)</b>	<b>\$ (6,166,609)</b>	<b>\$ (4,647,617)</b>	<b>\$ (2,893,603)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (3,315,530)	\$ (3,759,841)	\$ (444,311)	\$ (3,625,000)	\$ (309,470)
Computer & Software CapEx	843,000	1,078,367	235,367	1,373,000	530,000
Furniture & Fixtures CapEx	29,000	6,000	(23,000)	36,000	7,000
Equipment CapEx	1,000,000	1,583,352	583,352	803,000	(197,000)
Leasehold Improvements	-	1,461,873	1,461,873	-	-
Allocation of Fixed Assets	\$ (310,484)	\$ (151,498)	\$ 158,986.00	\$ -	\$ 310,484
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ (1,754,014)</b>	<b>\$ 218,253</b>	<b>\$ 1,972,267</b>	<b>\$ (1,413,000)</b>	<b>\$ 341,014</b>
<b>TOTAL BUDGET (B+C)</b>	<b>28,994,248</b>	<b>44,776,461</b>	<b>15,782,213</b>	<b>32,958,648</b>	<b>3,964,400</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ (8,138,876)</b>	<b>\$ (8,138,876)</b>	<b>\$ (3,234,617)</b>	<b>\$ (3,234,617)</b>
FTEs	85.0	97.5	12.5	149.1	64.1
HC	96.0	108.0	12.0	155.0	59.0

---

## Section A – Statutory Programs 2014 Business Plan and Budget

---

## Section A — 2014 Business Plan

### Situation Awareness and Infrastructure Security Program

<b>Situation Awareness and Infrastructure Security</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	85.0	119.1	34.1
Direct Expenses	\$ 24,469,496	\$ 26,547,960	\$ 2,078,464
Indirect Expenses	\$ 6,278,766	\$ 7,823,688	\$ 1,544,922
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (1,754,014)	\$ (1,413,000)	\$ 341,014
Total Funding Requirement	\$ 28,994,248	\$ 32,958,648	\$ 3,964,400

#### Program Scope and Functional Description

The Reliability Coordinator and Interchange Authority functions oversee situation awareness in the Western Interconnection.

#### Reliability Coordinator

The primary role of the RCCo RC function is the reliable operation of the BES for the Western Interconnection in Real-time and next-day study time frames. The RC maintains Real-time operating reliability with a Wide Area view. The Wide Area view includes situational awareness of both transmission and balancing operations, and the RC has the authority to direct other functional entities to take actions to ensure reliable operation within the Western Interconnection. The RCCo ensures that the generation-demand balance is maintained within its Reliability Coordination Area, which ensures that the Interconnection frequency remains within acceptable limits. These reliability functions are executed at the Reliability Coordination Offices (RCO) located in Vancouver, Washington, and Loveland, Colorado. Each RCO serves as a “hot” backup for the other.

Situation awareness in the Western Interconnection is further enhanced through the activities undertaken by WECC in response to the DOE’s Smart Grid Investment Grant Funding Opportunity Announcement. On April 1, 2010, WECC signed an agreement with the DOE to receive a \$53.9 million grant to implement the WISP project. The funding matched dollars already committed by nine WISP Partner Entities<sup>3</sup> in the Western Interconnection to extend and deploy synchrophasor technologies within their electrical systems. The total funding for WISP is \$107.8 million. Phase one of the WISP project was completed on March 31, 2013. On February 14, 2013, WECC was granted a no-cost extension to expand the control centers to better enable the use of WISP technology. The DOE project extension completion date is March 31, 2014; however,

<sup>3</sup> Bonneville Power Administration, California Independent System Operator, Idaho Power, NV Energy, PacifiCorp, Pacific Gas & Electric, Southern California Edison, Salt River Project, and WECC.



management believes the project will be completed by December 31, 2013. As a result, the 2014 budget does not include any grant funding.

WISP will deliver significant reliability enhancement for the RCCo, the RCCo's partners throughout the Western Interconnection, and the nation's electric power industry. Additionally, WISP will allow for increased visibility of electric power system vulnerabilities by RC System Operators, which helps minimize the risk of the vulnerabilities evolving into a major disturbance or blackout. Synchrophasor technology will also provide the ability to see and manage the intermittent nature of renewable resources, and to deploy the ancillary services needed to solidify the changing nature of the Western Interconnection power generation portfolio.

### **Interchange Authority**

In 2008, the WECC Board approved the initiative for WECC to register as the IA for the Western Interconnection. The primary role of the IA is to coordinate communication and validation of Arranged Interchange for reliability evaluation and implementation purposes.

The RCCo uses the WECC Interchange Tool (WIT) to perform the functions of the IA in the Western Interconnection. WIT is a software system that facilitates and coordinates interchange between Balancing Authorities and permits increased monitoring of interchange transactions by RC System Operators. The RCCo is registered with NERC as the IA.

### **Web Security Analysis System (webSAS)**

The webSAS tool enhances situation awareness in the Western Interconnection by determining the effect of both on- and off-path schedules on a Qualified Path that is experiencing overloading due to unscheduled flow. In 2011, WECC moved to a single webSAS contract and license to ensure that a greater number of entities would have access to the tool. Increased use of the tool will ensure consistent calculation of unscheduled flow impacts and curtailment responsibilities, which will have a positive effect on the reliability of the Interconnection. This contract will transfer to the RCCo effective January 1, 2014.

### **2014 Key Assumptions**

- During 2014 (as in every year), the RC function is expected to respond to FERC directives and orders as well as to significant new initiatives not currently identified that may be generated by NERC. An uncertainty that may result in significant impact on resources is the July 1, 2013 implementation of standards PER 005, and EOP (Emergency Operating Plans) 005 and 006. Possible impacts include additional workload, need for increased outreach and training, and the actual transition and associated guidance that may be issued by NERC.
- Cyclical upgrades of event monitoring equipment, software, hardware, and Information Technology (IT) system infrastructure will continue.
- The WISP tool enhancement and control room redesign will be completed on schedule by December 31, 2013. FERC/NERC's recommendations for remediation actions contained in the *Arizona-Southern California Outages on*

*September 8, 2011* Joint Report and subsequent NERC recommendations will continue to be implemented.

## 2014 Goals and Key Deliverables

The 2014 RCCo RC function budget primarily addresses the following key areas:

1. Implement the recommendations for the RC from the FERC/NERC Joint Report on the September 8, 2011 Blackout.
2. Aggressively increase staffing and expand and enhance tools used for Real-time monitoring of the Western Interconnection throughout 2014, based on the RCTF recommendations presented to the WECC Board of Directors at the December 2012 meeting.
3. The Personnel Performance, Training, and Qualifications, and EOP standards will create additional training workload for the RC staff. This relates specifically to the development of a Job Task Analysis and requires the RC function to conduct restoration training for the Membership; including Generator Operators, Balancing Authorities, and Transmission Operators. In addition, data sharing will increase the workload of the RC staff, as it will be responsible for setting up and maintaining the systems that enable this activity.
4. The WISP grant will end on March 31, 2014, but management expects the project to be finished by December 2013. On January 1, 2014, the RCCo RC function will assume responsibility for the added operations, training, software, and hardware maintenance in addition to continued enhancements to the WISP tools.

## Funding Sources and Requirements — Explanation of Increase (Decrease)

### Funding Sources (Other than Electric Reliability Organization (ERO) Assessments)

- In the RCCo, there are no Penalty Sanction offsets to Assessments.
- DOE grant funding for WISP is projected to end in December 2013.
- Interest revenue is allocated to the only Statutory Program Area in the RCCo.

### Personnel Expenses

- Salaries increase by \$1.4 million due to the net addition of 34.1 FTEs (29 positions). One position is being added for WISP. One position is being added for the Enhanced Curtailment Calculator (ECC). Two positions are being transferred from WECC Legal. Five positions are being transferred to General and Administrative, where they are more appropriately classified. Thirty of the new positions are being added as a result of the RCTF recommendations, primarily to enhance the RC's ability to carry out its function. These positions will focus primarily on the areas of:
  - Operations Planning
    - Current-day/Real-time support
    - Next-day study data validation and mapping

- Seasonal System Operating Limit (SOL) coordination and validation
- Emergency plan coordination
- Real-time Operations
  - Monitor and analyze Real-time system conditions
  - Coordinate system restoration activities
  - Proactively respond to and mitigate potential adverse impacts to the BES
  - Communicate with and direct corrective actions of Registered Entities during actual SOL exceedances
  - Identify and mitigate potential/actual Interconnection Reliability Operating Limits in Real-time operations horizon
- IT Applications, Engineering, and IT Support
  - Application Architects
  - Application Support
  - Dispatcher Training Simulator Support
  - Energy Management System Modeling
  - Remedial Action Scheme Engineering
  - Architecture Support
  - Communications
  - IT Infrastructure
  - Systems Administration
- Payroll Taxes, Benefits, and Retirement Costs increase with Salaries.
- The budget for insurance costs increases by 20 percent in 2014 due to the creation of the RCCo. Insurance rates for two smaller organizations will be higher than for one larger organization.
- In 2014, salaries, payroll taxes, employer retirement contributions, and medical benefits were reduced by 15 percent in each department to budget for labor float uniformly across the organization.

### Meeting Expenses

- Travel increases by \$18,000 due to the increase in FTEs.

### Operating Expenses

- Consultants & Contracts decrease by a net \$1.5 million primarily due to the completion of the WISP grant. In 2014 there is \$822,000 in the budget for consulting costs related to the ECC.
- Office Rent decreases by \$740,000 due to its reclassification from the SAIS budget to the General and Administrative budget in 2014.
- Office Costs increase by \$1.8 million primarily due to maintenance and service agreements for RC equipment and software, as follows:
  - The 2014 WISP costs are funded 100 percent by statutory funding and in 2013, the DOE grant funded three months of expenditures.

- Along with normal inflationary annual contract cost adjustments of three-to-four percent, the RC has significantly enhanced the West-wide System Model by increasing the number of points modeled, going from 100,000 to 190,000. This increase more than doubled license and maintenance contract costs.
- The RC has expanded its use of OSIsoft's PI System displays, which enable better intuitive situation awareness by the RC System Operators, increasing contract costs.
- The RC began its first cycle of refreshing the hardware in 2012, including changing out a third of the switches and servers each year, all requiring new service agreements.
- As growth has occurred, the RC has expanded data collection and distribution using SharePoint and WECCRC.org, which requires additional servers and software and increases service and maintenance costs.
- Depreciation increases by \$302,000 due to the increase in Fixed Assets expenditures in 2014 and the full year of depreciation for assets purchased in 2013.

### **Indirect Expenses**

- Indirect Expenses are allocated based on FTEs. Because it is the RCCo's only Statutory function, 100 percent of the indirect cost allocation is accounted for in the SAIS Program Area.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Computer and Software CapEx increases by a net \$530,000 primarily due to the ECC software purchase of \$700,000.
- Equipment CapEx decreases by \$197,000. The decrease relates primarily to two projects that were completed in 2013: the Loveland test environment and Energy Management System core switch upgrades.

## Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2014 Business Plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>SITUATION AWARENESS AND INFRASTRUCTURE SECURITY</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>RCCo Funding</b>					
Assessments	\$ 24,476,506	\$ 24,476,506	\$ -	\$ 29,568,031	\$ 5,091,525
Penalty Sanctions	1,575,157	1,575,157	-	-	(1,575,157)
<b>Total WECC Funding</b>	<b>\$ 26,051,663</b>	<b>\$ 26,051,663</b>	<b>\$ -</b>	<b>\$ 29,568,031</b>	<b>\$ 3,516,368</b>
Membership Dues	-	-	-	-	-
Federal Grants	2,786,076	10,486,952	7,700,876	-	(2,786,076)
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	154,450	135,721	(18,729)	156,000	1,550
Miscellaneous	2,059	(36,750)	(38,809)	-	(2,059)
<b>Total Funding (A)</b>	<b>\$ 28,994,248</b>	<b>\$ 36,637,586</b>	<b>\$ 7,643,338</b>	<b>\$ 29,724,031</b>	<b>\$ 729,783</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 10,500,212	\$ 12,279,930	\$ 1,779,718	\$ 11,932,371	\$ 1,432,159
Payroll Taxes	745,846	907,970	162,124	787,893	42,047
Benefits	1,093,420	1,306,921	213,501	1,680,551	587,131
Retirement Costs	647,167	824,045	176,878	787,893	140,726
<b>Total Personnel Expenses</b>	<b>\$ 12,986,645</b>	<b>\$ 15,318,866</b>	<b>\$ 2,332,221</b>	<b>\$ 15,188,708</b>	<b>\$ 2,202,063</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ 13,002	\$ 13,002	\$ 1,083	\$ 1,083
Travel	437,726	614,395	176,669	455,288	17,562
Conference Calls	15,920	18,557	2,637	15,384	(536)
<b>Total Meeting Expenses</b>	<b>\$ 453,646</b>	<b>\$ 645,954</b>	<b>\$ 192,308</b>	<b>\$ 471,755</b>	<b>\$ 18,109</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 2,422,290	\$ 10,156,531	\$ 7,734,241	\$ 950,000	\$ (1,472,290)
Office Rent	768,081	767,034	(1,047)	27,996	(740,085)
Office Costs	4,518,304	6,120,608	1,602,304	6,291,501	1,773,197
Professional Services	5,000	82,144	77,144	-	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	3,315,530	3,759,841	444,311	3,618,000	302,470
<b>Total Operating Expenses</b>	<b>\$ 11,029,205</b>	<b>\$ 20,886,158</b>	<b>\$ 9,856,953</b>	<b>\$ 10,887,497</b>	<b>\$ (141,708)</b>
<b>Total Direct Expenses</b>	<b>\$ 24,469,496</b>	<b>\$ 36,850,978</b>	<b>\$ 12,381,482</b>	<b>\$ 26,547,960</b>	<b>\$ 2,078,464</b>
<b>Indirect Expenses</b>	<b>\$ 6,278,766</b>	<b>\$ 7,707,230</b>	<b>\$ 1,428,464</b>	<b>\$ 7,823,688</b>	<b>\$ 1,544,922</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 30,748,262</b>	<b>\$ 44,558,208</b>	<b>\$ 13,809,946</b>	<b>\$ 34,371,648</b>	<b>\$ 3,623,386</b>
<b>Change in Assets</b>	<b>\$ (1,754,014)</b>	<b>\$ (7,920,622)</b>	<b>\$ (6,166,608)</b>	<b>\$ (4,647,617)</b>	<b>\$ (2,893,603)</b>
<b>Fixed Assets</b>					
Depreciation	(3,315,530)	(3,759,841)	(444,311)	(3,618,000)	(302,470)
Computer & Software CapEx	843,000	1,078,367	235,367	1,373,000	530,000
Furniture & Fixtures CapEx	29,000	6,000	(23,000)	-	(29,000)
Equipment CapEx	1,000,000	1,583,352	583,352	803,000	(197,000)
Leasehold Improvements	-	1,461,873	1,461,873	-	-
Allocation of Fixed Assets	\$ (310,484)	\$ (151,498)	\$ 158,986	\$ 29,000	\$ 339,484
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ (1,754,014)</b>	<b>\$ 218,253</b>	<b>\$ 1,972,267</b>	<b>\$ (1,413,000)</b>	<b>\$ 341,014</b>
<b>TOTAL BUDGET (B+C)</b>	<b>28,994,248</b>	<b>44,776,461</b>	<b>15,782,213</b>	<b>32,958,648</b>	<b>3,964,400</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ (8,138,875)</b>	<b>\$ (8,138,875)</b>	<b>\$ (3,234,617)</b>	<b>\$ (3,234,617)</b>
FTEs	85.0	97.5	12.5	119.1	34.1
HC	96.0	108.0	12.0	125.0	29.0

## Administrative Services

<b>Administrative Services</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	30.0	30.0
Direct Expenses	\$ -	\$ 7,823,688	\$ 7,823,688
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The RCCo's Administrative Services consists of Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The budgets for these programs are addressed in the subsequent sections of the Business Plan and Budget.

### Methodology for Allocation of Administrative Services Expenses to Programs

Administrative Services expenses are allocated to the statutory program area.

### Funding Sources and Requirements — Explanation of Increases

All of the RCCo Administrative Services areas are new in 2014. The increases all relate to the creation and formation of the RCCo and its corporate services departments. The budget explanations in subsequent sections relate to the components of these new budgets rather than the typical explanations of increases and decreases from the previous year's budget provided in Regional Entity Business Plans and Budgets.

## Technical Committees and Member Forums

<b>Technical Committees and Member Forums</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ -	\$ 669,310	\$ 669,310
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The RCCo provides forums for Members and other interested stakeholders within its footprint to discuss and share reliability and operating concerns. This includes the RCCo Board of Directors, committees, subcommittees, work groups, and task forces.

### 2014 Key Assumptions

- Members and interested stakeholders will be responsible for all expenses related to attendance at RCCo forums.
- The RCCo budgets for meeting space, meals, and logistics associated with RCCo forums.
- All RCCo meetings will be held at off-site facilities.

### 2014 Goals and Key Deliverables

- Create a more effective organization by facilitating and encouraging cross-departmental coordination and consistency.
- Address the vulnerabilities that could impact reliability by identifying and promoting the projects that can improve reliability and mitigate vulnerabilities.
- Optimize stakeholder involvement and value by structuring meetings and agendas to meet member needs, communicate RCCo processes and initiatives to committees, and providing strong staff support to member committees.
- Facilitate sound decision making to improve reliability by providing detailed analysis on emerging issues, including; alternatives examined, recommendations, and rationale for recommendations.
- Ensure that the RC and IA functions' interests are represented in reliability matters by participating in the NERC Committees and other industry forums.
- Ensure that the RC and IA functions are represented in the development of continent-wide processes and reliability standards.
- Assure that the RCCo Members have access to the most current and applicable documentation in support of maintaining a high level of reliability in the Western Interconnection.

## **Funding Sources and Requirements**

### **Funding Sources (Other than ERO Assessments)**

- Not applicable.

### **Personnel Expenses**

- Not applicable.

### **Meeting Expenses**

- Meeting expenses primarily relate to four Board and Member Advisory Committee meetings held at offsite facilities.
- Travel expenses relate to the reimbursement of Independent Director travel expenses.

### **Operating Expenses**

- Professional Services relate to Independent Director retainers and meeting compensation.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Not applicable.



## Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

#### TECHNICAL COMMITTEES AND MEMBER FORUMS

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>RCCo Funding</b>					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 260,000	\$ 260,000
Travel	-	-	-	42,000	42,000
Conference Calls	-	-	-	2,680	2,680
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 304,680</b>	<b>\$ 304,680</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	2,350	2,350
Professional Services	-	-	-	362,280	362,280
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 364,630</b>	<b>\$ 364,630</b>
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 669,310</b>	<b>\$ 669,310</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (669,310)</b>	<b>\$ (669,310)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (B+C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	-	-	-	-	-
HC	-	-	-	-	-

## General and Administrative

<b>General and Administrative</b> (in whole dollars)			
	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	-	12.0	12.0
Direct Expenses	\$ -	\$ 3,661,753	\$ 3,661,753
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The General and Administrative program provides executive leadership, communications, and administrative support for RCCo staff, committees, members, and management, as well as logistics support to the Loveland, Colorado and Vancouver, Washington offices and meeting facilities. In addition, indirect costs such as office rent that benefit multiple functional areas are accounted for in this budget.

### 2014 Key Assumptions

- The RCCo will develop and launch a corporate identity.
- The RCCo will commence operations as an independent company requiring the full range of administrative, executive, and communications services.

### 2014 Goals and Key Deliverables

- Provide executive leadership and strategic guidance for the activities undertaken by the RCCo.
- Improve the quality and efficiency of support provided to staff and Members.
- Create a corporate identity for the RCCo.
- Redesign the RCCo Internet website and develop an RCCo Intranet website.

### Funding Sources and Requirements

#### Funding Sources (Other than ERO Assessments)

- Not applicable.

#### Personnel Expenses

- All Personnel Expenses relate to the addition of 12 positions in this area. Two new positions are for the purpose of staffing a stand-alone General and Administrative function for the RCCo. One new position is related to the RCTF recommendations. Three positions are being transferred from WECC's General and Administrative department. Five positions are being transferred from the RCCo SAIS budget to its General and Administrative area, where they are more appropriately classified.

**Meeting Expenses**

- Meeting and Travel expenses all relate to the personnel in this area.

**Operating Expenses**

- Consulting & Contracts primarily relate to the RCCo Communications Department and the costs include items such as the development and launch of an RCCo corporate identity, newsletter publication, a stakeholder survey, collateral design and development, and various public relations services.
- Office Rent relates to the Loveland, Colorado and Vancouver, Washington offices. In 2013, rent for the RCO was included in the SAIS and in 2014 is more appropriately classified in General and Administrative. 2014 budgeted rent increases \$480,000 over the WECC SAIS rent budget due to the additional space required for the additional 59 positions being added.

**Other Non-Operating Expenses**

- Not applicable.

**Fixed Asset Additions**

- The Furniture & Fixtures CapEx budget of \$36,000 relates to cubicles for new personnel. Fixed Assets are also allocated to statutory functional areas based on FTEs.

## General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2014 Business Plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>GENERAL AND ADMINISTRATIVE</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>RCCo Funding</b>					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 1,366,486	\$ 1,366,486
Payroll Taxes	-	-	-	74,191	74,191
Benefits	-	-	-	145,572	145,572
Retirement Costs	-	-	-	74,191	74,191
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,660,440</b>	<b>\$ 1,660,440</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 45,100	\$ 45,100
Travel	-	-	-	237,250	237,250
Conference Calls	-	-	-	19,620	19,620
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 301,970</b>	<b>\$ 301,970</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 197,500	\$ 197,500
Office Rent	-	-	-	1,248,732	1,248,732
Office Costs	-	-	-	246,111	246,111
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	7,000	7,000
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,699,343</b>	<b>\$ 1,699,343</b>
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,661,753</b>	<b>\$ 3,661,753</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,661,753)</b>	<b>\$ (3,661,753)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	(7,000)	(7,000)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	36,000	36,000
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ (29,000)	\$ (29,000)
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (B+C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	-	-	-	12.0	12.0
HC	-	-	-	12.0	12.0

## Legal and Regulatory

<b>Legal and Regulatory</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	7.0	7.0
Direct Expenses	\$ -	\$ 1,318,643	\$ 1,318,643
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Legal program area provides coordinated legal services to the RCCo Board, committees, and staff. In addition, the program area provides consistent legal interpretations of relevant statutes, regulations, court opinions, and regulatory decisions. The Legal program area develops specific subject matter expertise to further assist the RCCo with its legal needs. On occasion, major efforts may be outsourced to select law firms, but the responsibility for all legal matters remains with the General Counsel and Legal program area.

The RCCo's international operations and its broad scope of activities require significant legal support and review. Arranging for legal support is complicated by the technical nature of this developing area of law and there are many potential areas of conflict prohibiting the use of law firms with energy practices.

### 2014 Key Assumptions

- The RCCo will commence operations as an independent company requiring the full range of corporate legal support services, as well as specialized legal expertise regarding compliance with mandatory reliability standards.

### 2014 Goals and Key Deliverables

- Provide efficient, cost-effective legal support to the RCCo Board, committees, and staff through a combination of in-house and outside resources.
- Update and advise the RCCo Board and CEO on pending legal issues.
- Advise RCCo departments on specified legal matters and general matters relating to RCCo business.
- Provide legal support to the RCCo Compliance Department and facilitate the processing of possible and alleged violations.
- Represent the RCCo in legal and regulatory proceedings.
- Review and advise RCCo business units on draft agreements.
- Improve tracking for development of RCCo regulatory policies.
- Implement a corporate records management system.
- Integrate the Corporate Compliance function into the newly created RCCo corporate structure. Corporate Compliance is focused on RCCo registered-function

---

compliance with applicable reliability standards as well as business unit compliance with internal RCCo policies and procedures.

## **Funding Sources and Requirements**

### **Funding Sources (Other than ERO Assessments)**

- Not applicable.

### **Personnel Expenses**

- All Personnel Expenses relate to the addition of seven positions in this area. Five positions are being transferred from WECC's Legal Department. Two new positions are being added to provide a fully staffed Legal and Regulatory Department for the RCCo.

### **Meeting Expenses**

- Meeting and Travel expenses all relate to the personnel in this area.

### **Operating Expenses**

- Consultants & Contracts expenses relate to corporate compliance mock audits and inspections.
- Office Costs relate to the ongoing operations of this newly formed department, which include subscription services, continuing legal education, registered agent fees, cell phones, etc.
- Professional Services related to the RCCo's new business insurance program and a small budget for outside legal counsel.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Not applicable.

## Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	LEGAL AND REGULATORY				
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>RCCo Funding</b>					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 753,162	\$ 753,162
Payroll Taxes	-	-	-	51,174	51,174
Benefits	-	-	-	87,069	87,069
Retirement Costs	-	-	-	51,174	51,174
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 942,579</b>	<b>\$ 942,579</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	36,000	36,000
Conference Calls	-	-	-	1,200	1,200
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,200</b>	<b>\$ 37,200</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 120,000	\$ 120,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	28,864	28,864
Professional Services	-	-	-	190,000	190,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 338,864</b>	<b>\$ 338,864</b>
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,318,643</b>	<b>\$ 1,318,643</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,318,643)</b>	<b>\$ (1,318,643)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (B+C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	-	-	-	7.0	7.0
HC	-	-	-	7.0	7.0

## Information Technology

<b>Information Technology</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	3.0	3.0
Direct Expenses	\$ -	\$ 523,045	\$ 523,045
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The RCCo's Information Technology (IT) program area provides system support to both the reliability coordination control centers and corporate functions. This includes: servers, data exchange, email, communications networks, telephone systems, and Internet and Intranet website maintenance. In addition, IT includes development of new technology solutions using both internal staff and working with external service providers. The IT program area provides resources and tools to enable the organization to meet the evolving requirements to support activities and responsibilities as directed by NERC and FERC.

The IT budget includes costs associated with the refresh of all corporate desktop computers, laptops, software applications, hardware infrastructure, and servers that is based on either a three-year cycle or on an as-needed basis.

### 2014 Key Assumptions

- The RCCo will maintain compliance with industry best practices on security and data protection, as well as the evolving NERC Standards and audit practices. As a result, the RCCo will require increased storage management, processes, and network infrastructure.
- Technology will be a key focus in developing new, more efficient business processes that will support collaboration, elimination of duplicate work, and streamlining information flow.
- Entities required to exchange data with the RCCo will demand greater ease of use, clearer communication, and the latest in security assurances.

### 2014 Goals and Key Deliverables

- Implement a corporate local area network (LAN) that is separate from WECC's LAN.
- Provide system support and technology solutions that ensure reliability and security of critical IT infrastructure.
- Develop and implement Policies and Procedures to enforce best practices across the organization.
- Align IT as a strategic partner in accomplishing business goals and objectives.



- Provide a significant increase in data support, analysis, and communication across the RCCo and with RCCo stakeholders.
- Create centralized databases, automated processes, and tools to organize a growing volume of electronic data that will be in high demand.
- Provide custom solutions to enable secure, reliable, and efficient transmission of a growing number of data types.
- Expand the usability and functionality of RCCo's website while continuing to maintain a high level of security.

### **Funding Sources and Requirements**

#### **Funding Sources (Other than ERO Assessments)**

- Not applicable.

#### **Personnel Expenses**

- All Personnel Expenses relate to the addition of three positions in this area. One position is being transferred from WECC's Information Technology department. Two new positions are being added to provide a fully staffed IT Department for the RCCo.

#### **Meeting Expenses**

- Meeting and Travel expenses relate to personnel in this area.

#### **Operating Expenses**

- Office Costs include expenses for supporting the corporate network, laptop refreshes, communications, and software licenses for the organization.

#### **Other Non-Operating Expenses**

- Not applicable.

#### **Fixed Asset Additions**

- Computer & Software CapEx includes Microsoft software agreement additions.

## Information Technology

Funding sources and related expenses for the Information Technology section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

INFORMATION TECHNOLOGY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>RCCo Funding</b>					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 200,356	\$ 200,356
Payroll Taxes	-	-	-	13,787	13,787
Benefits	-	-	-	33,515	33,515
Retirement Costs	-	-	-	13,787	13,787
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 261,445</b>	<b>\$ 261,445</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	8,400	8,400
Conference Calls	-	-	-	4,800	4,800
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,200</b>	<b>\$ 13,200</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	248,400	248,400
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 248,400</b>	<b>\$ 248,400</b>
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 523,045</b>	<b>\$ 523,045</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (523,045)</b>	<b>\$ (523,045)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (B+C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	-	-	-	3.0	3.0
HC	-	-	-	3.0	3.0

## Human Resources

<b>Human Resources</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	3.0	3.0
Direct Expenses	\$ -	\$ 1,017,779	\$ 1,017,779
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Human Resources (HR) program area is responsible for the delivery of all HR functions across the two RCCo offices, including: recruitment, staffing, compensation, benefits, safety and health, employee relations, performance management, and employee training and development.

### 2014 Key Assumptions

- The RCCo's staffing level will continue to increase during 2014.
- Competition for talent will increase due to the economic recovery and an increasing percentage of the utility talent pool being eligible for retirement. Consequently, as the talent pool compresses, salary and benefit pressures increase.
- Retention and competitive compensation of key individuals will continue to be critical.
- Succession planning, employee development, and training are vital to ensuring that the RCCo maintains a skilled, qualified workforce.

### 2014 Goals and Key Deliverables

- Implement a recruiting program in 2014 that will include both college and military recruiting. Increasing activity in non-traditional recruiting is intended to broaden the applicant pool for hard-to-fill positions and increase bench strength for key roles such as RC System Operators.
- Manage health and welfare benefits to deliver an attractive benefit package to employees while managing overall costs to the organization.
- Develop a competitive compensation strategy and educate management on compensation philosophies to enhance recruitment efforts, and retain skilled and talented employees.
- Track and monitor turnover rates, gather feedback to determine the cause of the turnover, and when appropriate, take action to reduce the turnover rate.
- Continue to develop and enhance management development and training programs.

---

---

## Funding Sources and Requirements

### Funding Sources (Other than ERO Assessments)

- Not applicable.

### Personnel Expenses

- The majority of the Personnel Expenses relate to the addition of three positions in this area. One position is being transferred from WECC's Human Resources Department. Two new positions are being added to provide a fully staffed Human Resources Department for the RCCo. Additionally, \$175,000 is budgeted in Salaries for a retention/severance plan related to the creation of the new entity.
- Benefits expenses contain the costs of the RCCo's health reimbursement account program for everyone in the organization, which amounts to \$291,000. Relocation expenses of \$150,000 for new employees or transfers from WECC are also budgeted in HR Benefits.

### Meeting Expenses

- Travel expenses relate to personnel in this area.

### Operating Expenses

- Office Costs primarily relate to Human Resources Information System license fees, career fairs, job postings, drug testing, and background checks.
- Professional Services relate to outside counsel legal fees related to employment matters.

### Other Non-Operating Expenses

- Not applicable.

### Fixed Asset Additions

- Not applicable.

## Human Resources

Funding sources and related expenses for the Human Resources section of the 2014 Business Plan are shown in the table below.

### Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget

	HUMAN RESOURCES				
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>RCCo Funding</b>					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 374,152	\$ 374,152
Payroll Taxes	-	-	-	13,775	13,775
Benefits	-	-	-	496,527	496,527
Retirement Costs	-	-	-	13,775	13,775
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 898,229</u>	<u>\$ 898,229</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	10,200	10,200
Conference Calls	-	-	-	1,000	1,000
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,200</u>	<u>\$ 11,200</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	83,350	83,350
Professional Services	-	-	-	25,000	25,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,350</u>	<u>\$ 108,350</u>
<b>Total Direct Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,779</u>	<u>\$ 1,017,779</u>
<b>Indirect Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,017,779)</u>	<u>\$ (1,017,779)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Incr(Dec) in Fixed Assets (C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (B+C)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	3.0	3.0
HC	-	-	-	3.0	3.0

## Finance and Accounting

<b>Finance and Accounting</b> (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	-	5.0	5.0
Direct Expenses	\$ -	\$ 633,158	\$ 633,158
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

### Program Scope and Functional Description

The Finance and Accounting function provides accounting and financial analysis support to the RCCo. Finance is responsible for procurement, accounts payable, billing, accounts receivable, budgeting, fixed asset management, banking, payroll, and financial reporting.

### 2014 Key Assumptions

- The RCCo's creation will place high demands on a newly formed accounting function.
- One-time costs related to the bifurcation of WECC and the RCCo accounting function setup will have been incurred in 2013.
- Procurement is incorporated into Finance and Accounting in 2014.

### 2014 Goals and Key Deliverables

- Create financial policies for the new organization.
- Develop and document efficient accounting procedures.
- Ensure the RCCo has strong internal controls designed to protect the organization's assets and ensure accurate financial reporting.
- Develop a budget to address the risks created by an uncertain operating environment.
- Provide reporting and financial analysis to RCCo management, the Finance and Audit Committee, and the RCCo Board.
- Establish a procurement function to assist RCCo management in developing Requests for Proposals (RFP), vetting significant vendors, negotiating and drafting contracts for significant purchases, and ensuring all of the necessary approvals are obtained before the final contract is complete.

## **Funding Sources and Requirements**

### **Funding Sources (Other than ERO Assessments)**

- Not applicable.

### **Personnel Expenses**

- All Personnel Expenses relate to the addition of five positions in this area. One position is being transferred from WECC's Finance and Accounting Department and one is being transferred from WECC's General and Administrative Department. Three new positions are being added to provide a fully staffed Finance and Accounting Department for the new entity.

### **Meeting Expenses**

- Travel expenses relate to personnel in this area.

### **Operating Expenses**

- Office Costs increase relate primarily to bank charges and software licenses for accounting, fixed asset, budget, and payroll systems.
- Professional Services relate to audit and tax fees.

### **Other Non-Operating Expenses**

- Not applicable.

### **Fixed Asset Additions**

- Not applicable.

## Finance and Accounting

Funding sources and related expenses for the Finance and Accounting section of the 2014 Business Plan are shown in the table below.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>FINANCE AND ACCOUNTING</b>					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
<b>Funding</b>					
<b>RCCo Funding</b>					
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total WECC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ 332,861	\$ 332,861
Payroll Taxes	-	-	-	22,889	22,889
Benefits	-	-	-	67,369	67,369
Retirement Costs	-	-	-	22,889	22,889
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 446,008</b>	<b>\$ 446,008</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	15,000	15,000
Conference Calls	-	-	-	400	400
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,400</b>	<b>\$ 15,400</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	85,750	85,750
Professional Services	-	-	-	86,000	86,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 171,750</b>	<b>\$ 171,750</b>
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 633,158</b>	<b>\$ 633,158</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (633,158)</b>	<b>\$ (633,158)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (B+C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	-	-	-	5.0	5.0
HC	-	-	-	5.0	5.0



---

## Section B – Supplemental Financial Information 2014 Business Plan and Budget

---

## Section B — Supplemental Financial Information

### Reserve Balance

**Table B-1**

<b>Working Capital Reserve Analysis 2012-2013</b>	
<b>STATUTORY</b>	
Beginning Working Capital Reserve (Deficit), December 31, 2012	0
Plus: 2013 RCCo Funding (from Load Serving Entities (LSE) or designees)	0
Plus: 2013 Other funding sources	0
Less: 2013 Projected expenses & capital expenditures	0
<b>Projected Working Capital Reserve (Deficit), December 31, 2013</b>	<b><u>0</u></b>
Desired Working Capital Reserve, December 31, 2014	1 2,576,951
Less: Projected Working Capital Reserve, December 31, 2013	0
Less: Transfer of Reserves from WECC, January 1, 2014	(5,811,568)
<b>Increase(decrease) in assessments to achieve desired Working Capital Reserve</b>	<b><u>(3,234,617)</u></b>
2014 Expenses and Capital Expenditures	32,958,648
Less: Other Funding Sources	(156,000)
Adjustment to achieve desired Working Capital Reserve	(3,234,617)
<b>2014 RCCo Assessment</b>	<b><u>29,568,031</u></b>

1 – On June 28, 2013, the WECC Board of Directors approved this reserve level.

As a result of the creation of the RCCo, WECC's working capital reserves were split between WECC and the RCCo to provide reserves for both entities. The same population of entities provides funding for both companies and WECC management as well as WECC's Finance and Audit Committee believe reserves should be split equitably as a result. The calculation used to split the reserves was based on each entity's percent-to-total ratio of operating expenses. The RCCo's anticipated portion is \$5.8 million. The WECC Board expects that both entities will use reserves in 2014 to mitigate the impact of the RCTF recommendations and the creation of the new entity on annual Assessments.

### Breakdown by Statement of Activity Sections

The following detailed schedules, which are presented in the format used in the Regional Entity Business Plans and Budgets, are in support of the Statutory Statement of Activities and Capital Expenditures on page 7. All significant variances have been disclosed by program area in the preceding pages. For comparative purposes, the WECC 2013 SAIS budget has been included in the supplemental tables.

### Monetary Penalties

The RCCo does not collect monetary penalties for compliance violations.

### Penalty Sanctions

**Table B-2**

Penalty Sanctions Received on or Prior to June 30, 2013					
Date Received	Amount Received	Date Received	Amount Received	Date Received	Amount Received

Not Applicable.

## Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding Assessments & Penalty Sanctions)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
<b>Reliability Standards</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Workshops	\$ -	\$ -	-	\$ -
Interest	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reliability Assessment and Performance Analysis</b>				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Training and Education</b>				
Workshops	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Situation Awareness and Infrastructure Security</b>				
Federal Grants	\$ 2,786,077	\$ 10,486,952	\$ -	\$ (2,786,077)
Interest	154,450	135,721	156,000	1,550
Miscellaneous	2,060	(36,750)	-	(2,060)
<b>Total</b>	<b>\$ 2,942,586</b>	<b>\$ 10,585,923</b>	<b>\$ 156,000</b>	<b>\$ (2,786,586)</b>
<b>Technical Committees and Member Forms</b>				
Federal Grants	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Outside Funding</b>	<b>\$ 2,942,586</b>	<b>\$ 10,585,923</b>	<b>\$ 156,000</b>	<b>\$ (2,786,586)</b>

## Explanation of Significant Variances – 2014 Budget versus 2013 Budget

## Situation Awareness and Infrastructure Security

- Revenues from the WISP grant are expected to decrease by \$2.8 million. The WISP grant will end on March 31, 2014, but management expects the project to be completed by December 2013; therefore, no grant funding is included in the 2014 budget.

## Personnel Expenses

Table B-4

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
<b>Salaries</b>					
Salaries	\$ 10,464,212	\$ 12,214,031	\$ 14,959,388	\$ 4,495,176	43.0%
Employment Agency Fees	20,000	7,000	-	(20,000)	-100.0%
Temporary Office Services	16,000	58,897	-	(16,000)	-100.0%
<b>Total Salaries</b>	<b>\$ 10,500,212</b>	<b>\$ 12,279,929</b>	<b>\$ 14,959,388</b>	<b>\$ 4,459,176</b>	<b>42.5%</b>
<b>Total Payroll Taxes</b>	<b>\$ 745,846</b>	<b>\$ 907,971</b>	<b>\$ 963,709</b>	<b>\$ 217,863</b>	<b>29.2%</b>
<b>Benefits</b>					
Workers Compensation	\$ -	\$ 1,279	\$ -	\$ -	
Medical Insurance	903,327	1,044,647	1,890,424	987,097	109.3%
Life-LTD-STD Insurance	79,974	79,965	108,827	28,853	36.1%
Education	70,292	100,919	319,352	249,060	354.3%
Relocation	33,596	73,496	192,000	158,404	471.5%
Other	6,231	6,616	-	(6,231)	-100.0%
<b>Total Benefits</b>	<b>\$ 1,093,420</b>	<b>\$ 1,306,922</b>	<b>\$ 2,510,603</b>	<b>\$ 1,417,183</b>	<b>129.6%</b>
<b>Retirement</b>					
Discretionary 401k Contribution	\$ 647,167	\$ 824,044	\$ 963,709	\$ 316,542	48.9%
Savings Plan	-	-	-	-	
<b>Total Retirement</b>	<b>\$ 647,167</b>	<b>\$ 824,044</b>	<b>\$ 963,709</b>	<b>\$ 316,542</b>	<b>48.9%</b>
<b>Total Personnel Costs</b>	<b>\$ 12,986,645</b>	<b>\$ 15,318,866</b>	<b>\$ 19,397,409</b>	<b>\$ 6,410,764</b>	<b>49.4%</b>
<b>FTEs</b>	<b>85.0</b>	<b>97.5</b>	<b>149.1</b>	<b>64.1</b>	<b>75.4%</b>
<b>Cost per FTE</b>					
Salaries	\$ 123,532	\$ 125,948	\$ 100,342	(23,189)	-18.8%
Payroll Taxes	8,775	9,313	6,464	(2,310)	-26.3%
Benefits	12,864	13,404	16,840	3,977	30.9%
Retirement	7,614	8,452	6,464	(1,149)	-15.1%
<b>Total Cost per FTE</b>	<b>\$ 152,784</b>	<b>\$ 157,117</b>	<b>\$ 130,111</b>	<b>\$ (22,673)</b>	<b>-14.8%</b>

## Explanation of Significant Variances – 2014 Budget versus 2013 Budget

**Salaries**

- Salaries increase by \$4.5 million due to the addition of 64.1 FTEs (as discussed in the previous sections), merit increases of 4.0 percent for those employees transferred from WECC, and a retention/severance plan (due to the creation of the new entity).

**Payroll Taxes**

- Payroll Taxes increase due to the addition of 64.1 FTEs.

**Benefits**

- Medical Insurance increases by \$987,000 due to the increase in FTEs and an estimated 20 percent increase in insurance rates.
- Life, Long-Term Disability, and Short-Term Disability Insurance increases by \$29,000 due to the increase in FTEs.
- Education increases by \$249,000 due to the increase in FTEs.

- Relocation increases by \$158,000 due to the increase in FTEs and the creation of the new entity.

**Retirement**

- Contributions to 401k plans increase by \$317,000 due to the increase in FTEs.

## Consultants and Contracts

**Table B-5**

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	-	-	-	-	
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	922,290	5,506,492	950,000	27,710	3.0%
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	197,500	197,500	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Consultants Total</b>	<b>\$ 922,290</b>	<b>\$ 5,506,492</b>	<b>\$ 1,147,500</b>	<b>\$ 225,210</b>	<b>24.4%</b>

Contracts	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
<b>Contracts</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	-	-	-	-	
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	1,500,000	4,650,039	-	(1,500,000)	-100.0%
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	120,000	120,000	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
<b>Contracts Total</b>	<b>\$ 1,500,000</b>	<b>\$ 4,650,039</b>	<b>\$ 120,000</b>	<b>\$ (1,380,000)</b>	<b>-92.0%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 2,422,290</b>	<b>\$ 10,156,531</b>	<b>\$ 1,267,500</b>	<b>\$ (1,154,790)</b>	<b>-47.7%</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

#### Consultants

- Situation Awareness consultants increase by a net \$28,000. The primary drivers are a decrease of \$754,000 due to the completion of the WISP grant and an increase of \$822,000 due to the ECC project.
- General and Administrative consultants increase by \$197,000 mainly due to the introduction of a RCCo stakeholder survey, website design fees, development of communications collateral and public relations, and advertising expenses.

#### Contracts

- Situation Awareness contracts decrease by \$1.5 million due to the completion of the WISP grant.
- Legal contracts increase by \$120,000 due to corporate compliance mock audits and inspections.

## Office Rent

Table B-6

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 553,064	\$ 494,458	\$ 1,006,764	453,700	82.0%
Utilities	128,712	128,712	186,876	58,164	45.2%
Maintenance	79,305	138,614	75,084	(4,221)	-5.3%
Security	7,000	5,250	8,004	1,004	14.3%
<b>Total Office Rent</b>	<b>\$ 768,081</b>	<b>\$ 767,034</b>	<b>\$ 1,276,728</b>	<b>\$ 508,647</b>	<b>66.2%</b>

**Explanation of Significant Variances – 2014 Budget versus 2013 Budget**

- Office Rent increases \$454,000 due to additional space required for an additional 64.1 FTEs.
- Utilities increase \$58,000 due to additional space required for an additional 64.1 FTEs.



## Office Costs

Table B-7

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Telephone	\$ 69,500	\$ 133,240	\$ 117,000	\$ 47,500	68.3%
Internet	904,404	1,256,886	907,860	3,456	0.4%
Office Supplies	97,300	647,362	172,456	75,156	77.2%
Computer Supplies and Maintenance	3,340,100	3,981,902	5,480,775	2,140,675	64.1%
Publications & Subscriptions	-	-	21,615	21,615	
Dues and Fees	15,000	20,216	112,400	97,400	649.3%
Postage	400	952	1,080	680	170.0%
Express Shipping	3,600	7,036	7,540	3,940	109.4%
Copying	88,000	73,014	123,600	35,600	40.5%
Bank Charges	-	-	42,000	42,000	
Taxes	-	-	-	-	
<b>Total Office Costs</b>	<b>\$ 4,518,304</b>	<b>\$ 6,120,608</b>	<b>\$ 6,986,326</b>	<b>\$ 2,468,022</b>	<b>54.6%</b>

## Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Telephone expense increases \$47,000 due to the addition of 64.1 FTEs.
- Office Supplies increase by \$75,000 due to the increase in FTEs.
- Computer Supplies and Maintenance increase by \$2.1 million due to the increase in FTEs and the additional equipment and software licenses associated with ongoing WISP operations.
- Dues and fees increase by \$77,000 due to the increase in FTEs.
- Copying increases by \$36,000 due to the creation of the new entity and the RCTF recommendations.
- Bank Charges increase \$42,000 due to the establishment of new bank accounts for the RCCo.

## Professional Services

Table B-8

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Non-affiliated Director fees	\$ -	\$ -	\$ 362,280	\$ 362,280	
Outside Legal	5,000	5,000	47,000	42,000	840.0%
Accounting & Auditing Fees	-	77,144	86,000	86,000	
Insurance Commercial	-	-	168,000	168,000	
<b>Total Services</b>	<b>\$ 5,000</b>	<b>\$ 82,144</b>	<b>\$ 663,280</b>	<b>\$ 658,280</b>	<b>13165.6%</b>

## Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Non-affiliated Director fees decrease by \$362,000 due to the setup of the new organization and a new Board of Independent Directors.
- Outside Legal increases by \$42,000 due to the setup of the new RCCo organization.
- Accounting & Auditing Fees increase by \$86,000 due to the setup of the new organization and the need for an annual audit and informational tax returns.
- Insurance Commercial increases by \$168,000 due to the need for stand-alone insurance policies for the RCCo.

## Other Non-Operating

Table B-9

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

## Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Not applicable

---

Section C – Additional Consolidated Financial  
Statements  
2014 Business Plan and Budget

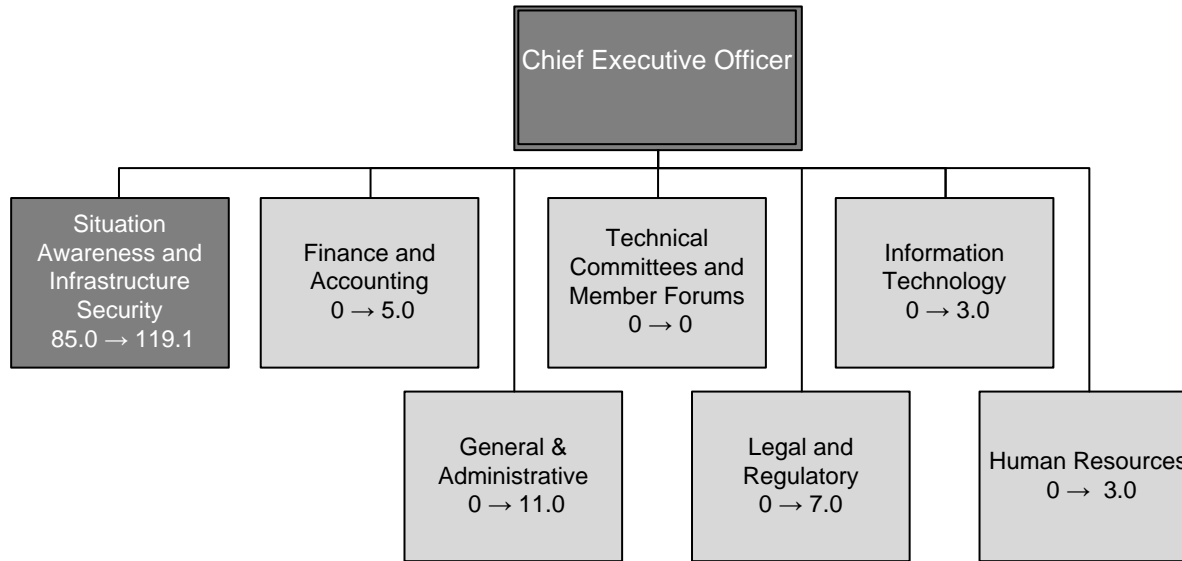
---

Section D — Additional Financial Statements

Section C – Additional Consolidated Financial Statements  
2014 Consolidated Statement of Activities by Program

Statement of Activities and Capital Expenditures by Program 2014 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement										Non-Statutory Functions			
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total	
<b>Funding</b>																	
<b>WECC Funding</b>																	
WECC Assessments	29,568,031	29,568,031	-	29,568,031	-	-	-	-	-	29,568,031	-	-	-	-	-	-	-
Penalty Sanctions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total WECC Funding</b>	<b>29,568,031</b>	<b>29,568,031</b>	-	<b>29,568,031</b>	-	-	-	-	-	<b>29,568,031</b>	-	-	-	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	156,000	156,000	-	156,000	-	-	-	-	-	156,000	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Funding (A)</b>	<b>29,724,031</b>	<b>29,724,031</b>	-	<b>29,724,031</b>	-	-	-	-	-	<b>29,724,031</b>	-	-	-	-	-	-	-
<b>Expenses</b>																	
<b>Personnel Expenses</b>																	
Salaries	14,959,388	14,959,388	-	14,959,388	-	-	-	-	-	11,932,371	-	1,366,486	753,162	200,356	374,152	332,861	-
Payroll Taxes	963,709	963,709	-	963,709	-	-	-	-	-	787,893	-	74,191	51,174	13,787	13,775	22,889	-
Benefits	2,510,603	2,510,603	-	2,510,603	-	-	-	-	-	1,680,551	-	145,572	87,069	33,515	496,527	67,369	-
Retirement Costs	963,709	963,709	-	963,709	-	-	-	-	-	787,893	-	74,191	51,174	13,787	13,775	22,889	-
<b>Total Personnel Expenses</b>	<b>19,397,409</b>	<b>19,397,409</b>	-	<b>19,397,409</b>	-	-	-	-	-	<b>15,188,708</b>	-	<b>1,660,440</b>	<b>942,579</b>	<b>261,445</b>	<b>898,229</b>	<b>446,008</b>	-
<b>Meeting Expenses</b>																	
Meetings	306,183	306,183	-	306,183	-	-	-	-	-	1,083	260,000	45,100	-	-	-	-	-
Travel	804,138	804,138	-	804,138	-	-	-	-	-	455,288	42,000	237,250	36,000	8,400	10,200	15,000	-
Conference Calls	45,084	45,084	-	45,084	-	-	-	-	-	15,384	2,680	19,620	1,200	4,800	1,000	400	-
<b>Total Meeting Expenses</b>	<b>1,155,405</b>	<b>1,155,405</b>	-	<b>1,155,405</b>	-	-	-	-	-	<b>471,755</b>	<b>304,680</b>	<b>301,970</b>	<b>37,200</b>	<b>13,200</b>	<b>11,200</b>	<b>15,400</b>	-
<b>Operating Expenses</b>																	
Consultants & Contracts	1,267,500	1,267,500	-	1,267,500	-	-	-	-	-	950,000	-	197,500	120,000	-	-	-	-
Office Rent	1,276,728	1,276,728	-	1,276,728	-	-	-	-	-	27,996	-	1,248,732	-	-	-	-	-
Office Costs	6,986,326	6,986,326	-	6,986,326	-	-	-	-	-	6,291,501	2,350	246,111	28,864	248,400	83,350	85,750	-
Professional Services	663,280	663,280	-	663,280	-	-	-	-	-	-	362,280	-	190,000	-	25,000	86,000	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	3,625,000	3,625,000	-	3,625,000	-	-	-	-	-	3,618,000	-	7,000	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>13,818,834</b>	<b>13,818,834</b>	-	<b>13,818,834</b>	-	-	-	-	-	<b>10,887,497</b>	<b>364,630</b>	<b>1,699,343</b>	<b>338,864</b>	<b>248,400</b>	<b>108,350</b>	<b>171,750</b>	-
<b>Total Direct Expenses</b>	<b>34,371,648</b>	<b>34,371,648</b>	-	<b>34,371,648</b>	-	-	-	-	-	<b>26,547,960</b>	<b>669,310</b>	<b>3,661,753</b>	<b>1,318,643</b>	<b>523,045</b>	<b>1,017,779</b>	<b>633,158</b>	-
<b>Indirect Expenses</b>																	
Indirect Expenses	-	-	-	-	-	-	-	-	-	7,823,688	(669,310)	(3,661,753)	(1,318,643)	(523,045)	(1,017,779)	(633,158)	-
<b>Other Non-Operating Expenses</b>																	
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses (B)</b>	<b>34,371,648</b>	<b>34,371,648</b>	-	<b>34,371,648</b>	-	-	-	-	-	<b>34,371,648</b>	-	-	-	-	-	-	-
<b>Change in Assets</b>																	
Change in Assets	(4,647,617)	(4,647,617)	-	(4,647,617)	-	-	-	-	-	(4,647,617)	-	-	-	-	-	-	-
<b>Fixed Assets</b>																	
Depreciation	(3,625,000)	(3,625,000)	-	(3,625,000)	-	-	-	-	-	(3,618,000)	-	(7,000)	-	-	-	-	-
Computer & Software CapEx	1,373,000	1,373,000	-	1,373,000	-	-	-	-	-	1,373,000	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	36,000	36,000	-	36,000	-	-	-	-	-	-	-	36,000	-	-	-	-	-
Equipment CapEx	803,000	803,000	-	803,000	-	-	-	-	-	803,000	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	29,000	-	(29,000)	-	-	-	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(1,413,000)</b>	<b>(1,413,000)</b>	-	<b>(1,413,000)</b>	-	-	-	-	-	<b>(1,413,000)</b>	-	-	-	-	-	-	-
<b>TOTAL BUDGET (B+C)</b>	<b>32,958,648</b>	<b>32,958,648</b>	-	<b>32,958,648</b>	-	-	-	-	-	<b>32,958,648</b>	-	-	-	-	-	-	-
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>(3,234,617)</b>	<b>(3,234,617)</b>	-	<b>(3,234,617)</b>	-	-	-	-	-	<b>(3,234,617)</b>	-	-	-	-	-	-	-
<b>FTEs</b>	<b>149.1</b>	<b>149.1</b>	-	<b>149.1</b>	-	-	-	-	-	<b>119.08</b>	-	<b>12.0</b>	<b>7.0</b>	<b>3.0</b>	<b>3.0</b>	<b>5.0</b>	-
<b>HC</b>	<b>155.0</b>	<b>155.0</b>	-	<b>155.0</b>	-	-	-	-	-	<b>125.00</b>	-	<b>12.0</b>	<b>7.0</b>	<b>3.0</b>	<b>3.0</b>	<b>5.0</b>	-

## Appendix A: Organizational Chart



## Appendix B: 2014 Budget & Projected 2015 and 2016 Projections

<b>Statement of Activities and Capital Expenditures</b>							
<b>2014 Budget &amp; Projected 2015 and 2016 Budgets</b>							
<b>Statutory</b>							
	2014 Budget	2015 Projection	\$ Change 14 v 15	% Change 14 v 15	2016 Projection	\$ Change 15 v 16	% Change 15 v 16
<b>Funding</b>							
<b>ERO Funding</b>							
WECC Assessments	\$ 29,568,031	\$ 35,174,653	\$ 5,606,622	19.0%	\$ 34,873,580	\$ (301,073)	-0.9%
Penalty Sanctions	-	-	-		-	-	
<b>Total ERO Funding</b>	<b>\$ 29,568,031</b>	<b>\$ 35,174,653</b>	<b>\$ 5,606,622</b>	<b>19.0%</b>	<b>\$ 34,873,580</b>	<b>\$ (301,073)</b>	<b>-0.9%</b>
Membership Dues							
Federal Grants	-	-	-		-	-	
Workshops							
Interest	156,000	162,240	6,240	4.0%	168,730	6,490	4.0%
Miscellaneous	-	-	-		-	-	
<b>Total Funding (A)</b>	<b>\$ 29,724,031</b>	<b>\$ 35,336,893</b>	<b>\$ 5,612,862</b>	<b>18.9%</b>	<b>\$ 35,042,310</b>	<b>\$ (294,583)</b>	<b>-0.8%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 14,959,388	\$ 16,776,778	1,817,390	12.1%	\$ 17,901,020	1,124,242	6.7%
Payroll Taxes	963,709	1,040,161	76,452	7.9%	\$ 1,081,767	41,606	4.0%
Benefits	2,510,603	2,463,000	(47,603)	-1.9%	\$ 2,561,520	98,520	4.0%
Retirement Costs	963,709	1,040,161	76,452	7.9%	\$ 1,081,767	41,606	4.0%
<b>Total Personnel Expenses</b>	<b>\$ 19,397,409</b>	<b>\$ 21,320,100</b>	<b>\$ 1,922,691</b>	<b>9.9%</b>	<b>\$ 22,626,074</b>	<b>\$ 1,305,974</b>	<b>6.1%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 306,183	\$ 318,430	12,247	4.0%	\$ 331,168	12,738	4.0%
Travel	804,138	836,304	32,166	4.0%	869,756	33,452	4.0%
Conference Calls	45,084	46,887	1,803	4.0%	48,763	1,876	4.0%
<b>Total Meeting Expenses</b>	<b>\$ 1,155,405</b>	<b>\$ 1,201,621</b>	<b>\$ 46,216</b>	<b>4.0%</b>	<b>\$ 1,249,687</b>	<b>\$ 48,066</b>	<b>4.0%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 1,267,500	\$ 690,300	(577,200)	-45.5%	\$ 448,811	(241,489)	-35.0%
Office Rent	1,276,728	1,327,797	51,069	4.0%	1,380,909	53,112	4.0%
Office Costs	6,986,326	7,540,679	554,353	7.9%	6,818,426	(722,253)	-9.6%
Professional Services	663,280	689,811	26,531	4.0%	717,404	27,593	4.0%
Miscellaneous	-	-	-		-	-	
Depreciation	3,625,000	3,987,500	362,500	10.0%	4,386,250	398,750	10.0%
<b>Total Operating Expenses</b>	<b>\$ 13,818,834</b>	<b>\$ 14,236,087</b>	<b>\$ 417,253</b>	<b>3.0%</b>	<b>\$ 13,751,800</b>	<b>\$ (484,287)</b>	<b>-3.4%</b>
<b>Total Direct Expenses</b>	<b>\$ 34,371,648</b>	<b>\$ 36,757,808</b>	<b>\$ 2,386,160</b>	<b>6.9%</b>	<b>\$ 37,627,561</b>	<b>\$ 869,753</b>	<b>2.4%</b>
Indirect Expenses	-	-	-		-	-	
Other Non-Operating Expenses	-	-	-		-	-	
<b>Total Expenses (B)</b>	<b>\$ 34,371,648</b>	<b>\$ 36,757,808</b>	<b>\$ 2,386,160</b>	<b>6.9%</b>	<b>\$ 37,627,561</b>	<b>\$ 869,753</b>	<b>2.4%</b>
<b>Change in Assets</b>	<b>\$ (4,647,617)</b>	<b>\$ (1,420,915)</b>	<b>\$ 3,226,702</b>	<b>-69.4%</b>	<b>\$ (2,585,251)</b>	<b>\$ (1,164,336)</b>	<b>81.9%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (3,625,000)	\$ (3,987,500)	\$ (362,500)	10.0%	\$ (4,386,250)	\$ (398,750)	10.0%
Computer & Software CapEx	2,176,000	2,463,520	287,520	13.2%	1,762,061	(701,459)	-28.5%
Furniture & Fixtures CapEx	36,000	37,440	1,440	4.0%	38,938	1,498	4.0%
Leasehold Improvements	-	65,625	65,625		-	(65,625)	-100.0%
<b>Incr(Dec) in Fixed Assets (C)</b>	<b>\$ (1,413,000)</b>	<b>\$ (1,420,915)</b>	<b>\$ (7,915)</b>	<b>0.6%</b>	<b>\$ (2,585,251)</b>	<b>\$ (1,164,336)</b>	<b>81.9%</b>
<b>TOTAL BUDGET (=B+C)</b>	<b>\$ 32,958,648</b>	<b>\$ 35,336,893</b>	<b>\$ 2,378,245</b>	<b>7.2%</b>	<b>\$ 35,042,310</b>	<b>\$ (294,583)</b>	<b>-0.8%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (3,234,617)</b>	<b>\$ -</b>	<b>\$ 3,234,617</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
FTEs	149.1	158.6	9.6	6.4%	163.0	4.4	2.7%
HC	155.0	163.0	8.0	5.2%	163.0	-	0.0%

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 12**

**WESTERN INTERCONNECTION  
REGIONAL ADVISORY BODY**

**PROPOSED 2014 BUSINESS PLAN AND BUDGET**



**2014 Business Plan and Budget**

**Western Interconnection Regional Advisory Body**

**Approved by:  
The Western Interconnection Regional Advisory Body**

June 14, 2013

# Table of Contents

<b>Introduction</b> .....	<b>3</b>
<b>Section A — 2014 Business Plan</b> .....	<b>15</b>
Western Interconnection Regional Advisory Body .....	
<b>Section B — Supplemental Financial Information</b> .....	<b>19</b>
Reserve Balance .....	19
Breakdown by Statement of Activity Sections .....	20
<b>Section C — 2014 Non-Statutory Business Plan and Budget</b> .....	<b>24</b>
Not applicable to WIRAB.....	
<b>Section D</b> .....	<b>26</b>
2013 Consolidated Statement of Activities by Program, Statutory and Non-Statutory .....	26

## Introduction

<b>TOTAL RESOURCES</b> (in whole dollars)				
	<b>2014 Budget</b>	<b>U.S.</b>	<b>Canada</b>	<b>Mexico</b>
Statutory FTEs	2.85			
Non-statutory FTEs				
<b>Total FTEs</b>	2.85			
Statutory Expenses	\$ 703,700			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 703,700			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ -			
Statutory Working Capital Requirement	\$ (114,792)			
Non-Statutory Working Capital Requirement				
<b>Total Working Capital Requirement</b>	\$ (114,792)			
Total Statutory Funding Requirement	\$ 588,908			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 588,908			
<b>Statutory Funding Assessments</b>	\$ 588,408	\$ 499,050	\$ 81,478	\$ 7,880
<b>Non-Statutory Fees</b>				
NEL	866,703,757	735,082,752	120,014,087	11,606,918
NEL%	100.00%	84.81%	13.85%	1.34%

\*Refer to Table B-1 on page 16 in Section B.

## Organizational Overview

In April 2006, ten Western Governors petitioned to create the Western Interconnection Regional Advisory Body under Section 215(j) of the Federal Power Act. The Governors indicated their interest in inviting all U.S. states, Canadian provinces and Mexico, which have territory in the Western Interconnection, to join WIRAB.

Pursuant to the order of the Federal Energy Regulatory Commission (FERC) in Docket No. RR06-2-000 issued on July 20, 2006 (the "Order")<sup>1</sup>, the FERC:

- Granted the Western Governors' petition to establish the Western Interconnection Regional Advisory Body (WIRAB) under Section 215(j) of the Federal Power Act;
- Granted the request that WIRAB receive funding for reasonable costs of its Section 215(j) activities; and
- Directed WIRAB to develop a budget and related information and submit it to the ERO for review by the ERO and submission through the ERO budget approval process.

<sup>1</sup> Order on Petition to Establish a Regional Advisory Body for the Western Interconnection, 116 FERC ¶61,061, Docket No. RR06-2-000, July 20, 2006.

The Order states that funding for Regional Advisory Bodies should be part of the overall funding process for the Electric Reliability Organization (ERO). The Commission instructed WIRAB to develop a budget in a form similar to that specified for regional entities as set forth in Order 672.<sup>2</sup> The July 20 Order specified that the WIRAB should annually develop and submit to the ERO its budget for 215(j) activities and an organization chart that the ERO will then review and submit to the Commission. The WIRAB submission also needs to identify the portion of its costs for 215(j) activities that will be funded from Canada and Mexico, and the basis for this allocation.

## Membership and Governance

All of the states with territory in the Western Interconnection (AZ, CA, CO, ID, MT, NE, NV, NM, OR, SD, TX, UT, WA, WY), the provinces of Alberta and British Columbia, and Mexico are members of WIRAB. Below is the list of members appointed by the Governor or Premier:

Alberta	David James, Department of Energy
Arizona	Leisa Brug, Governor's Office
British Columbia	Scott Barillaro, Ministry of Energy, Mines and Petroleum Resources
California	Bill Chamberlain, California Energy Commission
Colorado	Jeff Ackermann, Governor's Energy Office
Idaho	Marsha Smith, Public Utilities Commission
Mexico	Marcos Valenzuela, CFE
Montana	Tom Kaiserski, Department of Commerce
Nebraska	Tim Texel, Nebraska Power Review Board
Nevada	Rebecca Wagner, Public Utilities Commission
New Mexico	David Martin, Energy, Minerals and Natural Resources Department
Oregon	John Savage, Public Utility Commission
South Dakota	Brian Rounds, Public Utilities Commission
Texas	Vacant
Utah	Cody Stewart, Governor's Office
Washington	Tony Usibelli, Department of Community, Trade and Economic Development
Wyoming	Shawn Reese, Governor's Office

The Governors created WIRAB as a standing advisory committee to the Western Interstate Nuclear Board (WINB), which was formed pursuant to the Western Interstate Nuclear Compact, P.L. 91-461. Members of the WIRAB are appointees of the Governors and Premiers or their alternates. WIRAB has the same status under the compact as the Western Interstate

<sup>2</sup> Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Reliability Standards, Order 672, Docket RM05-30-000, Feb. 3, 2006, P. 228. "Each Regional Entity must submit its complete business plan, entire budget and organizational chart to the ERO for it to submit to the Commission. The complete business plan and the entire budget will provide the Commission with necessary information about any non-statutory activities, the source of their funding, and whether the pursuit of such activities presents a conflict of interest for the Regional Entity. For a Cross-Border Regional Entity, this information will also inform the Commission as to what portion of the budget is expended upon activities within the United States."

---

Energy Board (WIEB). WIRAB operates under the bylaws of WINB as revised on April 4, 2006. (See organizational chart on page 14.)

## Statutory Functional Scope

FERC approved the petition of the Western Governors to create WIRAB as a regional advisory body under Section 215(j) of the Federal Power Act.

## 2014 Key Assumptions

- WIRAB continues to operate with the participation of all U.S. States and Canadian Provinces in the Western Interconnection, and Mexico.
- WIRAB continues to meet regularly by conference call and topical webinars, and is scheduled to hold two in-person meetings in 2014. WIRAB representatives will meet with FERC at its offices once in 2014.
- Beginning January 1, 2014, the existing Western Electricity Coordinating Council (WECC) will be bifurcated into WECC and a Reliability Coordination Company (RCCo).
- There is no significant expansion of FERC, NERC or WECC responsibilities as a result of legislation pending in the U.S. Congress.
- Fiscal constraints in State and Provincial agency budgets make the reimbursement of travel costs associated with WIRAB activities more important.

## 2014 Goals and Key Deliverables

- Advice to FERC, NERC and WECC and the new RCCo on whether standards, budgets and fees, governance, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest. WIRAB will examine fees, standards and governance of WECC and NERC. It will continue to pursue its long-standing priorities of: determining if consumers are getting a “bang-for-the-buck” being spent on reliability including the development of metrics to measure system reliability; promoting comity among entities in the Canadian, U.S. and Mexican portions of the Western Interconnection; and fostering transparency in the activities of WECC, the RCCo and NERC.
- Regular conference calls or in-person meetings of WIRAB, which include opportunities for public comment.
- Webinars or workshops to expand the understanding of States and Provinces on reliability issues. For example, WIRAB has held a series of webinars for Western states/provinces on the proposed bifurcation of WECC. The primary audience of the

webinars is WIRAB members, however, because of the broad interest in the webinar topics, other Western state and provincial agency personnel will be invited to participate.

- Monitoring of reliability issues important to the Western Interconnection including, but not limited to the following actions.
  - Registered entity, WECC, NERC and FERC actions to implement the recommendations from the NERC/FERC inquiry into the September 8, 2011 Southwest outage, the largest outage in the Western Interconnection since 1996, including critical reforms such as improved data sharing and operational practices.
  - Implementation of the bifurcation of WECC, including whether bifurcation goals, such as an increased focus on reliability, are being achieved.
  - Trends in violations, including work with FERC on implementation of a violations mapping tool based on WIRAB's pilot web-based violations mapping tool and work with WECC on its violations data which is under development.
  - The reliability impacts of a Western energy imbalance market and other reforms (e.g., changes to reserve sharing practices) designed to improve system efficiency and lower the cost of integrating variable generation.
  - Monitoring the changing generation mix in the Western Interconnection and implications for system operations and reliability.
  - Federal government cyber security actions with a particular focus on opportunities for states, particularly PUCs to assist in improving the cyber security preparedness of Western entities.

Information gleaned from monitoring issues will be used by WIRAB staff to prepare briefing memos for WIRAB members prior to all WIRAB conference calls and meetings and to identify webinar topics. The monitoring effort involves participation in all meetings of the WECC Board of Directors, including reports on WIRAB concerns and recommendations, attendance at selected meetings of the NERC Board of Trustees and Members' Representatives Committee, and attendance at selected WECC committee and work group meetings. WIRAB's meetings, webinars and monitoring better inform Western states, Western provinces and Mexico on grid reliability issues. Based on this informational foundation, WIRAB will offer concise and relevant advice to FERC, NERC, WECC and the new RCCo that reflects the public interest of Western states, Western provinces and Mexico. WIRAB's work also promotes international comity with Western Canadian Provinces and Mexico on reliability issues which is necessary for the effective implementation of reliability standards in the Western Interconnection.

## **I. 2014 Initiatives**

### **A. WECC bifurcation**

The WECC bifurcation discussions began in June 2012 and are in response to the findings from the FERC/NERC report on the September 8, 2011 Pacific Southwest Outage.

Additionally, NERC CEO Gerry Cauley specifically recommended that WECC consider this structural change in his July 26, 2012 letter to WECC CEO Mark Maher. While a final decision on bifurcation will not take place until the June 27, 2013 WECC Annual Board Meeting and necessary filings with NERC and FERC, the assumption is that bifurcation will go forward and that the WECC Regional Entity and a new RCCo will begin operations January 1, 2014.

- As appropriate, WIRAB will provide advice to WECC and the RCCo.
- As appropriate, WIRAB will provide advice to NERC and FERC on actions needed to achieve the goals of bifurcation and to improve reliability in the Western Interconnection.
- WIRAB will hold webinars and other outreach activities to state/provincial officials to expand their understanding of topics being addressed by WECC and the RCCo, and the programs and policies being implemented by the two organizations.
- WIRAB will monitor the implementation of the bifurcation to determine if it is achieving its objectives, including monitoring the efficacy of the division of responsibilities between WECC and the RCCo in areas such as planning and data sharing.
- WIRAB's staff work will be supplemented by technical consulting services, particularly as it relates to the work of the RCCo and the interaction of WECC and the RCCo.

#### **B. Deficiencies in Western Interconnection operations**

The September 8, 2011 Southwest outage highlighted significant deficiencies in the operation of the Western grid. These shortcomings have been confirmed in WECC's 2012 survey of the practices of Generator Owners, Generator Operators, Planning Coordinators, the Reliability Center, Transmission Operators and Transmission Providers and in work conducted for the State-Provincial Steering Committee on the application of new transmission technologies.

In 2014, WIRAB will undertake two new initiatives to address deficiencies in grid operation:

1. Investigate ways to improve reliability and lower costs to consumers in the current grid operations structure in the Western Interconnection and make recommendations for improved data sharing, model data inputs, the use of grid management tools, training, audits, and transparency. This work will take into account the changing generation mix in the Western Interconnection with substantially greater amounts of variable generation, which has low spinning mass generation, and greater amounts of distributed generation.

Given the reality of today's system – that advanced situational analysis and grid management technologies are available but are not being widely used – further inquiry is warranted in order to improve WIRAB's advice to FERC, NERC, WECC and the RCCo, and to determine how States and Provinces can encourage the adoption and use of these technologies.

- WIRAB will work with WECC and other interested parties in the Western Interconnection to improve data sharing. WIRAB will consider actions that could

- improve data sharing among system operators and with market operators and researchers, including a potential Declaratory Order by FERC and modifications to the existing WECC Universal Non-Disclosure Agreement. WIRAB will also closely monitor the evolution of data sharing practices between WECC and the RCCo to improve reliability and minimize costs to consumers.
- WIRAB will work to improve grid reliability by strengthening the directives from the Reliability Center and promoting actions by the RCCo to improve operational practices, maintain central network models and tools, provide services particularly to small BAs, TOPs and GOs and foster technological innovation in the Western Interconnection.
  - WIRAB will work with interested parties in the region to encourage the use and timely maintenance of accurate network models.
  - WIRAB will explore options to current training and audit programs to accelerate the use of best operating practices, including examining successful practices in other regions and industries. WIRAB will examine whether training should be funded under Section 215 and done across companies. WIRAB will examine potential changes to WECC audit procedures to promote sharing of best practices and collaboration among companies in sharing information and relying on one another's analyses.
  - WIRAB will continue to encourage practices by NERC and FERC that would make public the names of companies with confirmed non-CIP violations.
  - WIRAB will review and provide feedback to WECC on its annual survey of the practices of Registered Entities.
2. Investigate the implications of alternative grid operations structures on reliability and costs to consumers. This work will examine new grid operational structures, such as geographically-broad Balancing Authorities, consolidation of functions across multiple Balancing Authorities or Transmission Operators (e.g., measures such as an Energy Imbalance Market, the Northwest Power Pool MC's proposed Following Reserve Assistance Program), and closer operational coordination between the RCCo and Registered Entities (e.g., centrally managed models and tools).

### **C. Improved understanding of reliability implications of greater use of natural gas for power generation**

Using information from a forthcoming study by the State-Provincial Steering Committee, WIRAB will examine the adequacy of the gas system to meet needs of the Western electricity



sector, including gas supplies to power plants to meet ramping requirements driven by changes in load and the output of variable generation.

- WIRAB will monitor actions at FERC, NERC, WECC and NAESB and in different regions of the country to improve coordination at the interface of the natural gas and electric industries.
- As appropriate, WIRAB will offer advice on actions to reduce outages due to gas supply disruptions.

#### **D. Improved understanding of reliability issues by states/provinces:**

It is important that state/provincial officials stay abreast of reliability-related developments. To meet this need, WIRAB will hold a series of webinars addressing topics, such as: *the future of funding under Section 215 of the Federal Power Act to advance reliability objectives; Critical Infrastructure Protection and NERC Cybersecurity Standards (CIP Version 5 and how it compares to Version 4); FERC Order No. 773 Approving NERC's Definition for the BES.*

As part of improving state/provincial understanding of grid reliability issues, WIRAB plans to examine existing, proposed and potential measures that show the Western Interconnection is doing either a “good,” “bad,” or “satisfactory” job in preventing cascading outages. WIRAB will examine the feasibility of using a number of quantitative desired end-state metrics that measure the reliability of the system. The work would build on WECC’s first “State of the Interconnection” report and similar work by NERC. The objective is metrics comparable to the quality-of-services benchmarks used for utilities (e.g., SAIFI (number of “blips”), SAIDI (duration of “blips”), restoration response, injuries and deaths, and at-fault customer service quality complaints). This could lead to a “reliability dashboard” to show the reliability performance of companies.

#### **E. Other activities**

- **Variable Generation**
  - WIRAB will evaluate whether WECC’s work on variable generation issues adds value to Western actions to lower the cost of integrating variable generation in a reliable manner.
  - WIRAB will examine the reliability benefits from the operation of a real-time Energy Imbalance Market.
  - WIRAB will consider potential advice to WECC, the RCCo, NERC and/or FERC on the functions WECC and the RCCo should be performing to adequately address the reliability challenges presented by variable generation.
- **Cybersecurity**
  - WIRAB will monitor and evaluate the impact of pending federal legislation.
  - WIRAB will assess NERC, WECC and RCCo implementation of any newly-enacted cyber legislation.

- **Consistency in Standards and the Sharing of Data Across International Borders**
  - WIRAB will foster consistency in standards and the sharing of data across international borders.
- **Deployment of advanced grid monitoring and operating technologies.**
  - Building on the planned Fall 2013 Western Interconnection Transmission Technology Forum, WIRAB will identify and foster the use of advanced technologies in grid operations that will build on the expanding deployment of PMUs and development of tools to use synchrophaser data.

## **II. WIRAB Board Operations**

- Hold regular meetings with FERC staff and/or Commissioners.
- Coordinate with WECC and NERC on receipt of revenues to support the 2012 WIRAB budget.
- Develop the 2015 proposed WIRAB business plan and budget.
- Execute annual audit of WIRAB finances.

## **III. Meetings and Technical Conferences**

- Attend all WECC and RCCo Board meetings.
- Attend WECC and RCCo committee and subcommittee meetings on germane issues.
- Attend WECC and RCCo workshops on system operations and standards.
- Attend some, but not all, NERC Board meetings and NERC Member Representatives Committee meetings.
- Attend selected NERC meetings and workshops on relevant topics.
- Monitor all FERC business meetings.
- Attend, by webcast or in person, FERC technical conferences on reliability issues.
- Annually visit with FERC in its offices.

## **IV. WIRAB Educational Seminars and Webinars**

- Hold briefings and webinars for WIRAB members and other Western state and provincial officials on reliability issues important to regulatory commissions and energy agencies in the Western Interconnection.

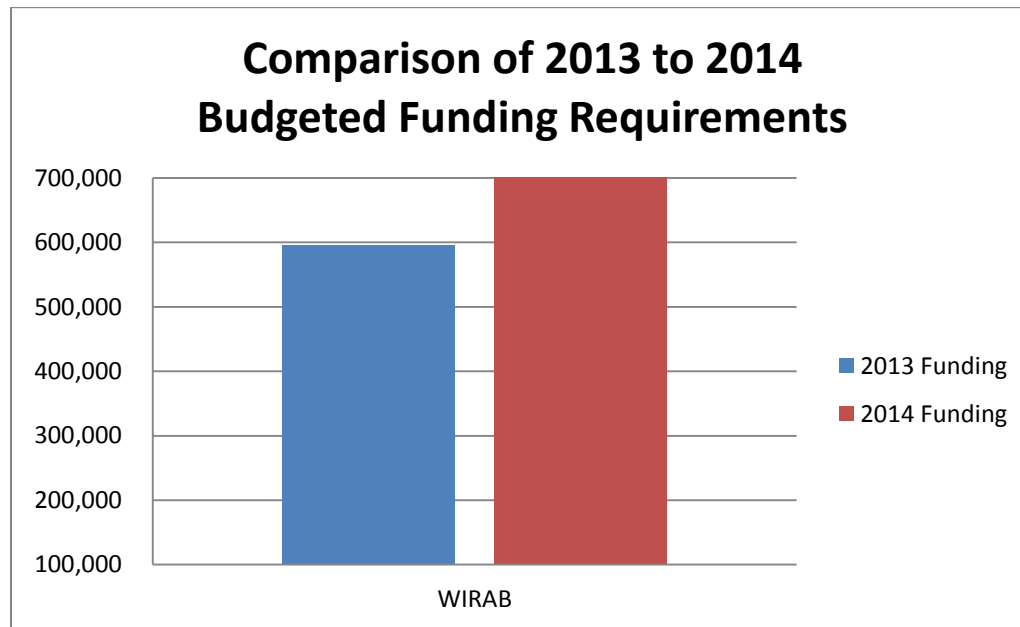
## 2014 Overview of Cost Impacts

WIRAB's proposed 2014 budget is \$703,700, a notable increase from the 2013 budget. Total projected FTEs in 2014 are 2.85. Staffing and indirect costs will increase in 2014 for the following reasons.

- WIRAB will be monitoring and potentially offering advice on the two organizations, WECC and the RCCo, rather than just one organization.
- Changes that may be initiated by the independent boards of WECC and the RCCo will require monitoring and evaluation by WIRAB.
- WIRAB will be delving more deeply into actions the RCCo, WECC and the industry are taking to rectify the deficiencies in grid operations highlighted by the September 8, 2011 outage.
- WIRAB will be considering ways to improve the analysis of the reliability implications of future scenarios evaluated in WECC studies of needed transmission expansion.
- WIRAB will be examining the reliability impacts of reforms to lower the cost of integrating variable generation and increase system efficiencies, such as establishment of a California ISO/PacifiCorp energy imbalance market and development of new practices in reserve sharing to accommodate the integration of large amounts of variable generation (e.g., Northwest Power Pool MC's Following Reserve Assistance Program field trial).

The budget includes \$150,000 for contracting for technical expertise on issues related to improved grid operating practices, standards and compliance. This expertise will help WIRAB prepare technically-sound advice under Section 215(j). Travel costs will increase to \$40,000 due to the need for both staff and states to attend some meetings of both WECC and the new RCCo. Meeting costs will be slightly higher than in the 2013 budget while WIRAB will continue to hold two in-person meetings per year. Wherever feasible, WIRAB meetings will be coordinated with other meeting of Western states and provinces. A working capital reserve of \$100,000 will be maintained.

Base Operating Budget	Budget 2013	Projection 2013	Budget 2014	Change	
				2014 Budget v 2013 Budget	% Change
Western Interconnection Regional Advisory Body	595,180	525,800	703,700	108,520	18.2%
TOTAL	595,180	525,800	703,700	108,520	18.2%
Working Capital Reserve	(59,688)	9,492	(114,792)	(55,104)	
<b>Total Funding</b>	<b>535,492</b>	<b>535,292</b>	<b>588,908</b>	<b>53,416</b>	<b>10.0%</b>



This graphical representation does not include an allocation of working capital requirements among the Program Areas

WIRAB FTE's

Total FTE's by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
WIRAB	2.75	2.30	2.85		2.85	0.10
<b>Total FTEs Operational Programs</b>	<b>2.75</b>	<b>2.30</b>	<b>2.85</b>	<b>-</b>	<b>2.85</b>	<b>0.10</b>
<b>Administrative Programs</b>						
WIRAB (included in indirect expense)	-	-	-	-	-	-
<b>Total FTEs Administrative Programs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total FTEs</b>	<b>2.75</b>	<b>2.30</b>	<b>2.85</b>	<b>-</b>	<b>2.85</b>	<b>0.10</b>

## 2013 Budget and Projection and 2014 Budget Comparisons

<b>WIRAB - Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget &amp; Projection, and 2014 Budget</b>					
<b>STATUTORY</b>					
	<b>2013 Budget</b>	<b>2013 Projection</b>	<b>Variance 2012 Projection v 2012 Budget Over(Under)</b>	<b>Draft 2014 Budget</b>	<b>Variance 2014 Budget v 2013 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 534,692	\$ 534,692	\$ -	588,408	\$ 53,716
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 534,692</b>	<b>\$ 534,692</b>	<b>\$ -</b>	<b>\$ 588,408</b>	<b>\$ 53,716</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	800	600	(200)	500	(300)
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 535,492</b>	<b>\$ 535,292</b>	<b>\$ (200)</b>	<b>\$ 588,908</b>	<b>\$ 53,416</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 245,900	\$ 210,000	\$ (35,900)	\$ 260,000	\$ 14,100
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<b>\$ 245,900</b>	<b>\$ 210,000</b>	<b>\$ (35,900)</b>	<b>\$ 260,000</b>	<b>\$ 14,100</b>
<b>Meeting Expenses</b>					
Meetings	\$ 10,000	\$ 10,000	\$ -	\$ 12,000	\$ 2,000
Travel	27,000	27,000	-	40,000	13,000
Conference Calls	2,200	2,200	-	2,500	300
<b>Total Meeting Expenses</b>	<b>\$ 39,200</b>	<b>\$ 39,200</b>	<b>\$ -</b>	<b>\$ 54,500</b>	<b>\$ 15,300</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 75,000	\$ 75,000	\$ -	\$ 150,000	\$ 75,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>	<b>\$ -</b>	<b>\$ 150,000</b>	<b>\$ 75,000</b>
<b>Total Direct Expenses</b>	<b>\$ 360,100</b>	<b>\$ 324,200</b>	<b>\$ (35,900)</b>	<b>\$ 464,500</b>	<b>\$ 104,400</b>
<b>Indirect Expenses</b>	<b>\$ 235,080</b>	<b>\$ 201,600</b>	<b>\$ (33,480)</b>	<b>\$ 239,200</b>	<b>\$ 4,120</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 595,180</b>	<b>\$ 525,800</b>	<b>\$ (69,380)</b>	<b>\$ 703,700</b>	<b>\$ 108,520</b>
<b>Change in Assets</b>	<b>\$ (59,688)</b>	<b>\$ 9,492</b>	<b>\$ 69,180</b>	<b>\$ (114,792)</b>	<b>\$ (55,104)</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 595,180</b>	<b>\$ 525,800</b>	<b>\$ (69,380)</b>	<b>\$ 703,700</b>	<b>\$ 108,520</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (59,688)</b>	<b>\$ 9,492</b>	<b>\$ 69,180</b>	<b>\$ (114,792)</b>	<b>\$ (55,104)</b>
<b>FTEs</b>	2.75	2.30	-	2.85	-

---

## Section A – Statutory Programs 2014 Business Plan and Budget

---



## Section A — 2014 Business Plan

### Western Interconnection Regional Advisory Body

WIRAB (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.75	2.85	0.10
Direct Expenses	\$ 360,100	\$ 464,500	\$ 104,400
Indirect Expenses	\$ 235,080	\$ 239,200	\$ 4,120
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 595,181	\$ 703,700	\$ 108,519

### Program Scope and Functional Description

The western governors created WIRAB to provide advice to FERC, NERC and WECC on whether standards, budgets and fees, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest.

WIRAB meetings are open to all. There are regular meetings via web conferencing and topical webinars. In 2014, there will be two in-person meetings. These meetings are expected to be held in April and October.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Funding Sources (Other than ERO Assessments)

- Interest income will be \$300 lower due to continued low interest rates and a reduction in the carry-over amount.

#### Personnel Expenses

- Total expenses for salaries will increase due to the hiring of additional staff. Payroll taxes, Benefits, and Retirement Costs are included in Indirect Costs and are detailed in Table B-4 on Page 21.

#### Meeting Expenses

- Travel costs will increase by \$13,000 due to the increased state and staff travel. There will continue to be two WIRAB meetings per year and some travel to WECC, the new RCo, and NERC and FERC meetings.
- Meeting expenses will increase (\$2,000). There will still be two meetings in 2013, and meeting costs are going up.
- Conference call expenses increase slightly (\$300).

### Operating Expenses

- The budget includes \$150,000 for contracting for technical expertise on issues related to standards and compliance. This expertise will help WIRAB prepare technically-sound advice under Section 215(j).

### Indirect Expenses

- Indirect expenses are based on salary expenses, so the costs will increase but the percentage will be lower.

### Other Non-Operating Expenses

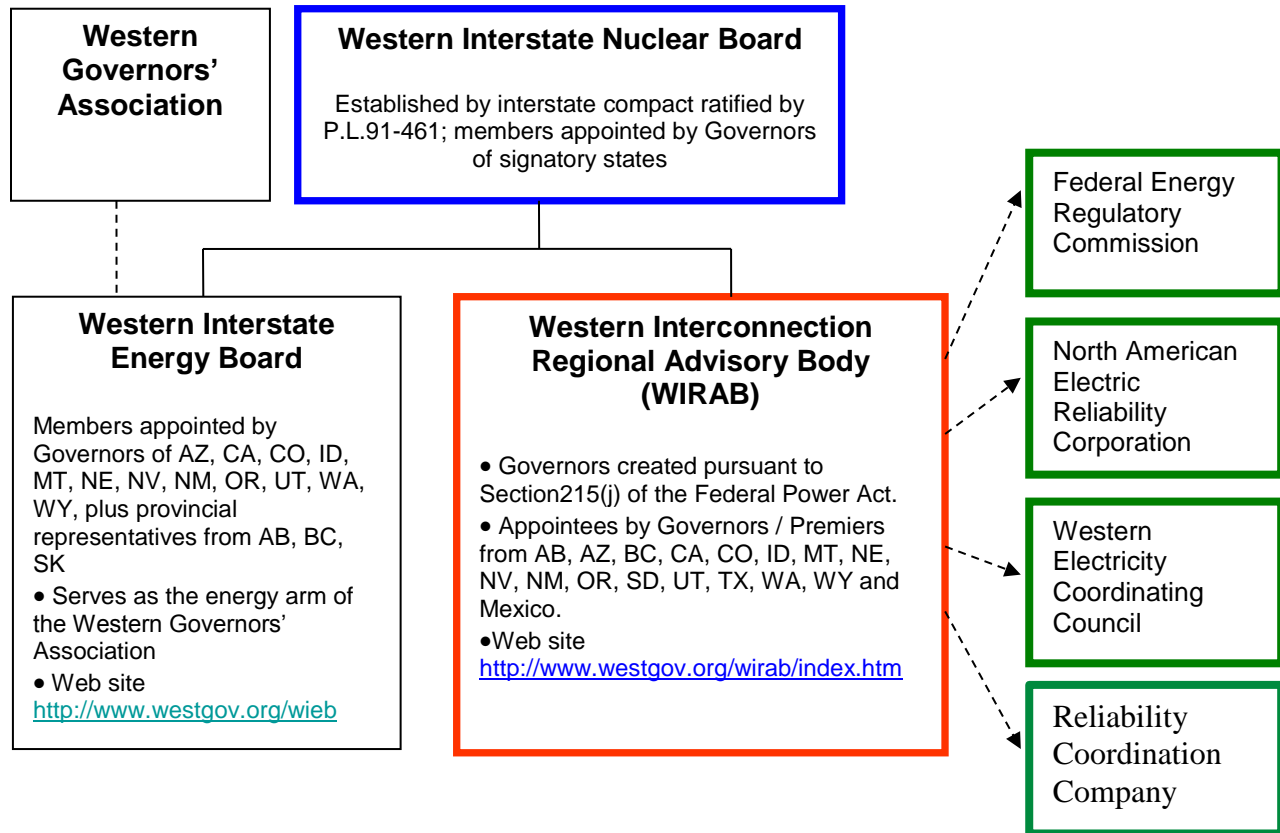
- None

### Fixed Asset Additions

- None



## 2014 Organizational Chart



---

## Section B – Supplemental Financial Information 2014 Business Plan and Budget

---



## Section B — Supplemental Financial Information

### Reserve Balance

#### Table B-1

Working Capital Reserve Analysis 2013-2014	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2012	205,100
Plus: 2013 Funding (from LSEs or designees)	534,692
Plus: 2013 Other funding sources	800
Less: 2013 Projected expenses & capital expenditures	(525,800)
<b>Projected Working Capital Reserve (Deficit), December 31, 2013</b>	<b>214,792</b>
Desired Working Capital Reserve, December 31, 2014	100,000 <sup>1</sup>
Minus: Projected Working Capital Reserve, December 31, 2013	214,792
<b>Increase(decrease) in funding requirement to achieve Working Capital Reserve</b>	<b>(114,792)</b>
2014 Expenses and Capital Expenditures	703,700
Less: Penalty Sanctions <sup>2</sup>	0
Less: Other Funding Sources	(500)
Adjustment to achieve desired Working Capital Reserve	(114,792)
<b>2014 NERC Assessment</b>	<b>588,408</b>

<sup>1</sup> On June 29, 2009 WIRAB members approved a desired working capital reserve of \$100,000. The reserve consists of the following components: \$100,000 for contingencies

<sup>2</sup> Penalty sanctions are not applicable to WIRAB

### Explanation of Changes in Reserve Policy from Prior Years

None

**Breakdown by Statement of Activity Sections**

The following detailed schedules are in support of Table 1, of the 2013 WIRAB Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

**Penalty Sanctions**

Not applicable to WIRAB

## Personnel Expenses

### Table B-4

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Total Salaries	\$ 245,900	\$ 210,000	\$ 260,000	\$ 14,100	5.7%
Total Payroll Taxes	-	-	-	-	
Total Benefits	-	-	-	-	
Total Retirement	-	-	-	-	
<b>Total Personnel Costs</b>	<b>\$ 245,900</b>	<b>\$ 210,000</b>	<b>\$ 260,000</b>	<b>\$ 14,100</b>	<b>5.7%</b>
FTEs	2.75	2.30	2.85	0.10	3.6%
Cost per FTE					
Salaries	\$ 89,418	\$ 91,304	\$ 91,228	1,810	2.0%
Payroll Taxes	7,064	7,213	7,207	143	2.0%
Benefits	9,299	9,496	9,488	188	2.0%
Retirement	6,706	6,848	6,842	136	2.0%
<b>Total Cost per FTE</b>	<b>\$ 112,488</b>	<b>\$ 114,861</b>	<b>\$ 114,765</b>	<b>\$ 2,277</b>	<b>2.0%</b>

### Explanation of Significant Variances – 2014 Budget versus 2013 Budget

With the expected bifurcation of WECC, there will be increased workload for WIRAB. There will be an additional staff person hired, who will work part-time on WIRAB issues.

## Consultants and Contracts

See Table on page 13.

WIRAB is budgeting \$150,000 for consultants and contracts in 2014, an increase of \$75,000 from 2013. WIRAB will acquire technical consulting services related to deficiencies and best practices in operation of the grid by GOs, TOPs, BAs and the RC.

---

## Section C – Non-Statutory Activities 2014 Business Plan and Budget

---



## Section C — 2014 Non-Statutory Business Plan and Budget

None



---

**Section D – Additional Consolidated Financial  
Statements  
2014 Business Plan and Budget**

---



## Section D

### 2012 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

#### Statement of Financial Position

<b>WIRAB Statement of Financial Position</b>				
<b>STATUTORY</b>				
	As of December 31, 2012	As of December 31, 2013,	As of December 2014,	
	(per July 2011 -	projected	as budgeted	
	June 2012 audit)			
<b>ASSETS</b>				
Cash and Investments	\$ 205,100	\$ 214,792	\$ 100,000	
Total Assets	\$ 205,100	\$ 214,792	\$ 100,000	

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 13**

**DISCUSSION OF COMMENTS RECEIVED**

**DURING DEVELOPMENT OF NERC'S**

**2014 BUSINESS PLAN AND BUDGET**

## ATTACHMENT 13

### DISCUSSION OF COMMENTS RECEIVED DURING DEVELOPMENT OF NERC'S 2014 BUSINESS PLAN AND BUDGET

During the preparation of its 2014 Business Plan and Budget, NERC posted several drafts (Draft #1, Draft #2 and the Final Draft) on its Website for stakeholder review and comment.<sup>1</sup> In addition, the NERC Board of Trustees invited stakeholders to provide policy input on the 2014 Business Plan and Budget. Copies of the comments and policy input received were posted on NERC's website. (See [2014 NERC Business Plan and Budget](#) and [Policy Input](#))

Comments on Draft #2 of NERC's 2014 Business Plan and Budget were received from the Edison Electric Institute (EEI), the Electric Power Supply Association (EPSA), the Ontario Independent Electricity System Operator (IESO), Tom Gianneschi and Mike Yelland. Policy Input comments regarding NERC's Business Plan and Budget were received from EEI, The Electricity Consumers Resource Council (ELCON) and SERC.

#### Overview of Comments

**EEI.** EEI agrees with the finding in the NERC State of Reliability Report that bulk power system reliability is adequate. EEI's comments generally focused on a concern with the percentage increase in NERC's budget and the benefits to reliability associated with the proposed budget increase. EEI recommended that NERC apply stronger budget discipline and consider limiting itself to a flat budget with an inflation adjustment or a two percent increase in overall spending in 2014. While indicating that it is management's responsibility to determine how to achieve this recommended outcome, EEI provided some suggestions for management's consideration to achieve this limitation, including imposing caps on salary increases, reducing its travel and professional services budgets, and eliminating planned research on vegetation management topics and Geo-Magnetic Disturbance (GMD) effects. While supportive of NERC's initiatives in various areas and the potential for efficiency gains and other benefits, EEI also noted the absence of any explicit estimates of cost savings in connection with compliance and enforcement reform initiatives, as well as in connection with NERC's proposed investments in the development of centralized software applications supporting key NERC and Regional Entity business processes. EEI also requested that NERC consider spreading out the development of these centralized software applications over a longer period of time and using reserves as a source of funding. EEI also encouraged expanding NERC's collaboration with the North American Transmission Forum.

In its policy input comments EEI encouraged NERC management to work closely with the Electricity Sub-sector Coordinating Council (ESSC) regarding future ES-ISAC budget development. EEI also supported the maintenance of reserves to potentially fund ES-ISAC tools

---

<sup>1</sup> Formal comments were solicited on the 1<sup>st</sup> and 2<sup>nd</sup> drafts. The final draft was posted as part of the agenda for the open Finance and Audit Committee meeting, during which an opportunity for comments from stakeholders was provided.

such as the Cyber Federated Model (CFM) and the Cybersecurity Risk Information Sharing Program (CRISP).

**EPSA.** EPSA's comments raised concerns about the number of priorities NERC is undertaking. EPSA supported EEI's comments regarding the rate of increase in NERC's budget since becoming the ERO.

**IESO.** IESO raised similar concerns with the proposed budget and assessment increases contained in Draft #2 of NERC's 2014 Business Plan and Budget. IESO supported NERC's efforts to control enterprise IT application and development plan costs and, while supporting NERC's proposed capital financing program, encouraged further discussion of quantitative benefits. The IESO also recommended that NERC adopt a standard format to be used for each draft of its business plan and budget, provide its 3 year forecasts earlier in the process, and include its working capital and operating reserve analysis in the first draft of its business plan and budget.

**SERC.** In its policy input comments SERC recommended that future business plans show evidence of leveraging the prioritization and reliability gap analysis performed by the Reliability Issues Steering Committee. SERC also recommended that given the strong state of bulk electric system reliability and difficult economic times, NERC should leverage prioritization efforts to optimize resource allocation in a constrained budget environment.

**Individual commenters.** Mike Yelland, a consultant and former employee of the IESO, requested that further rationale be provided for the Personnel Certification and Operator Training operating reserve amount and reiterated a comment of the IESO regarding the NERC 2013 business plan and budget in which the IESO suggested that where possible NERC include costs in program area budgets rather than reserves.

Tom Gianneschi, a Member of the MRC, supported EEI's comments. He also suggested that NERC's budget is largely reactive and that consumers who ultimately provide the funding for NERC's budget should set the threshold for how much additional reliability they are willing to pay for. He also suggested that further details be provided regarding the proposed capital budget and payback on proposed investments.

## **Response to Comments**

Management and the board appreciate the ongoing input of stakeholders in the business plan and budgeting process and are very mindful of the impact of the costs of NERC's operations on industry and consumers. NERC's final recommended 2014 budget was significantly reduced from earlier drafts and reflects the resources required for NERC to perform its statutory responsibilities. NERC made a number of changes in arriving at its final recommended 2014 business plan and budget. The following is a list of the significant changes from Draft #2:

1. Personnel Expense
  - a. Eliminated 1 of the 2 proposed ES-ISAC positions
  - b. Eliminated a double count of one administrative position

- c. Reduced budgeted benefits costs
    - i. Medical benefit premium increase reduced from 12% to 9% on assumption NERC will put in place a self-insured plan without impacting current benefit levels, as outlined by our benefits consultant.
    - ii. Reduced budgeted cost of employee education and relocation by approximately 10%
2. Travel
    - a. Reduced travel budget by approximately \$200k
    - b. Reduced meeting expenses by approximately \$84k
    - c. Travel expense is lower in the final 2014 budget than in the 2013 budget, notwithstanding the addition of personnel.
  3. Contracts and Consultants
    - a. Included potential 2014 funding of a portion of FAC-003 vegetation research as a Known Operating Reserve Contingency and deferred previously budgeted \$500k in funding for this research to 2015 and 2016, spread evenly over those two years
    - b. Eliminated \$50k in right-of-way vegetation research based on assumption that the EEI Vegetation Working Group will assume financial responsibility for this research, per EEI's comments
    - c. Reduced Reliability Assessment and Performance Analysis database development costs by \$200k, with additional database development costs identified as a potential Known Operating Reserve Contingency
    - d. Eliminated \$75k budgeted for outside consultants for event analysis
    - e. Reduced communications consulting costs by \$100k
    - f. Reduced Risk Management and Internal Controls outside auditor budget by \$75k
    - g. Reduced ES-ISAC contractor and consulting budget by \$134k
  4. Capital Budget and Enterprise Application Development Costs and Financing – Provided additional detail regarding the proposed capital budget, including the plan to finance the development of certain software applications and hardware.
  5. Provided further detail regarding working capital and operating reserve requirements.

As a result of these and other changes, the final Board-approved 2014 operating expenses increase is 2.8% and the combined operating and capital budget increase is 3.9%, in each case compared to the 2013 budget. This compares to an operating expense increase of 6.4% and combined operating and capital budget increase of 7.5% in Draft #2. Draft #2 also contained a projected average assessment increase of 11.4% compared to 8% in the final Board-approved budget.

NERC's budget increases have been lower, in both absolute dollars and percentages, over the past 3 years compared to the first 5 years, reflecting the maturation of the organization and its resource capabilities. NERC's assessments were reduced by over \$3 million in 2013 from 2012. NERC's total increase in assessments between 2012 and 2014 is approximately \$740k. NERC's 2014 assessment is 1.7% lower than was projected for 2014 in NERC's 2013 business plan and

budget. Attracting and retaining qualified personnel is a key challenge at NERC, as well as for a number of the Regional Entities. NERC's salary and benefit levels must remain competitive to do this. This conclusion is supported by market comparisons. Total benefit expense was significantly reduced in 2013 and is within market. The 7.5% increase in average personnel cost per FTE is due to a variety of factors, including higher costs to employ senior staff, as well as to hire experienced personnel to fill budgeted positions and vacancies created by turnover of existing employees. It does not represent the percentage increase in individual management or staff salaries. The 2014 budget includes a projected 2.5% average increase in salary expense, which is below industry average.

Capital investments, including planned investments in enterprise software applications which represent the largest component of NERC's overall capital budget, are essential to improving the efficiency and effectiveness of NERC and Regional Entity operations, as well as reducing unnecessary costs to registered entities. There is no overlapping investment included or contemplated as part of the Regional Entities' business plans and budgets, and the efficiency gains associated with developing a single integrated application was assumed to outweigh the costs to develop, integrate, operate and maintain 9 separate applications. Significant controls have been put in place regarding the review, approval and execution of these projects, including oversight by the Regional Entity Management Group (comprised of the president and chief executive officer of NERC and each chief executive or equivalent person within each Regional Entity), the NERC Standards Oversight and Technology Committee and the NERC Finance and Audit Committee.

NERC plans to continue to take the work and recommendations of the RISC into account in the development of future business plans, budgets and resource allocation decisions. NERC also looks forward to the input of the ESSC regarding ES-ISAC priorities and resource requirements.

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 14**

**CALCULATION OF ADJUSTMENTS  
THE AESO 2014 NERC ASSESSMENT  
TO THE IESO 2014 NERC ASSESSMENT,  
THE NEW BRUNSWICK 2014 NERC ASSESSMENT,  
AND THE QUEBEC 2014 NERC ASSESSMENT**



2014 Alberta Electric System Operator Adjustment  
Credit for NERC Compliance Costs

	Total NERC Compliance Budget AESO NEL Allocation 2014	Total NERC Compliance Budget AESO NEL Allocation 2013		
<b>NERC Compliance Budget</b>				
Compliance Operations, Investigations & Org Registration and Certification	\$ 9,496,446	\$ 8,928,994	2014 FTEs	
Event Analysis	4,048,371	6,725,004	<u>Total</u>	<u>Credit</u>
Enforcement	6,395,091	3,738,430	400 Operations & Investigations	19.20 15.00
			500 Org Registration	3.84 3.84
<b>Total Compliance Budget, including Fixed Assets</b>	<b>\$ 19,939,908</b>	<b>\$ 19,392,428</b>	402 Event Analysis	9.60 8.00
			404 Enforcement	<u>18.24 18.24</u>
AESO NEL Share (2011)	1.323%	1.298%		<u>50.88 45.08</u>
<b>AESO Proportional Share of Compliance Costs, including Fixed Assets</b>	<b>\$ 263,860</b>	<b>\$ 251,637</b>		88.6%
<b>Net Total Staff</b>	<b>50.88</b>	<b>54.50</b>	2013 FTEs	
			<u>Total</u>	<u>Credit</u>
% Credit (45.08 of 50.88 FTEs)	88.60%	66.97%	400 Operations	15.00
\$ Credit (45.08 of 50.88 FTEs)	\$ 17,666,884	\$ 12,987,590	500 Org Registration	3.00 3.00
<b>AESO credit for compliance costs</b>	<b>\$ 233,782</b>	<b>\$ 168,528</b>	402 Event Anal & Investigation	15.50 13.50
			403 Reporting & Tracking	5.00 4.00
<b>Additional Credits for 2014</b>			404 Enforcement	<u>16.00 16.00</u>
Credit for SAFNR	\$ 531,825	\$ 725,500		<u>54.50 36.50</u>
	\$ 531,825	\$ 725,500		67.0%
AESO NEL Share (2011)	1.323%	1.298%		
<b>AESO credit for additional costs not allocated</b>	<b>\$ 7,038</b>	<b>\$ 9,414</b>		
<b>Total AESO Credit</b>	<b>\$ 240,819</b>	<b>\$ 177,942</b>		

**2014 IESO Adjustment**  
**Credit for NERC Compliance Costs**

	<u>2014</u>	<u>2013</u>	<u>Change</u>	
<b>NERC Compliance Budget</b>				
Compliance Operations, Investigations & Org Registration and Certification	\$ 9,496,446	\$ 8,928,994		
Event Analysis	4,048,371	6,725,004		
Enforcement	6,395,091	3,738,430		
<b>Total Compliance Budget, including Fixed Assets</b>	<u>19,939,908</u>	<u>19,392,428</u>	<u>547,480</u>	<u>2.82%</u>
IESO NEL Share (2012)	3.156%	3.167%		
<b>IESO Proportional Share of Compliance Costs, including Fixed Assets</b>	<u>\$ 629,303</u>	<u>\$ 614,094</u>		
<b>Total Compliance Staff</b>	<u>50.88</u>	<u>54.50</u>		
% Credit (42.88 of 50.88 FTEs)	84.28%	85.32%		
\$ Credit (42.88 of 50.88 FTEs)	\$ 530,356	\$ 523,952	<u>6,404</u>	<u>1.22%</u>
<b>Additional Credit for SAFNR Contract</b>	531,825	725,500		
IESO NEL Share (2012)	3.156%	3.167%		
<b>Additional Credit for SAFNR Contract</b>	<u>\$ 16,784</u>	<u>\$ 22,974</u>	<u>(6,190)</u>	<u>-0.04%</u>
<b>IESO Credit - NERC Costs, including Fixed Assets</b>	<u>\$ 547,141</u>	<u>\$ 546,926</u>	<u>215</u>	<u>0.04%</u>

**2014 New Brunswick Adjustment  
Credit for NERC Compliance Costs**

	<u>2014</u>	<u>2013</u>	<u>Change</u>	
<b>NERC Compliance Budget</b>				
Compliance Operations, Investigations & Org Registration and Certification	\$ 9,496,446	\$ 8,928,994		
Event Analysis	4,048,371	6,725,004		
Enforcement	6,395,091	3,738,430		
<b>Total Compliance Budget</b>	<u><b>19,939,908</b></u>	<u><b>19,392,428</b></u>	<b>547,480</b>	<b>2.8%</b>
New Brunswick NEL Share (2012)	<u>0.311%</u>	<u>0.306%</u>		
<b>NB Proportional Share of Compliance Costs, including Fixed Assets</b>	<b>\$ 62,013</b>	<b>\$ 59,403</b>	<b>2,610</b>	<b>4.4%</b>
<b>Total Compliance Staff</b>	<u>50.88</u>	<u>54.50</u>	<b>(4)</b>	<b>-6.6%</b>
% Credit (44.08 of 50.88 FTEs)	86.64%	85.32%		
<b>\$ Credit (44.08 of 50.88 FTEs)</b>	<b>\$ 53,725</b>	<b>\$ 50,683</b>	<b>3,042</b>	<b>6.0%</b>
<b>Additional Credits for 2014 - SAFNR Contract</b>	531,825	725,500		
New Brunswick NEL Share (2012)	<u>0.311%</u>	<u>0.306%</u>		
<b>Additional Credits for SAFNR</b>	<b>\$ 1,654</b>	<b>\$ 2,222</b>		
<b>New Brunswick Credit - NERC Costs, including Fixed Assets</b>	<u><b>\$ 55,379</b></u>	<u><b>\$ 52,906</b></u>	<b>2,473</b>	<b>4.7%</b>

2014 Quebec Adjustment  
Credit for NERC Compliance Costs

	Total NERC Compliance Budget Quebec NEL Allocation
<b>NERC Compliance Budget</b>	
Compliance Operations, Investigations & Org Registration and Certification	\$ 9,496,446
Event Analysis	4,048,371
Enforcement	6,395,091
<b>Total Costs, including Fixed Assets</b>	<b>19,939,908</b>
Quebec NEL Share (2012)	4.129%
<b>Quebec Proportional Share of Compliance Costs, including Fixed Assets</b>	<b>\$ 823,319</b>
<b>Total Compliance Staff</b>	<b>50.88</b>
% Credit (34.88 of 50.88 FTEs)	68.55%
\$ Credit (34.88 of 50.88 FTEs)	\$ 13,669,497
<b>Quebec Credit (Proportional share of all costs x % Credit)</b>	<b>\$ 564,414</b>
<b>Proportional Share of NERC Compliance Costs paid by Régie de l'énergie</b>	<b>\$ 258,905</b>
<b>Proportional Share of NPCC CORC Program paid by Régie de l'énergie (Refer to Column I-2, page 75, 2014 NPCC Business Plan and Budget)</b>	<b>\$ 869,409</b>
<b>2014 Billing to Régie de l'énergie for Compliance Program Costs-NERC and NPCC</b>	<b>\$ 1,128,314</b>
<b>Additional Credits for 2014</b>	
Credit for SAFNR	\$ 725,500
	<b>\$ 725,500</b>
Quebec NEL Share (2012)	4.129%
<b>Quebec credit for additional costs not allocated</b>	<b>\$ 29,956</b>
<b>Total Quebec Credit for 2014</b>	<b>\$ 594,369</b>

2013 Quebec Adjustment  
Credit for NERC Compliance Costs

	Total NERC Compliance Budget Quebec NEL Allocation
<b>NERC Compliance Budget</b>	
Compliance Operations (includes Organization Registration)	\$ 6,644,000
Compliance Enforcement	6,725,004
Event Analysis and Investigations	6,023,424
<b>Total Costs, including Fixed Assets</b>	<b>19,392,428</b>
Quebec NEL Share (2011)	4.123%
<b>Quebec Proportional Share of Compliance Costs, including Fixed Assets</b>	<b>\$ 799,467</b>
<b>Total Compliance Staff</b>	<b>54.50</b>
% Credit (35.5 of 54.5 FTEs)	65.14%
\$ Credit (35.5 of 54.5 FTEs)	\$ 12,631,765
<b>Quebec Credit (Proportional share of all costs x % Credit)</b>	<b>\$ 520,754</b>
<b>Proportional Share of NERC Compliance Costs paid by Régie de l'énergie</b>	<b>\$ 278,713</b>
<b>Proportional Share of NPCC CORC Program paid by Régie de l'énergie (Refer to Column H-2, page 83, 2013 NPCC Business Plan and Budget)</b>	<b>\$ 1,369,666</b>
<b>2013 Billing to Régie de l'énergie for Compliance Program Costs-NERC and NPCC</b>	<b>\$ 1,648,379</b>
<b>Additional Credits for 2013</b>	
Credit for SAFNR	\$ 725,500
	<b>\$ 725,500</b>
Quebec NEL Share (2011)	4.123%
<b>Quebec credit for additional costs not allocated</b>	<b>\$ 29,909</b>
<b>Total Quebec Credit for 2013</b>	<b>\$ 550,663</b>

2014 Compliance FTEs	
Total	Credit
400 Operations & Investigations	19.20
500 Org Registration	3.84
402 Event Analysis	9.60
404 Enforcement	18.24
	<b>50.88</b>

2013 Compliance FTEs	
Total	Credit
400 Operations	15.00
500 Org Registration	3.00
402 Event Anal & Investigation	15.50
403 Reporting & Tracking	5.00
404 Enforcement	16.00
	<b>54.50</b>

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 15**

**STATUS REPORT ON THE ACHIEVEMENT  
OF NERC'S 2013 GOALS**

## ATTACHMENT 15

### **Status Report on the Achievement of NERC's 2013 Goals and Objectives**

This Attachment provides a summary of NERC's 2013 goals and objectives and a status report on their achievement as of June 30, 2013.

During the first two quarters of 2013, NERC and the Regional Entity Executive Management Group continued to improve and refine the ERO business planning and budgeting process through the development and integration of a multi-year strategic plan. The *2012-2015 ERO Enterprise Strategic Plan*<sup>1</sup> is focused on (1) developing clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner, (2) being a strong enforcement authority that is independent, without conflict of interest, objective and fair, (3) promoting a culture of compliance that addresses reliability risks across the industry, (4) identifying the most significant risks to reliability, (5) being accountable for mitigating reliability risks, (6) promoting a culture of reliability excellence, (7) improving transparency, consistency, quality and timeliness of results, (8) operating as a collaborative enterprise working with industry and the Regional Entities and (9) improving efficiency and cost effectiveness.

Similar to the process undertaken in 2012, a set of specific 2013 objectives and measures was developed, with a threshold and a target for each measure. Progress against these measures is being tracked throughout the year. Exhibit 1 to this Attachment 15 sets forth the specific 2013 objectives, measures, thresholds and targets.

Exhibit 2 to this Attachment 15 is the summary of corporate performance measures as of June 30, 2013 which was presented before stakeholders and NERC's Board of Trustees at the August 14, 2013 open meeting of NERC's Corporate Governance and Human Resources Committee. Similar reports are prepared and presented each quarter at approximately the same time NERC prepares and presents in open session to the NERC's Finance and Audit Committee its quarterly and year to date financial reports comparing budgeted to actual expenditures, together with a rolling year end projection.

---

<sup>1</sup>[https://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/ERO%20Enterprise%20Strategic%20Plan%202012-2015%20FINAL%20\(02%202012\)%20\(2\).pdf](https://www.nerc.com/docs/bot/finance/2013%20NERC%20Business%20Plan%20and%20Budget/ERO%20Enterprise%20Strategic%20Plan%202012-2015%20FINAL%20(02%202012)%20(2).pdf)

**EXHIBIT 1**

## 2013 NERC Corporate Performance Metrics

Approved: February 6, 2013 by Corporate Governance and Human Resources Committee

NERC is presenting its 2013 corporate performance metrics using the common strategic planning framework, *Electric Reliability Organization Enterprise Strategic Plan 2012-2015*<sup>1</sup>, provided to the board in February 2012. The strategic plan framework was recently updated by NERC and the Regional Entities to include refined goals, objectives and deliverables for 2013-2016 and to formulate business plans and budgets for the upcoming three year cycle. For 2013 and beyond, the ERO Enterprise will work within four recognized goal areas: 1) standards; 2) compliance, registration and certification; 3) risks to reliability; and 4) coordination and collaboration.

As NERC continues to enhance the success of the ERO Enterprise, it improves the measurement of its own individual performance through established goals, objectives and metrics. The overall number of performance metrics for 2013 has been reduced to focus on results that aim to improve reliability. NERC management has worked to define 2013 metrics that are both within NERC's span of influence or control and meaningful to bulk power system reliability performance and effective risk mitigation strategies. Building on 2012, NERC continues a performance metric for 2013 based on overall reliability performance: *at-risk compensation will depend on the number of bulk power system category 3, 4 and 5 events*<sup>2</sup> ( $\pm 10$  percent at stake depending on the number of category 3, 4 and 5 events). All other metrics include Target at 100 percent payout and Threshold at 70 percent, with no credit for less than Threshold achievement.

The specific objectives presented below were derived from the goals and deliverables outlined in the 2013 NERC Business Plan and Budget, which was approved by the NERC Board of Trustees (Board) on August 16, 2012 and accepted by the Federal Energy Regulatory Commission (FERC) in its order issued November 2, 2012.

<sup>1</sup> Enclosed is the updated *ERO Enterprise Strategic Plan 2013-2016*.

<sup>2</sup> Excluding terrestrial weather, however space weather (GMD) is included in the metric.



**2013 NERC Corporate Performance Metrics**

Approved: February 6, 2013 by Corporate Governance and Human Resources Committee

**Standards**

*Goal 1 - Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner.* These standards establish threshold requirements for ensuring the bulk power system is planned, operated and maintained in a manner that minimizes risks of cascading failures, avoids damage to major equipment and limits interruptions of bulk power supply.

	<b>Objective</b>	<b>Measure</b>	<b>Threshold</b>	<b>Target</b>
1a	<b>Standards are timely, clear and responsive to reliability and security risks.</b>	Percent of board-approved standards that meet quality criteria and results-based construct	Complete initial tabletop quality assessment of all standards and 1 new standard meets quality criteria and results-based construct	Complete initial tabletop quality assessment of all standards and 3 new standards meet quality criteria and results-based construct
		CIP V5, BAL-003 frequency response, TPL footnote b, COM-003, and GMD (if ordered) standards filed	Filed by yearend with extensions	All filed within deadlines (COM-003 by yearend)
		Percent reduction in existing FERC standards directives, year beginning to yearend excluding new	33% reduction from December 31, 2012 (filed or otherwise resolved)	50% reduction from December 31, 2012 (filed or otherwise resolved)
		Standards process reforms completed per board 2012 resolutions	All reform resolutions have a solution designed and documented	All reform resolutions operational by yearend
1b	<b>Standards are practical to implement and cost effective.</b>	Requirements to be retired (Paragraph 81 – Phase 2)	Assessment complete with summary report	Requirements to retire identified, standards revisions approved and filed
		Model standard application guide/RSAW, consolidating existing documents	Model application guide/RSAW and one sample complete	10% of standards have associated application guide/RSAW completed in new format

**Compliance, Registration and Certification**

*Goal 2 - Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.* The ERO retains and refines its ability to use standards enforcement when warranted and impose penalties and sanctions commensurate with risk.

	<b>Objective</b>	<b>Measure</b>	<b>Threshold</b>	<b>Target</b>
2a	<b>The ERO registers entities commensurate with risk to the bulk power system and ensures all key reliability entities are certified to have essential capabilities.</b>	Framework and plan to begin in 2014		
2b	<b>The ERO holds industry accountable for violations that create serious risk to the bulk power system; resulting actions are timely and transparent to industry.</b>	Aging curve to monitor aging of caseload (2%)	Caseload aging curve developed	Caseload aging curve developed and baseline established for 2013
		Twelve-month rolling average of active violations divided by monthly filings and dismissals (caseload index) (3%)	12 months	10 months
		Number of active possible violations preceding January 1, 2012 <sup>3</sup> (3%)	100, excluding those held by appeal, regulator, or court	Zero, excluding those held by appeal, regulator or court
		Mitigation aging curve	Mitigation aging curve developed	Mitigation aging curve developed and baseline established for 2013

<sup>3</sup> Reference date is the discovery date (e.g. by audit, self-report, self-certification, etc.) or, if event-based, the date of the event.

**Compliance, Registration and Certification**

*Goal 3 - Promote a culture of compliance that addresses reliability risks across the industry.* The ERO works with industry to identify standards, procedures, practices and controls to address reliability risks.

	<b>Objective</b>	<b>Measure</b>	<b>Threshold</b>	<b>Target</b>
3a	<b>Industry has effective procedures and programs to monitor, detect, correct, report, and prevent compliance, reliability, and security issues.</b>	Compliance reform (RAI) plan developed	Developed to include end state description and roadmap	Developed to include end state description, roadmap, and procedures and methods (how documents)
		Percent self identified violations and findings including FFT	Metric developed	Metric developed and baseline established for 2013
3b	<b>The ERO uses efficient processes and proportional exercise of discretion to verify that compliance objectives are met by industry.</b>	Percent of findings filed through FFT and spreadsheet without settlement agreements, compared to all violations and findings filed excluding dismissals (3%)	35%	50%
		Expand FFT to allow determinations to be made by auditors (5%)	Expanded program prerequisites completed but not implemented	Expanded program available and being used at regions

**Risks to Reliability**

*Goal 4 - Identify the most significant risks to reliability.* The ERO identifies and prioritizes reliability risks, facilitates effective solutions and interventions, and monitors results.

	Objective	Measure	Threshold	Target
4a	<b>Risks are identified and prioritized based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.</b>	State of reliability report	Published by June 30	Published by May 15
		Report to Board on priority risks based on industry expert inputs	Risk profile of priority risks	Risk profile with high priority risks scaled for action and assignment
		Risk control initiatives by ERO	One in progress	Three in progress (e.g., relay mis-operations, situation awareness, human error, cyber attack, or other) <sup>4</sup>
4b	<b>Events and system performance are consistently analyzed for sequence, cause, and remediation to identify reliability risks and trends, and to inform standards, compliance, and other programs. Industry is well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions.</b>	Event analysis includes identification of standards and compliance gaps, correlated to severity index	All Category 3 and above events analyzed for risks, standards and compliance gaps	All Category 3 and above events analyzed for risks, standards and compliance gaps; documented risk control strategy in place for top three gaps
		Event reports published to industry	For Category 1 and above, 95% of initial reports received within 30 days of event; 95% of reports reviewed for quality within 30 days of receipt	All approved reports are posted to secure portal for industry access subject to release authorization by the entity
		Lessons learned and recommendations published	6	8

<sup>4</sup> Three documented initiatives in addition to those credited in 4b.

**Risks to Reliability**

*Goal 5 - Be accountable for mitigating reliability risks.* The ERO works with industry stakeholders and experts to ensure the mitigation of known risks to reliability.

	Objective	Measure	Threshold	Target
5a	<b>The ERO is tracking industry accountability for critical reliability and security recommendations.</b>	Number of BPS category 3, 4 and 5 events excluding weather <sup>5</sup> , flood, or earthquake	<ul style="list-style-type: none"> <li>(+10%): three or less Category 3 events occur and zero Category 4 or 5 events</li> <li>(0%): Zero Category 5 events, one or zero Category 4, and four or less Category 3 events</li> <li>(-10%): a Category 5 event occurs or two Category 4 events or five or more Category 3 events</li> </ul>	
5b	<b>Industry is aware of and is effectively addressing security vulnerabilities and threats. Industry security posture is being evaluated and continuously improved. During crisis situations, ERO facilitates sharing of information among industry, regions, and government.</b>	ES-ISAC fully utilized	60% of RC's and TO/TOPs; 33% of all other registered entities; industry submitting average of three information items per month last six months of 2013	80% of RC's and TO/TOPs; 50% of all other registered entities; industry submitting average of ten information items per month last six months of 2013
		Number of maturity model assessments completed	6	12
		GridEx	GridEx 2013 conducted	Exercise completed with extreme scenario, executive leadership component, and 100 plus entities engaged

<sup>5</sup> Terrestrial weather excluded from metric, however space weather (GMD) is included in metric.

**Risks to Reliability**

*Goal 6 - Promote a culture of reliability excellence.* The ERO facilitates a learning environment throughout the industry through event causal analysis, communication of lessons learned, tracking of recommendations, and implementation of best practices.

	Objective	Measure	Threshold	Target
6a	<b>ERO is a leading resource to industry and policy makers for reliability information.</b>	Assessment reports	LTRA, two seasonal assessments, one special issues report published; reports are streamlined for board approval (half or less volume)	LTRA (November 20), seasonal assessments (May 15 and November 20), and two special issues report
6b	<b>Reliability modeling and data accurately represent system behavior and are shared among reliability entities.</b>	Model and data quality assessments begin in 2014		

**Coordination and Collaboration**

*Goal 7 - Improve transparency, consistency, quality and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness.* The ERO accomplishes this through effective coordination, collaboration and process improvements. The ERO communicates expectations clearly and fosters collaboration to deliver important results in advancing system reliability. The ERO engages the support and expertise of stakeholders, is an efficient steward of resources, and leverages information systems to create efficiencies and process controls.

	<b>Objective</b>	<b>Measure</b>	<b>Threshold</b>	<b>Target</b>
7a	<b>The ERO acquires, engages, and retains highly qualified talent suited to the mission.</b>	Qualifications	ERO qualifications description for ERO Enterprise auditors	ERO qualifications description for two additional common ERO Enterprise positions
		ERO enterprise (NERC and Regional Entity) infrastructure and applications <sup>6</sup>	Secure, backed up infrastructure, database, and communications platform is designed, one ERO application is operational	Secure, backed up infrastructure, database, and communications platform is designed, three ERO PMO applications are operational
7b	<b>ERO internal risks are understood and managed; ERO processes are effective, efficient, and continuously improved.</b>	Internal risk management (75% weight)	Total year end operating and fixed asset expenditures do not exceed an amount equivalent to: (a) the 2013 operating expense and fixed asset expense budget plus b) an amount equivalent to the sum of : (i) the 2013 budget for known contingency operating reserves	Total year end operating expense and fixed asset expenditures do not exceed an amount equivalent to the approved operating expense and fixed asset expense budget plus an amount equivalent to the budget for known operating reserve contingencies.

<sup>6</sup> Sample ERO Enterprise applications include: BES Exception, Event Information Data System (EIDS), and Reliability Assessment Database System (RADS).

			and (ii) 25% of the 2013 operating reserve budget for unforeseen contingencies.	
		Budgetary and working capital (25% weight)	Each Regional Entity has a written working capital and operating reserve policy in place that has been approved by its board or a committee of its board if the board has delegated the authority regarding establishment of such policy to a committee of the board (e.g. finance and audit committee).	Common working capital and operating reserve framework in place across NERC and all regions.



**EXHIBIT 2**

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

Agenda Item 7  
CGHRC Open Meeting  
August 14, 2013

# 2013 NERC Performance Report

Quarter 2 – Draft for Preliminary Review

Mark Rossi, COO

Corporate Governance and Human Resources Committee Meeting

July 18, 2013

**RELIABILITY | ACCOUNTABILITY**



Objective	Q1	Q2	Q3	Q4	Trending	Comments
1a - Timely, clear and responsive to reliability and security risks						Completed assessment and results-based construct for standards. Reduced 47 directives. Solutions in SC charter agreed upon by SC and SOTC.
1b - Practical to implement and cost effective						Initiated assessment for Paragraph 81, Phase 2. Continued development of Standards application guide /RSAW.
2a - ERO registers entities commensurate with risk to the BPS						Framework and plan scheduled to be developed in 2014.
2b - ERO holds industry accountable for violations to the BPS						On trajectory to hit threshold for reduction of active violations preceding January 1, 2012. Block of historical violations continues taking longer than expected to process.
3a - Industry has effective procedures and programs						RAI implementation continued identification of "how" documents. Metric showing discovery of violations monitored.
3b - ERO uses efficient processes and proportional exercise of discretion						80% total filings through FFT and SNOP disposition
4a - Risks are identified and prioritized						State of Reliability Report completed – met target. Risk projects and control initiatives continue.
4b - Events and system performance are consistently analyzed						Analyzing Category 3 and above events is becoming resource constrained.

Objective	Q1	Q2	Q3	Q4	Trending	Comments
5a - ERO is tracking industry accountability for critical reliability and security						(+10%): three or less Category 3 events occur and zero Category 4 or 5 events (-10%): Category 5 event occurs or two Category 4 events or five or more Category 3 events
5b - Industry is aware of and is effectively addressing security vulnerabilities						Only one maturity model assessment completed at then end of Q2. Mitigation plan being developed to address resource constraints and competing priorities.
6a - ERO is a leading resource for reliability information						Published 2 assessment reports and planning another special issues report and LTRA for Q4.
6b - Reliability modeling and data are accurate and shared						Reliability modeling and data to begin in 2014.
7a - ERO acquires, engages, and retains highly qualified talent						Need regional support to integrate common ERO qualifications description for auditors.
7b - ERO internal risks are understood and managed						Projection being finalized. Preliminary estimate shows budget not meeting target. Mitigation plan being developed to achieve or exceed target.

## I. Standards

- Completed quality assessment and results-based construct for standards
- Agreed upon solution by SC and SOTC on reform resolutions

## II. Compliance, Registration and Certification

- Developed mitigation aging curve and initiated automated calculation and business rule
- Monitored metric for self-identified violations – 70%
- 80% of filings through FFT and SNOP disposition – original expectation was 73%

### **III. Risks to Reliability**

- Published State of Reliability, Gas-Electric and summer assessment reports
- Developed high/medium priority risk area gap analysis for RISC
- Initiated risk control initiatives: workforce capability/HP and misops
- Published two lessons learned for six cumulative
- Utilized ES-ISAC – exceeded original expectations for RCs/TOs/TOPs
- Planned GridEx scenario, leadership component and entity engagement

### **IV. Coordination and Collaboration**

- Developed Five-Year ERO Assessment criteria, metrics, survey, and timetable
- Continued audit implementation plan in response to FERC audit
- Completed 46% of risk management action plan

## I. Compliance, Registration and Certification

- 12-month rolling average of active violations and caseload aging curve – Block of historical violations continues taking longer than expected to process

## II. Risks to Reliability

- Analyze all Cat 3 events and documenting risk control strategy for three gaps – resource constrained
- Number of maturity model assessments completed to inform industry

## III. Coordination and Collaboration

- Develop an ERO qualifications description for auditors to improve the acquisition and retention of qualified talent suited to the mission
- Project to exceed budget and known operating reserve by end of year
- Work with Regions and FAC on common working capital and operating reserve framework

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 16**

**METRICS COMPARING**

**REGIONAL ENTITY OPERATIONS**

**BASED ON**

**THE 2014 BUDGETS**



## ATTACHMENT 16

### **METRICS COMPARING REGIONAL ENTITY OPERATIONS BASED ON THE 2014 BUDGETS**

#### **Introduction**

This Attachment provides metrics on the Regional Entities' operations based on their 2014 Business Plans and Budgets, and analysis of the metrics. Consistent with the similar attachments provided in NERC's 2010, 2011, 2012, and 2013 Business Plan and Budget filings, this Attachment focuses on providing quantitative data and information for the Regional Entities. The metrics focus primarily on the Regional Entities' Compliance Monitoring and Enforcement Programs (Compliance Program). This Attachment contains:

- a table providing the 2014 budget metrics values for each Regional Entity (page 4);
- a series of bar charts comparing the Regional Entities' Compliance Program 2014 budgeted costs (pages 5-7);
- a series of bar charts comparing the Regional Entities' projected costs for 2014 for "small," "medium" and "large" on-site and off-site operational compliance audits<sup>1</sup> and "small" and "large" on-site and off-site CIP compliance audits<sup>2</sup> (pages 8-10);

---

<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 and 2013 Business Plan and Budget filings), a "small" operational compliance audit involves 25 or fewer reliability standard requirements to be audited; a "medium" operational compliance audit involves 26 to 75 requirements to be audited; and a "large" operational compliance audit involves more than 75 requirements to be audited. An on-site compliance audit takes place at the registered entity's site, while an off-site compliance audit takes place at another location, typically the Regional Entity's offices. As can be seen from the table on page 4 and from the bar charts on pages 8-10, MRO, ReliabilityFirst, SPP RE, Texas RE and WECC are not planning any "small" on-site operational compliance audits in 2014, NPCC and WECC are not planning any "medium" on-site operational compliance audits in 2014, and ReliabilityFirst is not planning any "large" on-site operational audits in 2014. Also, FRCC, ReliabilityFirst, and SERC are not planning any "medium" off-site operational audits in 2014, and FRCC, MRO, ReliabilityFirst, SERC, SPP RE and Texas RE are not planning any "large" off-site audits. The latter fact (that six Regional Entities plan no large off-site operational audits) reflects that if the registered entity has more than 75 requirements to be audited, the Regional Entity will likely conclude that an on-site compliance audit should be conducted.

<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-001 concerning sabotage reporting and response; the requirements of CIP-002 which require the registered entity to have a risk-based assessment methodology and to use it annually to identify any critical assets and critical cyber assets, even if the result is "none;" and the requirements of CIP-003 that the registered entity have in place a cyber security policy and a designated, single senior manager with overall responsibility for leading the entity's compliance with the CIP standards.) A "large" CIP compliance audit involves any

- trend line plots of the Regional Entities' 2014 Compliance Program budgets against numbers of registered entities and numbers of registered functions in each Region (page 11);
- bar charts comparing the Regional Entities' numbers of registered entities per Compliance Program FTE<sup>3</sup> and numbers of registered functions per Compliance Program FTE based on their 2014 budgets (page 12);
- bar charts comparing the Regional Entities' numbers of registered entities per Compliance Program FTE and numbers of registered functions per Compliance Program FTE in their 2013 and 2014 Business Plans and Budgets (page 13); and
- discussion and analysis of the metrics (pages 14-19). The discussion and analysis focuses on variations in the Regional Entity metrics based on their 2014 budgets and possible reasons for the variations.

The table on page 4 shows the following quantitative data for each Regional Entity based on its 2014 Business Plan and Budget. This data is used to develop the bar charts and trend line graphs that follow based on the Regional Entities' 2013 budgets.

- Numbers of registered entities
- Numbers of registered functions
- Total NEL (GWh)
- NEL (GWh) per registered entity
- Total ERO funding
- ERO (statutory) funding<sup>4</sup> per registered entity

---

entity with critical cyber assets and 5 requirements, auditing 43 requirements or 162 sub-requirements. These definitions are the same as used in Attachment 15 of the 2012 and 2013 Business Plan and Budget filings. As can be seen from the table on page 4 and the bar charts on page 10, only SERC and Texas RE are planning any "small" on-site CIP audits in 2014 and all the Regional Entities are planning only "small" off-site CIP audits in 2014. Similar to the operational audits (note 1 above), this fact reflects that if there is a need to audit the registered entity's compliance with 43 or more requirements or 162 or more sub-requirements of CIP standards, the Regional Entity will likely conclude that an on-site compliance audit should be conducted. The decision to conduct an on-site CIP audit can also be influenced by the need for the Regional Entity's CIP audit staff to review facilities and equipment that are the subject of Technical Feasibility Exception (TFE) requests or audit the registered entity's compliance with the terms of an approved TFE.

<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.

- ERO funding per registered function
- 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 2014
- Estimated costs for small, medium and large on-site operational audits in 2014
- Projected numbers of small, medium and large off-site operational audits in 2014
- Estimated costs for small, medium and large off-site operational audits in 2014
- Projected numbers of small and large on-site CIP audits in 2014
- Estimated costs for small and large on-site CIP audits in 2014
- Projected numbers of small and large off-site CIP audits in 2014
- Estimated costs of small and large off-site CIP audits in 2014
- Average number of contractors used and projected contractor costs for small, medium and large on-site operational audits
- Average number of contractors used and projected contractor costs for small, medium and large off-site operational audits

---

<sup>5</sup> Total budget is defined as the sum of total expenses and the total increase in fixed assets.

<b>Metrics for Budget Submissions</b>	<b>FRCC</b>	<b>MRO<sup>7</sup></b>	<b>NPCC<sup>7</sup></b>	<b>RFirst</b>	<b>SERC</b>	<b>SPP RE</b>	<b>TRE</b>	<b>WECC<sup>8</sup></b>
Number of registered entities	68	125	293	332	247	140	222	469
Number of registered functions	242	502	590	669	694	400	448	1240
Total NEL (GWh)	220,684	284,519	641,382	902,132	1,018,700	217,689	324,860	866,704
NEL (GWh) per registered entity	3,245	2,276	2,189	2,717	4,124	1,555	1,463	1,848
Total ERO Funding <sup>1</sup>	\$ 5,831,057	\$ 8,877,944	\$ 13,764,880	\$ 16,517,917	\$ 15,788,999	\$ 9,727,456	\$ 10,912,141	\$ 18,563,902
ERO Funding per registered entity	\$ 85,751	\$ 71,024	\$ 46,979	\$ 49,753	\$ 63,923	\$ 69,482	\$ 49,154	\$ 39,582
ERO Funding per registered function	\$ 24,095	\$ 17,685	\$ 23,330	\$ 24,690	\$ 22,751	\$ 24,319	\$ 24,357	\$ 14,971
Total Budget <sup>2</sup>	\$ 6,794,932	\$ 9,744,799	\$ 14,129,006	\$ 18,063,201	\$ 16,877,288	\$ 11,823,629	\$ 11,771,248	\$ 22,009,776
Total Budget per registered entity	\$ 99,925	\$ 77,958	\$ 48,222	\$ 54,407	\$ 68,329	\$ 84,454	\$ 53,024	\$ 46,929
Total Budget per registered function	\$ 28,078	\$ 19,412	\$ 23,947	\$ 27,000	\$ 24,319	\$ 29,559	\$ 26,275	\$ 17,750
Total Statutory FTE <sup>3</sup>	30.40	40.75	36.86	72.00	79.2	33.85	60.00	130.00
Registered entity per Statutory FTE	2.24	3.07	7.95	4.61	3.12	4.14	3.70	3.61
Registered function per Statutory FTE	7.96	12.32	16.01	9.29	8.76	11.82	7.47	9.54
Total Compliance Budget <sup>4</sup>	\$ 4,702,351	\$ 6,697,593	\$ 8,079,371	\$ 13,584,945	\$ 11,670,318	\$ 8,662,902	\$ 9,336,233	\$ 14,763,348
Compliance budget per registered entity	\$ 69,152	\$ 53,581	\$ 27,575	\$ 40,919	\$ 47,248	\$ 61,878	\$ 42,055	\$ 31,478
Compliance budget per registered function	\$ 19,431	\$ 13,342	\$ 13,694	\$ 20,306	\$ 16,816	\$ 21,657	\$ 20,840	\$ 11,906
Total Compliance FTE <sup>3</sup>	19.26	21.26	16.00	43.00	42.50	22.10	40.00	58.00
Registered entity per Compliance FTE	3.53	5.88	18.31	7.72	5.81	6.33	5.55	8.09
Registered function per Compliance FTE	12.56	23.61	36.88	15.56	16.33	18.10	11.20	21.38
Number of Small Operational Audits Onsite <sup>5</sup>	3	0	3	0	10	0	0	0
Estimated Cost per Small Operational Audit Onsite <sup>5</sup>	\$ 7,411		\$ 13,900		\$ 10,550			\$ -
Number of Medium Operational Audits Onsite <sup>5</sup>	1	6	0	11	15	1	4	0
Estimated Cost per Medium Operational Audit Onsite <sup>5</sup>	\$ 18,527	\$ 44,049		\$ 40,942	\$ 16,392	\$ 22,113	\$ 34,027	\$ -
Number of Large Operational Audits Onsite <sup>5</sup>	4	1	3	0	6	7	6	20
Estimated Cost per Large Operational Audit Onsite <sup>5</sup>	\$ 37,054	\$ 52,452	\$ 61,150		\$ 37,605	\$ 56,357	\$ 51,798	\$ 43,567
Number of Small Operational Audits Offsite <sup>5</sup>	8	11	7	52	15	3	18	27
Estimated Cost per Small Operational Audit Offsite <sup>5</sup>	\$ 2,685	\$ 11,404	\$ 11,875	\$ 8,560	\$ 9,454	\$ 5,129	\$ 14,447	\$ 5,367
Number of Medium Operational Audits Offsite <sup>5</sup>	0	1	7	0	0	16	7	21
Estimated Cost per Medium Operational Audit Offsite <sup>5</sup>		\$ 43,083	\$ 21,950			\$ 10,796	\$ 25,328	\$ 14,513
Number of Large Operational Audits Offsite <sup>5</sup>	0	0	20	0	0	0	0	8
Estimated Cost per Large Operational Audit Offsite <sup>5</sup>			\$ 28,280					\$ 34,167
Number of Small CIP Audits Onsite <sup>6</sup>	0	0	0	0	4	0	4	0
Estimated Cost per Small CIP Audit Onsite <sup>6</sup>					\$ 10,182		\$ 18,797	\$ -
Number of Large CIP Audits Onsite <sup>6</sup>	2	5	12	14	6	4	10	19
Estimated Cost per Large CIP Audit Onsite <sup>6</sup>	\$ 74,108	\$ 57,520	\$ 58,150	\$ 50,453	\$ 38,159	\$ 90,638	\$ 51,496	\$ 47,463
Number of Small CIP Audits Offsite <sup>6</sup>	9	8	22	31	4	16	22	45
Estimated Cost per Small CIP Audit Offsite <sup>6</sup>	\$ 2,685	\$ 5,702	\$ 7,830	\$ 3,738	\$ 14,194	\$ 5,129	\$ 14,447	\$ 5,367
Number of Large CIP Audits Offsite <sup>6</sup>	0	0	0	0	0	0	0	0
Estimated Cost per Large CIP Audit Offsite <sup>6</sup>								
Avg. Number of Contractors Per Small Audits Onsite			2.0			-		0.0
Avg. Number of Contractors Per Medium Audits Onsite			4.0			2.0		2.0
Avg. Number of Contractors Per Large Audits Onsite			5.0			2.0		2.0
Avg. Number of Contractors Per Small Audits Offsite			1.0			-		0.0
Avg. Number of Contractors Per Medium Audits Offsite			2.0			1.0		2.0
Avg. Number of Contractors Per Large Audits Offsite			2.0					2.0
Cost of Contractors Per Small Audits Onsite			\$ 5,740					\$ -
Cost of Contractors Per Medium Audits Onsite			\$ 19,320			\$ 13,600		\$ -
Cost of Contractors Per Large Audits Onsite			\$ 37,800			\$ 34,879		\$ 13,000
Cost of Contractors Per Small Audits Offsite			\$ 9,940					\$ 3,250
Cost of Contractors Per Medium Audits Offsite			\$ 19,740			\$ 6,600		\$ 9,750
Cost of Contractors Per Large Audits Offsite			\$ 25,900					\$ 13,000

<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 Operational audits are defined by number of requirements:

<b>Small</b>	25 or less
<b>Medium</b>	26 to 75
<b>Large</b>	More than 75

<sup>6</sup> Size of a CIP audit is defined as:

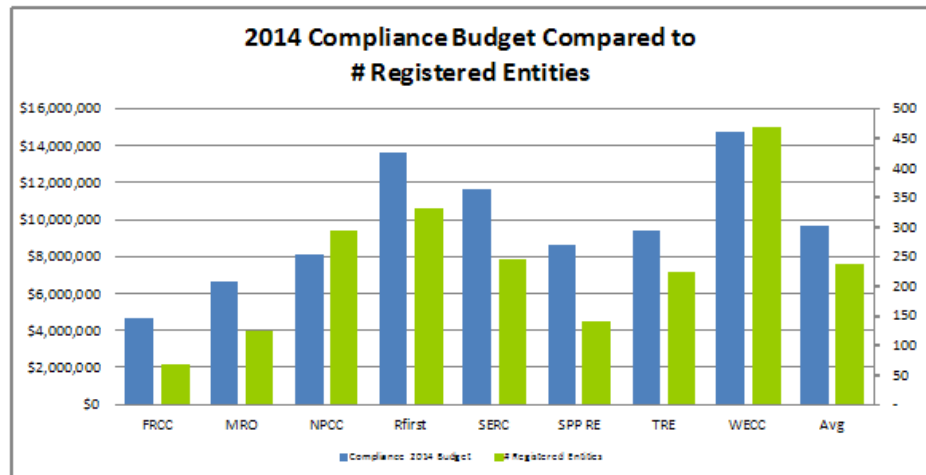
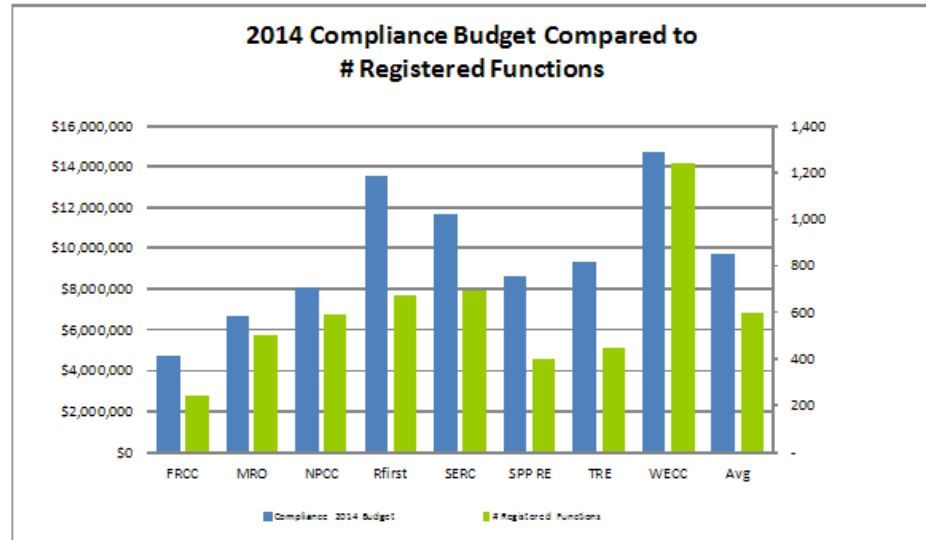
<b>Small</b>	Any entity with no critical cyber assets and 5 requirements
<b>Large</b>	Any entity with critical cyber assets and 5 requirements, auditing 43 requirements or 162 sub requirements

<sup>7</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.

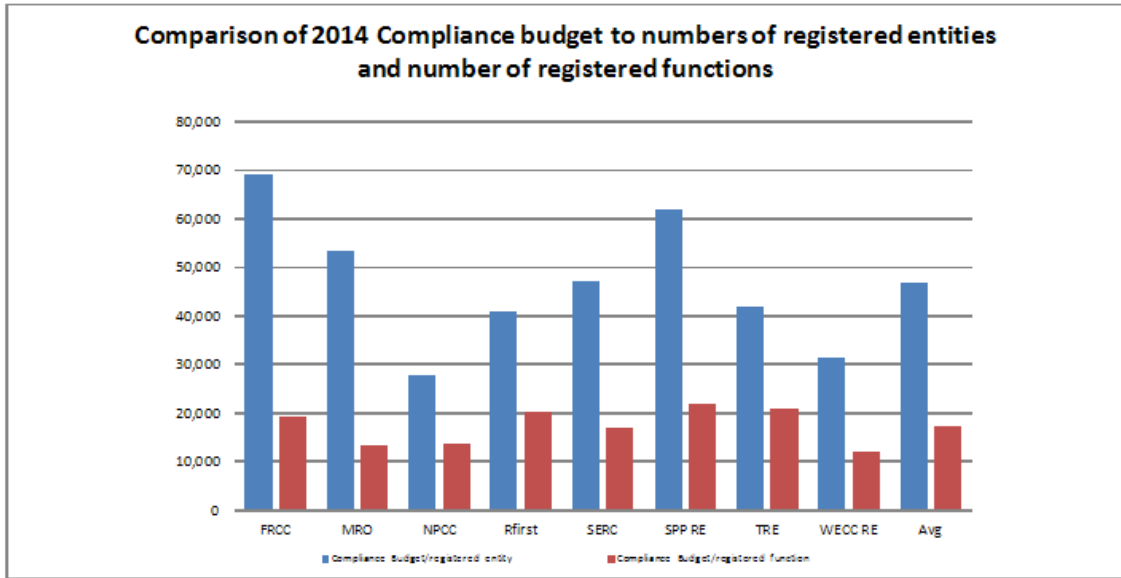
<sup>8</sup> The costs offset by grant funding totalling \$3,628,308 have been excluded from the Total Budget and 5.0 FTEs have been excluded from the calculations of registered entity per Statutory FTE and registered function per Statutory FTE.

Compliance 2014 Budget

	FRCC	MRO	NPCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Compliance 2014 Budget	4,702,351	6,697,593	8,079,371	13,584,945	11,670,318	8,662,902	9,336,233	14,763,348	9,687,133
# Registered Entities	68	125	293	332	247	140	222	469	237
# Registered Functions	242	502	590	669	694	400	448	1,240	598

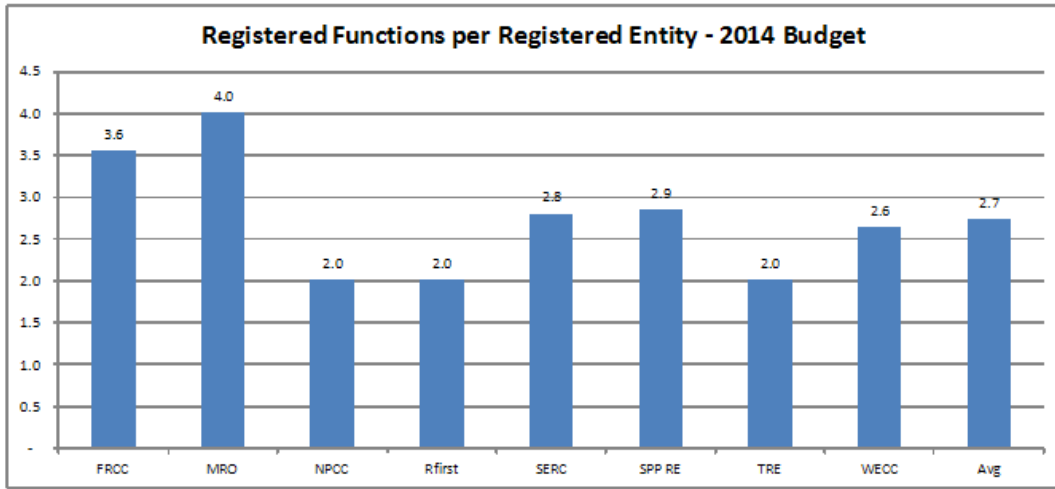


	FRCC	MRO	NPCC	Rfirst	SERC	SPP RE	TRE	WECC RE	Avg
Compliance Budget/registered entity	69,152	53,581	27,575	40,919	47,248	61,878	42,055	31,478	46,736
Compliance Budget/registered function	19,431	13,342	13,694	20,306	16,816	21,657	20,840	11,906	17,249

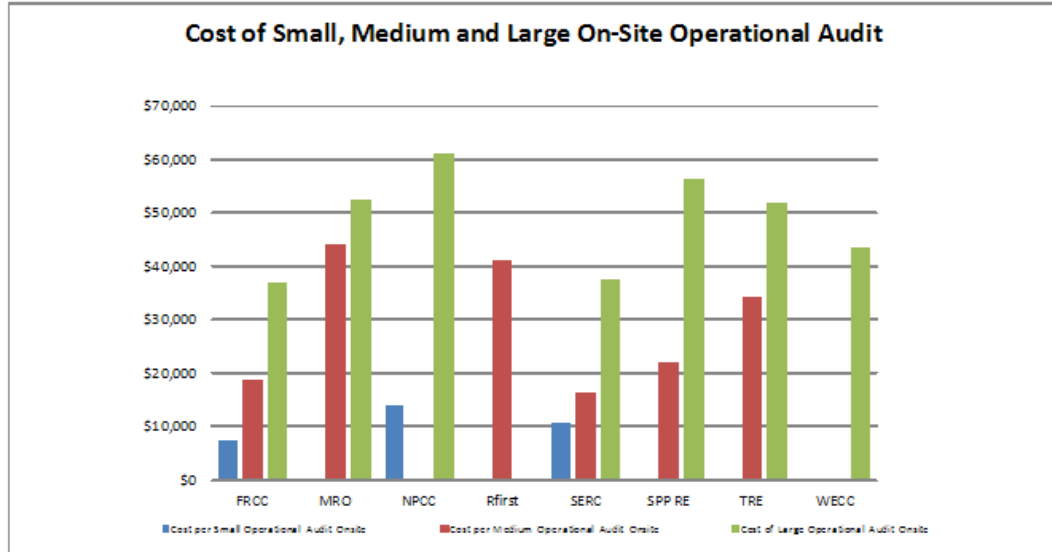


Registered Functions per Registered Entity  
2014 Budget

FRCC	MRO	N PCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
3.6	4.0	2.0	2.0	2.8	2.9	2.0	2.6	2.7

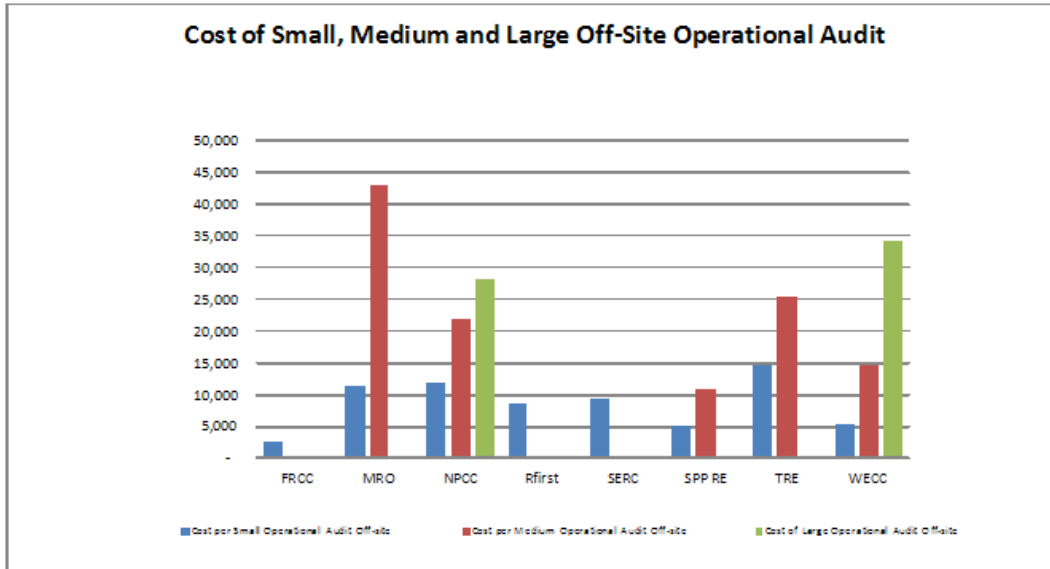


	FRCC	MRO	N PCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Cost per Small Operational Audit Onsite	7,411		13,900		10,550			-	7,965
Cost per Medium Operational Audit Onsite	18,527	44,049		40,942	16,392	22,113	34,027	-	25,150
Cost of Large Operational Audit Onsite	37,054	52,452	61,150		37,605	56,357	51,798	43,567	48,569



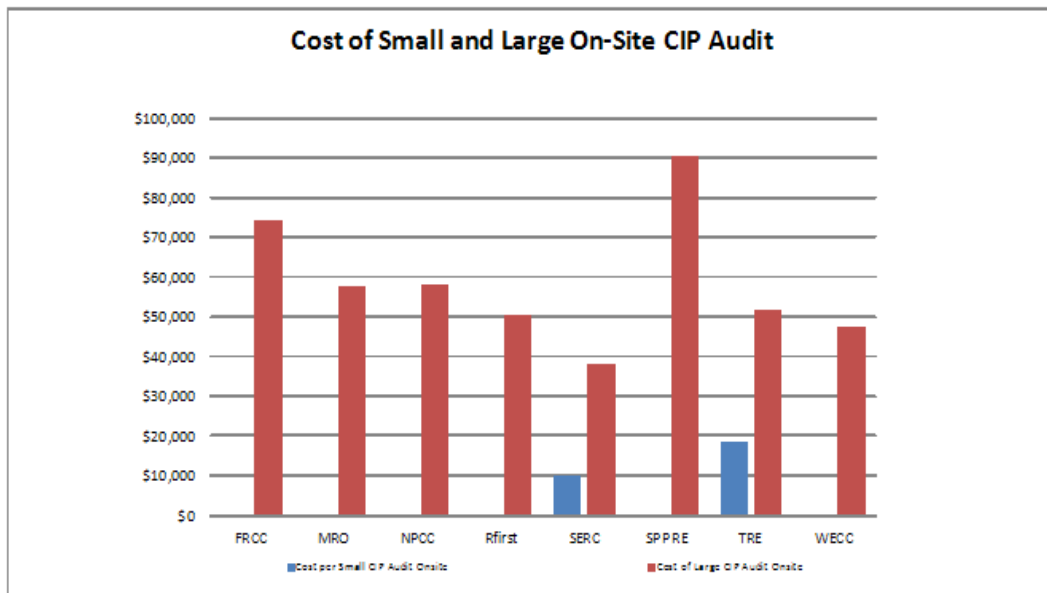


	FRCC	MRO	NPCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Cost per Small Operational Audit Off-site	2,685	11,404	11,875	8,560	9,454	5,129	14,447	5,367	8,615
Cost per Medium Operational Audit Off-site		43,083	21,950			10,796	25,328	14,513	23,134
Cost of Large Operational Audit Off-site			28,280					34,167	31,224



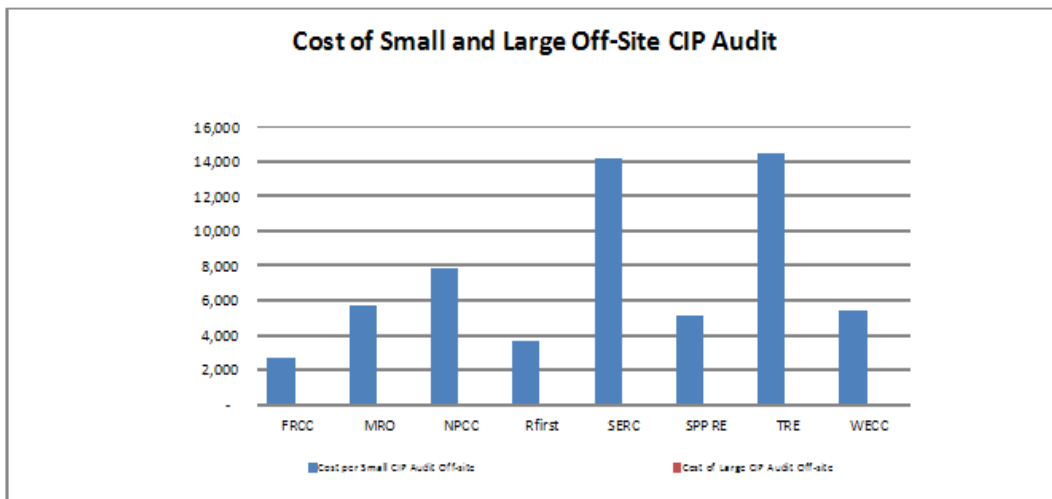
Cost per Small CIP Audit Onsite  
 Cost of Large CIP Audit Onsite

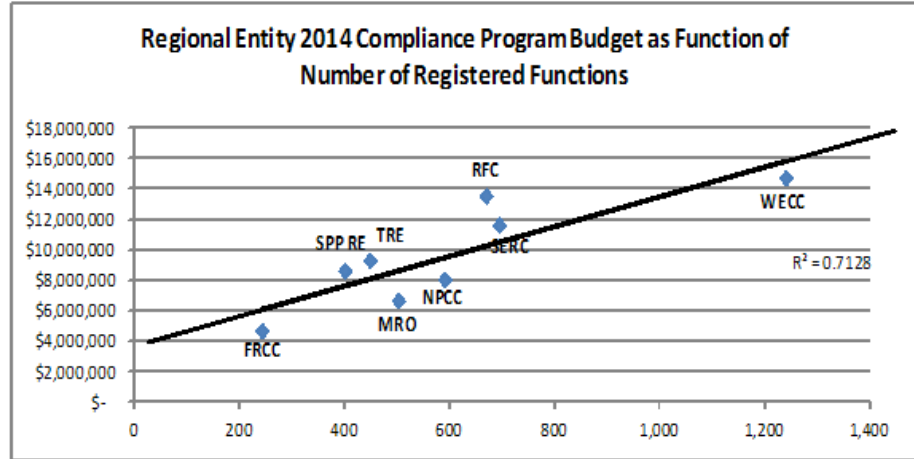
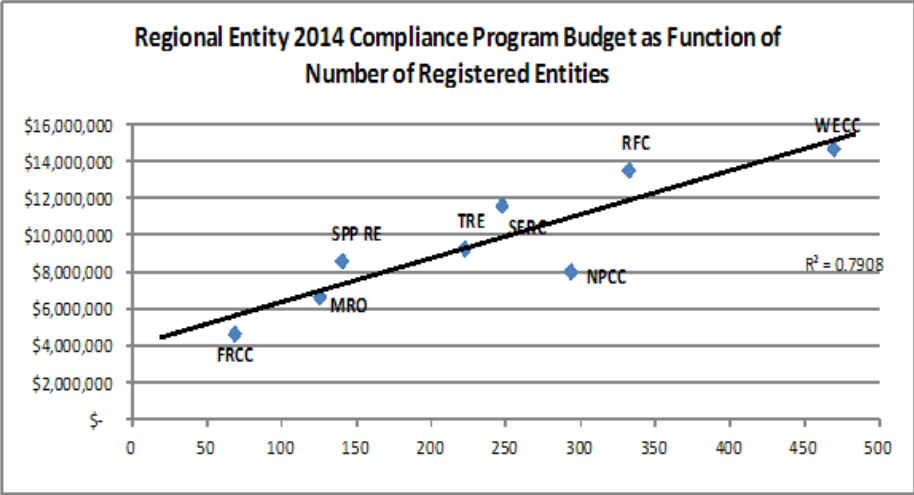
	FRCC	MRO	N PCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Cost per Small CIP Audit Onsite					10,182		18,797	-	9,660
Cost of Large CIP Audit Onsite	74,108	57,520	58,150	50,453	38,159	90,638	51,496	47,463	58,498



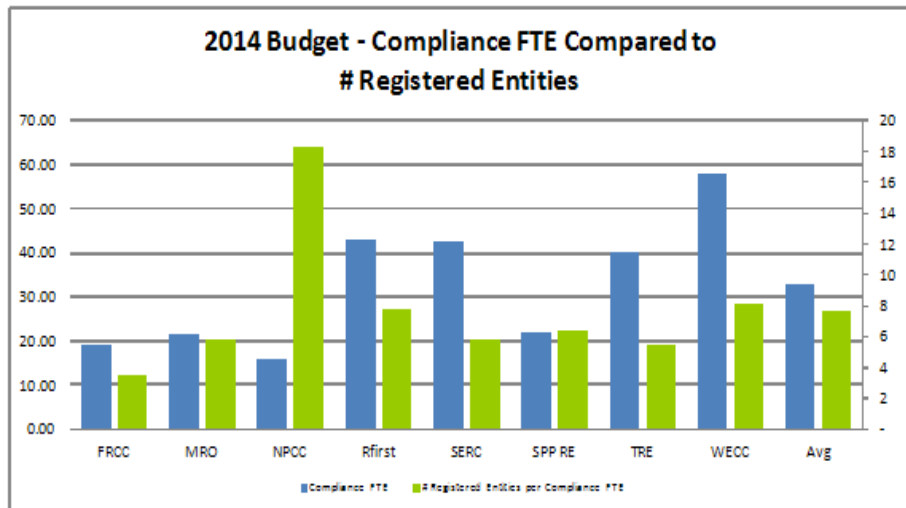
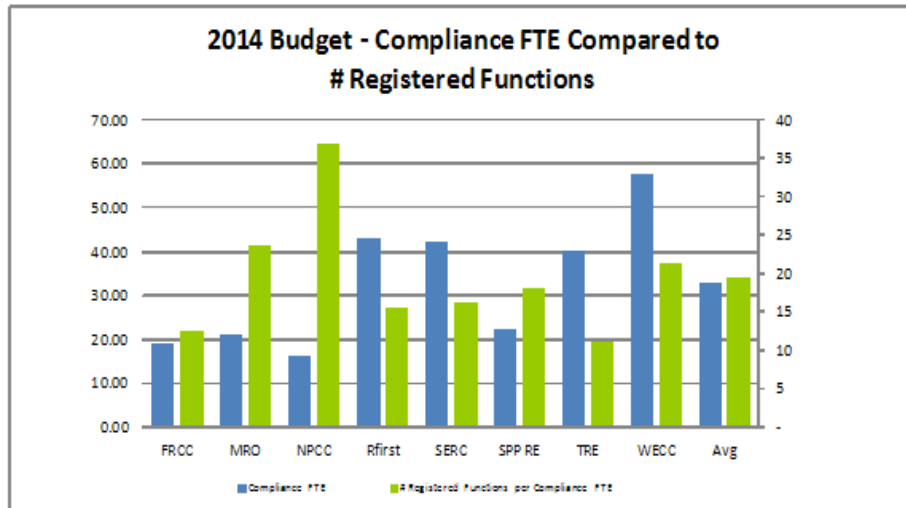
Cost per Small CIP Audit Off-site  
 Cost of Large CIP Audit Off-site

	FRCC	MRO	N PCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Cost per Small CIP Audit Off-site	2,685	5,702	7,830	3,738	14,194	5,129	14,447	5,367	7,386
Cost of Large CIP Audit Off-site	-	-	-	-	-	-	-	-	-

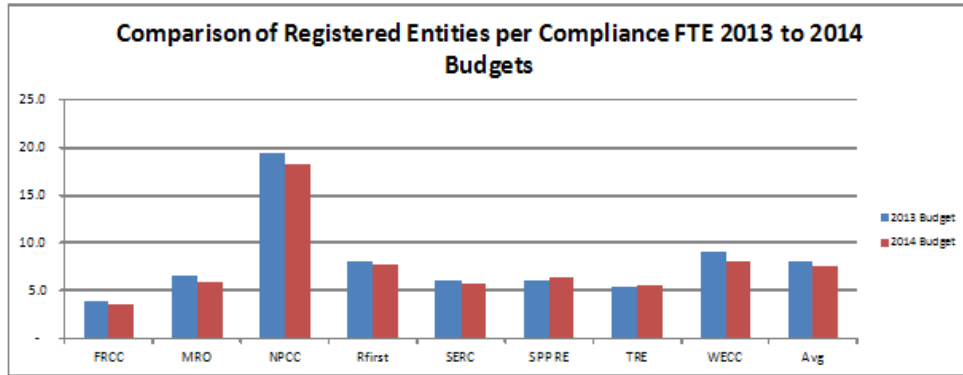




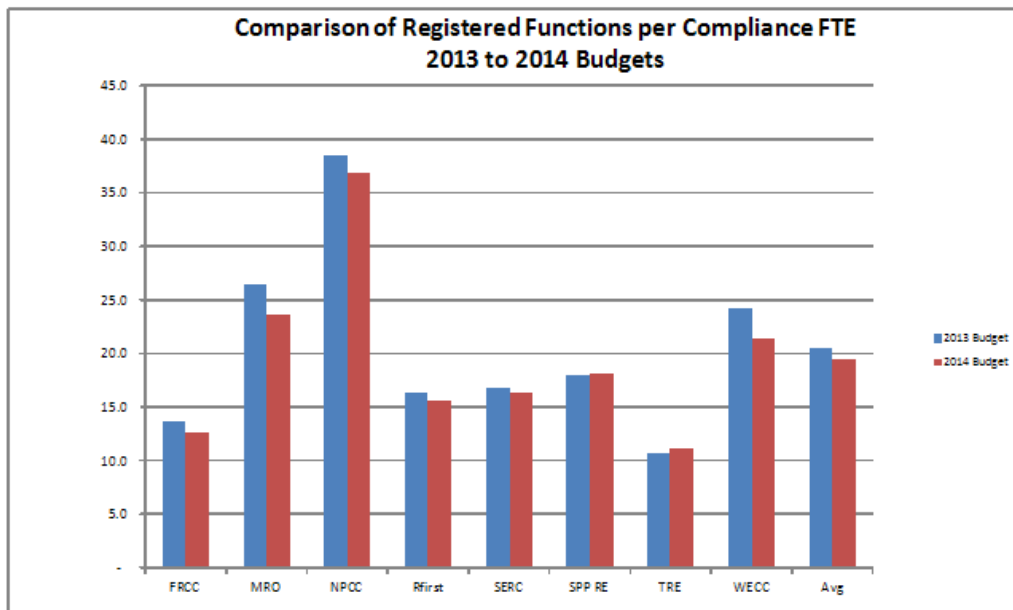
	FRCC	MRO	N PCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
Compliance FTE	19.26	21.26	16.00	43.00	42.50	22.10	40.00	58.00	32.77
# Registered Entities per Compliance FTE	3.5	5.9	18.3	7.7	5.8	6.3	5.6	8.1	7.7
# Registered Functions per Compliance FTE	12.6	23.6	36.9	15.6	16.3	18.1	11.2	21.4	19.5



	FRCC	MRO	NPCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
2013 Budget	3.9	6.6	19.5	8.2	6.0	6.1	5.4	9.1	8.1
2014 Budget	3.5	5.9	18.3	7.7	5.8	6.3	5.6	8.1	7.7



	FRCC	MRO	NPCC	Rfirst	SERC	SPP RE	TRE	WECC	Avg
2013 Budget	13.6	26.4	38.5	16.3	16.8	18.0	10.7	24.2	20.6
2014 Budget	12.6	23.6	36.9	15.6	16.3	18.1	11.2	21.4	19.5



## **Discussion and Analysis**

### **Metrics Based on 2014 Regional Entity Budgets**

The development, collection, analysis and comparison of Regional Entity Compliance Program metrics data continues to be a complicated and time-consuming process, requiring careful consideration of many complex factors. In analyzing the Regional Entity metrics based on their 2014 budgets, NERC has in a number of instances looked at the average value among the Regional Entities for the metric, as well as the range of the individual values around the average. This data has been considered as part of the effort to understand and explain the differences among the Regional Entities' budgeted values, and not because NERC believes the deviation from an average, standing alone, is a measure of an individual Regional Entity's efficiency or effectiveness.

The Regional Entity metrics provided in this Attachment, based on the Regional Entities' 2014 Business Plans and Budgets, continue to show, in general, that the Regional Entities with the larger numbers of registered entities and registered functions have the larger Compliance Program budgets. The bar charts and accompanying data on page 5 of this Attachment depict the relative positions of the Regional Entities with respect to (i) total Compliance Program budget for 2014 and (ii) numbers of registered entities and registered functions.<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 2014 Compliance Program budget per registered entity and per registered function for each Regional Entity. There are variations among the Regional Entities with respect to Compliance Program budget per registered entity and Compliance Program budget per registered function. The average of the Regional Entity values for Compliance Program budget per registered function is

---

<sup>6</sup> The data on numbers of registered entities and registered functions in each Region used in the 2014 budget metrics are as of March, 2013 for the MRO Region; June 2013 for the FRCC Region; July, 2013 for the ReliabilityFirst, Texas RE and WECC Regions; and August, 2013 for the NPCC, SERC and SPP RE Regions.

\$17,249 (an increase of approximately \$1,000 over this average based on the 2013 Budgets); the two highest values (SPP RE - \$21,657 and Texas RE - \$20,840 and) are approximately 126% and 121% of the average, respectively, while the lowest value (WECC - \$11,906) is 69% of the average and the next lowest value is MRO at \$13,342 (77% of the average). With respect to Compliance Program budget per registered entity, the average for the Regional Entities is \$46,736 (an increase of approximately \$3,000 over the average from the 2013 Budgets); the two highest values (FRCC - \$69,152 and SPP RE - \$61,878) are approximately 148% and 132% of the average, respectively; and the lowest value (NPCC - \$27,575) is 59% of the average.<sup>7</sup>

As noted, FRCC and SPP RE have the two highest values for Compliance Program budget per registered entity, and SPP RE and Texas RE have the two highest values for Compliance Program budget per registered function. At the same time, FRCC, SPP RE and Texas RE have three of the four lowest totals of registered entities, and the three lowest totals of registered functions, among the eight Regional Entities. At the other end of the spectrum, WECC has the lowest values among the Regional Entities for Compliance Program budget per registered function and the second lowest value for Compliance Program budget per registered entity (only NPCC has lower value for Compliance Program budget per registered entity), and WECC has (by far) the highest numbers of registered entities and registered functions in its Region of all the Regional Entities. These data indicate, again (as indicated by these metrics as presented in previous years' business plan and budget filings), and in general, that there are economies of scale in Compliance Program operations and costs.

The graphs on page 11 of this Attachment, which display the results of two simple least-squares regression analyses using the Regional Entities' 2014 budgets, help to further illustrate the relationship between numbers of registered entities and registered functions, on the one hand, and total Compliance Program budget, on the other hand. Each Regional Entity's 2014 Compliance Program budget has been plotted against its number of registered entities, and its number of registered functions. On each of these charts, a linear trend line has been drawn based on the data points, and the correlation coefficient ( $R^2$ ) of the data points is indicated. The disparity between the  $R^2$  value for the plot based on number of registered entities (0.7908) and the  $R^2$  value for the plot based on number of registered functions (0.7128) is similar to this analysis in the previous two years' Business Plan and Budget filings.<sup>8</sup> NERC continues to

---

<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 4.0 registered functions per registered entity for MRO to a low value of 2.0 registered functions per registered entity for NPCC, ReliabilityFirst and Texas RE. The overall average is 2.7 registered functions per registered entity. (See the data lines on page 8.) The values of this metric for each Regional Entity are generally consistent with the values based on the 2011, 2012 and 2013 Business Plans and Budgets – not surprisingly, neither the average nor the values of this metric for the individual Regional Entities have changed significantly. There is not an obvious reason why some Regional Entities (MRO and FRCC) have 1.8 to 2.0 times more registered functions per registered entity than do other Regional Entities (NPCC, Texas RE and ReliabilityFirst), and in any event this is a metric that is outside the control of the Regional Entities.

<sup>8</sup> In the regression analysis that was provided in Attachment 15 of the 2012 Business Plan and Budget filing, the  $R^2$  value for the plot based on number of registered functions was 0.7126 while the  $R^2$  value for the plot based on number of registered entities was 0.725. In the regression analysis that was provided in Attachment 15 of the 2013 Business Plan and Budget filing, the  $R^2$  value for the plot based on number of

believe that the regression analyses continue to indicate that neither number of registered entities or number of registered functions is a significantly better predictor of a Regional Entity's total Compliance Program budget than the other number. Further, a visual inspection of the two graphs shows that the data point for each Regional Entity is at approximately the same point relative to the trend line on both graphs. Specifically, the data points for FRCC, MRO, NPCC and WECC are on or below the trend line on both graphs, and the data points for SPP RE, Texas RE, SERC and ReliabilityFirst are on or above the trend line on both graphs. (These are the same positional relationships for the individual Regional Entities that were shown in the regression plots provided in Attachment 15 of the 2013 Business Plan and Budget filing). Finally, the fact that the y-intercept for each trend line is significantly greater than zero is a further indication that a simple comparison of the individual Regional Entity values to an average is not a strong indicator of relative efficiencies of the Regional Entities in their Compliance Programs.

The bar charts and accompanying data lines on page 12 of this Attachment show the numbers of registered functions per Compliance Program FTE and registered entities per Compliance Program FTE for each Regional Entity, based on the 2014 budgets. The average for the eight Regional Entities for numbers of registered entities per Compliance Program FTE is 7.7, (compared to the average of 8.1 based on the 2013 budgets); the lowest value (FRCC – 3.5) is 46% of the average and the highest value (NPCC – 18.3), is 239% of the average. This is about the same range of values around the average than was the case for the 2013 Budget (48% to 241%). The average for numbers of registered functions per Compliance Program FTE is 19.5 (a 5.3% reduction from the average based on the 2013 budgets); the lowest value (Texas RE – 11.2) is 58% of the average and the highest value (NPCC – 36.9), is 190% of the average. This is also a comparable range of values around the average than was the case for the 2013 Budget.

The bar charts and accompanying data lines on page 13 of this Attachment provide a comparison of the metrics for registered entities per Compliance Program FTE and registered functions per Compliance Program FTE, for each Regional Entity, based on the 2014 budgets, to the values of these metrics based on the Regional Entities' 2013 budgets as provided in the 2013 Business Plan and Budget filing. The values of this metric have decreased from the 2013 Budget to the 2014 Budget for FRCC, MRO, NPCC, ReliabilityFirst, SERC and WECC (*i.e.*, these Regional Entities now have fewer registered entities per Compliance Program FTE than in their 2013 budgets), while the values for this metric have increased from the 2013 budgets for SPP RE and Texas RE (*i.e.*, these Regional Entities now have more registered entities per Compliance Program FTE than in their 2013 budgets). With respect to registered functions per Compliance Program FTE, the 2014 budget values of this metric are lower than the 2013 budget values for FRCC, MRO, NPCC, ReliabilityFirst, SERC, and WECC (*i.e.*, these Regional Entities each now has fewer registered functions per Compliance Program FTE than its 2013 budget), while the 2014 budget values of this metric are higher than the 2013 budget values for SPP RE and Texas RE (*i.e.*, SPP RE and Texas RE now have more registered functions per Compliance Program FTE than in their 2013 budgets). The change in the value of these metrics for NPCC, ReliabilityFirst, SERC, SPP RE and Texas RE from their 2013 budgets to their 2014 budgets is

---

registered functions was 0.7758 while the R<sup>2</sup> value for the plot based on number of registered entities was 0.6704.



generally 6 percent or less for number of registered entities per Compliance Program FTE and is generally 5 percent or less for number of registered functions per Compliance Program FTE. This observation is consistent with the facts that (1) seven years after NERC was certified as the ERO, the population of registered entities and registered functions is fairly mature (*i.e.*, for the most part, the users, owners, and operators of the bulk power system that should be registered, have been registered, and for the relevant reliability 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 2014 budgets as compared to their 2012 budgets. For FRCC, MRO and WECC, the change in the value of these metrics from their 2013 budgets to their 2014 budgets is 9.6, 10.7 and 11.0 percent, respectively for number of registered entities per Compliance Program FTE and is 7.6, 10.6 and 11.7 percent, respectively for the number of registered functions per Compliance Program FTE.<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 2014 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 are not included in the estimated cost to perform the compliance audit. The costs per audit for each category of audit, shown in the table on page 4 and the bar charts on pages 8 through 10, are based on the Regional Entities' estimates of the man-hours required to complete the preparation, performance and reporting functions for each category of compliance audit in 2014. The costs include the direct Salary expense and related Personnel Expense (Payroll Taxes, Benefits and Retirement Costs) for the man-hours of the Regional Entity personnel involved in preparation, performance and reporting for the audit and/or the costs for consultant/contractor resources used by the Regional Entity to perform the audit, but do not include any allocation of Regional Entity indirect costs. The costs also include Travel Expense for personnel in connection with on-site audits at the registered entity's location.

NERC and the Regional Entities note the following factors, among others, that can contribute to the differences in estimated costs per compliance audit among the Regional Entities for the various compliance audit size and site categories, as reported in the table on page 4 and shown in the bar charts on pages 8 through 10:

---

<sup>9</sup> It is possible that implementation of the revised Bulk Electric System definition and exception procedure approved by the Commission in Docket Nos. RM12-6-000 and RM12-7-000, will result in some changes in registrations, at least in some Regions, when it becomes effective in 2014.

<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 9 through 11 if no audits of that size or type are planned.

- Some Regional Entities are using consultants or contractors on their audit teams, which may entail a higher cost per hour than the use of Regional Entity employees.<sup>12</sup> For example, as shown on the table on page 4, NPCC, SPP RE and WECC are planning on the use of contractors in compliance audits in 2014. (In general and over time, as the Regional Entities have continued to build their Compliance Program staffs, they have been able to reduce their use of consultants or contractors in compliance audits. An exception is where very specialized subject matter expertise is required and there may not be cost justification for maintaining that expertise on staff in FTE positions.)
- The Regional Entity’s footprint may affect the extent to which travel costs must be incurred in the performance of on-site compliance audits within the Region.
- Although consistent definitions of “large” operational and CIP audits have been used, *i.e.*, an operational audit encompassing more than 75 reliability standards requirements and a CIP audit encompassing more than 43 CIP standards requirements or 162 sub-requirements), some Regional Entities may project a greater number of requirements to be audited in a typical “large” compliance audit than other Regional Entities. A Regional Entity that projects a larger number of requirements to be audited in a “large” audit would, all other things equal, estimate a greater amount of resources to conduct its “large” audit (*e.g.*, more auditors, more days at the registered entity’s site and/or more man-hours to review the registered entity’s documentation and to prepare the audit report).
- Some Regional Entities may simply be planning more steps, or budgeting higher man-hours, for the preparation, completion and/or reporting phases of their compliance audits. In particular, there may be variations in the levels of activity and man-hours budgeted by the Regional Entities for review of registered entity responses to pre-audit questionnaires and RSAWs, and other registered entity documents and information, prior to the on-site phase of a compliance audit.
- With respect to CIP compliance audits, as noted earlier, the need to examine equipment or facilities that are the subject of one or more TFE Requests or to audit the registered entity’s compliance with one or more approved TFEs complicates the difficulty of projecting the resource requirements for a CIP audit.

In addition to these factors, differences in estimated costs per audit among Regional Entities may reflect general differences in the market compensation levels in the different areas of the U.S. in which the various Regional Entities operate, thereby impacting their respective overall Personnel Expenses.

---

<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.

In conclusion, NERC reiterates that the development, collection, analysis and comparison of metrics on the Regional Entities' costs, operations and performance is an ongoing process. NERC and the Regional Entities will continue to work collaboratively to refine the metrics and improve their analysis of the reported metrics values and the factors that may cause variations in values among the Regional Entities. In addition, during 2014, NERC and the Regional Entities plan to evaluate whether additional or revised metrics should be developed to better reflect current practices in compliance auditing and other compliance monitoring activities, including the impacts of the ERO's Reliability Assurance Initiative.

**DOCKET NO. RR13-\_\_-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**2014 BUSINESS PLAN AND BUDGET FILING**

**ATTACHMENT 17**

**METRICS ON NERC AND REGIONAL ENTITY**

**ADMINISTRATIVE (INDIRECT) COSTS**

**BASED ON**

**THE 2013 AND 2014 BUDGETS**

## ATTACHMENT 17

### **Analysis of NERC and Regional Entity Budgeted Indirect (Administrative Services) Costs 2014 Budgets versus 2013 Budgets**

In the preparation of the NERC and Regional Entity 2014 Business Plans and Budgets, indirect expenses have been defined as those expenses which cannot be directly attributed to one of the statutory program functions.<sup>1</sup>

The metrics presented in the tables on the last page of this Attachment are the same metrics presented in Attachment 16 to the 2010, 2011, 2012 and 2013 Business Plan and Budget filings. These tables provide several metrics comparing indirect costs and 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 2014 Business Plans and Budgets and their 2013 Business Plans and Budgets.

Overall, the tables show an increase in the average indirect costs as a percent of total statutory costs and an increase in the average statutory indirect FTEs as a percentage of total statutory FTEs, in the NERC and Regional Entity 2014 budgets as compared to the 2013 budgets. This result is reflective of consistent application of the definition of indirect costs, as described above, in the preparation of the 2014 budgets.

As discussed in greater detail below, the changes in the averages for the three sets of metrics provided in this Attachment from the 2013 budgets to the 2014 budgets are largely a function of the elimination of the Reliability Coordinator and Interchange Authority functions from WECC's direct statutory costs (due to the formation of the RCCo) and the completion of a significant WECC program that has been funded by a U.S. Department of Energy (DOE) grant, the costs of which were budgeted and recorded as direct statutory costs, in 2013 (i.e., these costs were in WECC's 2013 budget but are not in its 2014 budget). The information in the first row of tables shows that, due primarily to these changes, WECC's total statutory budget has decreased from \$51,025,093 for 2013 to \$25,638,085 for 2014 (49.8% decrease); its total direct statutory budget has decreased from \$38,697,715 for 2013 to \$16,296,214 for 2014 (57.9% decrease); and its total statutory indirect budget has decreased from \$12,327,378 for 2013 to \$9,341,871 for 2014 (24.2% increase).<sup>3</sup> As a result, all of WECC's metrics show increases in statutory indirect budget and budgeted statutory indirect FTEs relative to statutory direct and total budget and FTEs. The changes in the metrics for the other Regional Entities and NERC from their 2013 budgets to their 2014 budgets are all much less significant than the changes for WECC.

---

<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.

<sup>3</sup> This comparison is not intended to suggest that WECC should be able to reduce its statutory indirect costs by the same percentage as it has reduced its statutory direct costs; to the contrary, such an expectation would be unreasonable, particularly considering the nature of certain of the eliminated direct costs, as discussed below.

Following is discussion of the individual metrics presented in the tables.

### **Percent of Statutory Indirect Budget to Total Statutory Budget**

For NERC and the Regional Entities, the average percent of Statutory Indirect Budget to Total Statutory Budget (top row of tables) in the 2014 budgets is 35.5%, versus 32.3% in the 2013 budgets. For 2014, NPCC, ReliabilityFirst, SERC, Texas RE and WECC show percentages below or only slightly above the overall average. NERC's and MRO's 2014 values for this metric are slightly higher than the values for the entities just listed, but are not significantly above the overall average.

FRCC's percentages for this metric calculated from both its 2013 budget and its 2014 budget are considerably lower than the overall average, which is reflective of the methodology used by FRCC to identify and allocate staff time and Office Costs to the appropriate program. SPP RE continues to have a higher percentage than the average (the highest percentage among the Regional Entities) for this metric, reflecting the allocation of indirect costs (support services charges) from SPP, Inc., which are driven by SPP, Inc.'s operating budget. FRCC shows a decrease in this metric from its 2013 budget to its 2014 budget of 1.1 percentage points.

For NERC, MRO, NPCC, ReliabilityFirst, SERC, SPP RE, Texas RE and WECC, the percentages of Statutory Indirect Budget to Total Statutory Budget increased in their 2014 budgets from the percentages based on their 2013 budgets, ranging from an increase of only 0.2 percentage points for NPCC and ReliabilityFirst to increases of 7.4 percentage points for Texas RE and 12.2 percentage points for WECC. WECC's percentage for this metric based on its 2014 budget is significantly higher than its percentage based on its 2013 budget; this increase is primarily attributable to the creation of an independent new entity, the RCCo, that will take over the Reliability Coordinator and Interchange Authority registered functions from WECC. In its 2013 budget, WECC had 85.1 direct statutory FTEs in its Situation Awareness program (where the Reliability Coordinator and Interchange Authority functions were budgeted); these positions are moving to the RCCo and are not included in WECC's budgeted direct statutory FTEs or costs for 2014. The increase in this metric for WECC also reflects the termination of substantial expenses that were funded by a U.S. DOE grant and were recorded as statutory direct costs. The expenses for the DOE-funded Western Interconnection SynchroPhasor (WISP) program in which WECC has been engaged for several years are ending in 2013 and are not included in WECC's 2014 budget. The expenses of the WISP program, some of which were pass-through costs to other entities, has significantly increased its budgeted direct statutory costs relative to its budgeted indirect and total statutory costs for several years. Going forward, with the elimination of the Reliability Coordinator and Interchange Authority functions and associated costs and the elimination of costs for the WISP program, funded by a federal grant, from WECC's statutory direct costs, WECC's metrics comparing statutory indirect costs and staffing to statutory direct and total costs and staffing should be more comparable to those of the other Regional Entities, as WECC's functional organization will be more comparable to those of the other Regional Entities.

The overall average for the ratio of Statutory Direct Budget to Statutory Indirect Budget decreased from 2.74 based on the 2013 Business Plans and Budgets to 2.57 based in the 2014 Business Plans and Budgets. This change is consistent with the percentage change in the overall

average for Total Statutory Indirect Budget as a Percent of Total Statutory Budget.

### **Budgeted Indirect FTEs as a Percent of Budgeted Total FTEs**

In the NERC and Regional Entity 2014 Business Plans and Budgets, on average the budgeted statutory indirect FTEs are 22.3% of total statutory FTEs, compared to an average of 21.5% for the 2013 budgets, an increase of 0.8 percentage points (second row of tables). On average, there are 4.41 statutory direct FTEs per statutory indirect FTE in the 2014 budgets, compared to 4.32 statutory direct FTEs per statutory indirect FTEs in the 2013 budgets, for an average increase of 0.09 statutory direct FTEs per statutory indirect FTE (a percentage change of approximately 2 percent). The small changes in these two metrics from 2013 to 2014 are comparable to the similarly small changes from 2012 to 2013, when the average budgeted statutory indirect FTEs as a percent of total budgeted FTEs increased 1.3 percentage points from 20.2% to 21.5%, and the average number of statutory direct FTEs per statutory indirect FTE decreased by 0.07, from 4.39 to 4.32. Thus, these metrics continue to demonstrate that, as the ERO organization continues to mature, NERC and the Regional Entities are achieving an operational balance between statutory direct FTEs and indirect FTEs.

NERC, MRO and WECC have higher percentages of budgeted statutory indirect FTEs to total statutory FTEs reflected in their 2014 budgets than in their 2013 budgets, although the increase in this metric for MRO is quite small. FRCC, NPCC, ReliabilityFirst, SERC and SPP RE have lower percentages of budgeted statutory indirect FTEs to total statutory FTEs reflected in their 2014 budgets than in their 2013 budgets. Texas RE's percentage of budgeted statutory indirect FTEs to total statutory FTEs reflected in its 2014 budget is the same as in its 2013 budget. SPP RE continues to have a very low percentage (the lowest percentage among the Regional Entities) of indirect statutory FTEs to total statutory FTEs, which reflects the fact that SPP RE has a very small staff of indirect FTEs and obtains many of its administrative services from SPP, Inc. In considering this metric, it should be kept in mind that, other than WECC's substantial staffing reductions in 2014 due to formation of the RCCo and elimination of the Reliability Coordinator and Interchange Authority functions at WECC, neither NERC nor any of the other Regional Entities are planning significant changes (increases or decreases) in overall staffing levels in their 2014 budgets from their 2014 budgets. Without significant changes in staffing from year to year, there will not be significant changes in the values of this metric.

### **Statutory Indirect Budget per Total FTE**

The Statutory Indirect Budget per Total FTEs has increased from an average of \$87,510 in the 2013 NERC and Regional Entity budgets to \$95,164 in the 2014 budgets, an increase of \$7,654, or 8.7% (bottom row of tables). The increases in the statutory Indirect Budget per Total FTEs for NERC, ReliabilityFirst, SERC, SPP RE, Texas RE and WECC are reflective of their increased percentages of Statutory Indirect Budget to Total Statutory Budget (first row of tables). The statutory Indirect Budget per Total FTEs metric has decreased from the 2013 budget to the 2014 budget for FRCC, MRO and NPCC, however the percentage of Statutory Indirect Budget to Total Statutory Budget increased for MRO and NPCC.

**Analysis of Indirect (Administrative Services) Costs  
2014 Budget versus 2013 Budget**

2013 BUDGET						2014 BUDGET					
Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory	Ratio of		Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory	Ratio of	
				Statutory Direct Budget to Indirect Budget	Statutory Direct Budget to Indirect Budget						
\$ 54,286,256	\$ 30,909,401	\$ 23,376,855	43.1%	1.32	NERC	\$ 56,390,096	31,154,625	25,235,471	44.8%	1.23	
6,531,782	5,861,218	670,564	10.3%	8.74	FRCC	6,794,932	6,172,992	621,940	9.2%	9.93	
9,283,539	5,558,189	3,725,350	40.1%	1.49	MRO	9,744,799	5,774,572	3,970,227	40.7%	1.45	
13,879,226	8,969,958	4,909,268	35.4%	1.83	NPCC	14,129,006	9,095,248	5,033,758	35.6%	1.81	
17,426,838	12,443,206	4,983,632	28.6%	2.50	ReliabilityFirst	18,063,201	12,869,165	5,194,036	28.8%	2.48	
15,907,603	10,433,393	5,474,210	34.4%	1.91	SERC	16,877,288	10,610,814	6,266,474	37.1%	1.69	
11,514,817	6,064,830	5,449,987	47.3%	1.11	SPP RE	11,823,629	5,736,162	6,087,467	51.5%	0.94	
10,935,780	7,916,802	3,018,978	27.6%	2.62	Texas RE	11,771,248	7,653,236	4,118,012	35.0%	1.86	
51,025,093	38,697,715	12,327,378	24.2%	3.14	WECC	25,638,084	16,296,214	9,341,870	36.4%	1.74	
					AVERAGE						
				32.3%	2.74					35.5%	2.57

2013 BUDGETED FTEs						2014 BUDGETED FTEs					
Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to		Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs	
				Indirect Statutory FTEs	Indirect Statutory FTEs						
186.25	133.50	52.75	28.3%	2.53	NERC	189.53	130.39	59.14	31.2%	2.20	
30.12	26.37	3.75	12.5%	7.03	FRCC	30.40	27.04	3.36	11.1%	8.05	
37.75	27.75	10.00	26.5%	2.78	MRO	40.75	29.79	10.96	26.9%	2.72	
35.86	26.86	9.00	25.1%	2.98	NPCC	36.86	27.86	9.00	24.4%	3.10	
73.00	57.20	15.80	21.6%	3.62	ReliabilityFirst	72.00	57.20	14.80	20.6%	3.86	
77.45	57.52	19.93	25.7%	2.89	SERC	79.20	59.37	19.83	25.0%	2.99	
34.50	31.25	3.25	9.4%	9.62	SPP RE	33.86	30.86	3.00	8.9%	10.29	
60.00	49.25	10.75	17.9%	4.58	Texas RE	60.00	49.25	10.75	17.9%	4.58	
216.30	160.00	56.30	26.0%	2.85	WECC	135.00	88.10	46.90	34.7%	1.88	
					AVERAGE						
				21.5%	4.32					22.3%	4.41

2013 BUDGET per FTE				2014 BUDGET per FTE				
Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Budget per Total FTE	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Budget per Total FTE	
								\$ 291,470
216,859	222,268	178,817	22,263	223,518	228,291	185,101	20,459	
245,922	200,295	372,535	98,685	239,136	193,843	362,247	97,429	
387,039	333,952	545,474	136,901	383,315	326,463	559,306	136,564	
238,724	217,539	315,420	68,269	250,878	224,985	350,948	72,139	
205,392	181,387	274,672	70,681	213,097	178,723	316,010	79,122	
333,763	194,075	1,676,919	157,971	349,192	185,877	2,029,156	179,783	
182,263	160,747	280,835	50,316	196,187	155,396	383,071	68,634	
235,900	241,861	218,959	56,992	189,912	184,974	199,187	69,199	
				AVERAGE				
			\$ 87,510				\$ 95,164	